An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

The Position of the Self-Employed

Background Paper

(151/2)

November 2020

An Oifig Náisiúnta um Fhorbairt Eacnamaíoch agus Shóisialta
National Economic & Social Development Office NESDO

An Chomhairle Náisiúnta Eacnamaíoch agus Shóisialta
National Economic & Social Council

The Position of the Self-Employed

Background Paper
(151/2)

Dr Anne Marie McGauran

November 2020

This background paper provides additional empirical and analytical material on the issues discussed in the main Council report No.151, *The Future of the Irish Welfare State*. This paper was agreed by the Council in December 2018.

A list of the full set of NESC publications is available at www.nesc.ie

Table of Contents

List of Tables

List of Boxes

List of Figures

Executive Summary

The self-employed in Ireland

The self-employed in Ireland are a very diverse group, ranging from professionals, farmers, landlords and tradesmen, to taxi drivers, hairdressers and artists. Self-employment is most common among those working in agriculture, fishing and forestry; construction; and retailing and wholesaling. However, the proportion of the Irish work force who are self-employed has fallen more or less continuously since 1998. This trend is also evident internationally as countries become wealthier. The largest declines in Irish self-employment have been in agriculture, wholesale and retail, and food and accommodation. There has been an increase in self-employment in industry, and information & communication—but these sectors account for only a small proportion of the self-employed. These patterns in Ireland are similar to those in the rest of Europe, but more typical of southern and eastern Europe.

There are also cyclical variations. In several sectors, particularly services and construction, self-employment declined until 2007, then increased strongly during the recession to 2012, and fell again as the economy recovered. However, in construction and health services the proportion self-employed remains higher than in 2007.

As well as the general decline in self-employment, there has been a decline in the number of self-employed with employees. Again this varies by sector, with continuous decline in agriculture, fishing and forestry, and in transportation and storage.

Demographically, who are the self-employed? Compared to employees, the self-employed are more likely to live in rural areas; to be male, older, married, living in a smaller household without children, to be Irish and to have lower levels of education. When farmers are excluded from the self-employed, the difference between employees and the self-employed reduces, but the same pattern holds. On education, Ireland differs from the trend in much of north-western Europe. There, the self-employed typically have higher education levels than employees. This is related to the sectors in which self-employment predominates in north-west Europe.

Why set up as self-employed?

There are a range of reasons why a person sets up as self-employed. Some individuals set up ‘innovative’ businesses which are based on a new idea. These individuals are true entrepreneurs, i.e. bringing a new innovation to market and planning to grow their enterprise. Meanwhile, others set up ‘replicative’ businesses, which replicate an existing business. These firms are usually small and do not plan to grow. Quite often they are set up when the economy is expanding, which is a ‘pull’ factor. Both innovative and replicative businesses are forms of ‘independent’ self-employment. ‘Push’ factors can include a lack of employment opportunities, e.g. during a recession or in a rural area, and so people can be ‘pushed’ into self-employment. While this can take the form of independent self-employment, recessionary conditions have been linked to more dependent types of self-employment in Europe (see Roman *et al.*, 2011), with some workers more likely to be carrying out work which they previously did for a single employer, as a self-employed contractor. State support can also play a role—either through grants or tax relief supporting enterprise and self-employment, or through overly-strict employment protection and tax/social insurance contributions which make employing staff less attractive and so can lead to pressures for self-employment.

A study by the European Foundation indicates that approximately four fifths of the self-employed in Ireland are independent, own account workers or employers. These groups are most likely to have chosen to set up as self-employed, to have high autonomy over their work, and to enjoy being their own boss. They tend to have average or slightly higher than average incomes. However, some (e.g. farmers and retailers) work long hours, and many would not be economically secure if they had a long-term illness. This study also shows that over a tenth of the self-employed in Ireland are dependent, much more likely to be relying on one client, have low autonomy over their work, and are more likely to be low paid. Many of this group became self-employed out of necessity, and they are less likely to enjoy being self-employed. They are the most economically insecure if they fall ill.

The financial situation of the self-employed

In relation to income, a variety of data bases (The Survey on Income and Living Conditions (SILC), Household Budget Survey, and the Household Finance and Consumption Survey) show that households headed by a self-employed person have lower incomes than households headed by employees, although social transfers help to combat this. The self-employed are more likely to suffer from consistent poverty but less likely to suffer from deprivation than employees. However, the self-employed without employees are more likely to have lower incomes and higher consistent poverty rates than both the self-employed with employees, and employees. Nonetheless, the situation of employees and the self-employed is significantly stronger than that of the unemployed, and those who are ill or have a disability.

Meanwhile, households headed by the self-employed are much more likely than those headed by employees to hold assets, such as their home, a second property, shares, etc. The median net wealth of the self-employed, including farmers,[1] was almost three times the State average in 2015-16, and when farmers are excluded, the median net wealth of all other self-employed was over twice the state average.

---

1 The discussion in this paragraph refers to households headed by an employee or a self-employed person.

However, the self-employed are much more likely to have debts than employees, and to be credit constrained. The median value of their debts is over twice the State average, and is particularly high for the self-employed who are not farmers. The debt-asset ratio of employees is the highest (at 48), followed by the self-employed excluding farmers (43), with the self-employed including farmers having by far the lowest debt-asset ratio (27).

State supports for the self-employed[2]

How does the state system support the self-employed? There are a range of supports for those setting up and expanding a company, from finance to work space to mentoring, as well as packages of support that combine these three. The main organisations providing such assistance are Enterprise Ireland and Local Enterprise Offices; although there are also sectoral supports from, for example, Bord Bia and Údarás na Gaeltachta; as well as financial assistance from the Strategic Banking Corporation of Ireland, the Ireland Strategic Investment Fund, business angel networks, and Microfinance Ireland. Some of these supports are aimed specifically at innovative businesses, while many are aimed at all types of business. There are also specific schemes aimed at the unemployed setting up as self-employed, such as the Back to Work Enterprise Allowance. For farmers, supports include grants from CAP and LEADER, as well as Farm Assist from the Department of Employment Affairs and Social Protection, and specific taxation supports. Other businesses can claim tax exemptions during the start-up phase, and for R&D investment.

The self-employed and social welfare

In terms of social insurance, the self-employed are insured under Class S of the PRSI system. They pay a lower contribution than employees in Class A, and are entitled to fewer benefits than those in Class A. However, coverage has extended to Class S over time, so that Illness Benefit is the only key benefit which is not currently available to the self-employed – Jobseekers Benefit (Self-Employed) was extended to them in late 2019. The self-employed, like all others, are entitled to access means-tested welfare benefits such as Jobseeker’s Allowance, and Disability Allowance.

A key benefit from the PRSI system is the State Contributory Pension (SPC). To cover the cost of providing this, a person on average earnings should pay a PRSI rate of 15.5 per cent. Currently, those in Class A are effectively paying a rate of 13 per cent, while those in Class S are effectively paying a rate of 3.7 per cent. Therefore, no contributors to the social insurance fund are paying the amount required to cover the benefits they receive, but particularly the self-employed. The result is that those in Class S gain better value from the PRSI system than those in Class A. However, a majority of over 3,000 self-employed people surveyed in 2016 said they would be willing to pay more PRSI in return for access to more benefits. Several studies and

[2] These relate to pre-Covid-19 supports.

working groups looking at the social insurance fund have recommended that the self-employed do pay more into the PRSI system. All but one of 15 stakeholders interviewed for this research project were also of the view that the self-employed should pay a higher PRSI contribution. The suggested contribution to be paid does vary in the different studies, but is at least 1.5 percentage points greater than at present.

Fitting the self-employed into the social welfare system

The self-employed can have difficulties 'fitting into' the social insurance/welfare system in the same way as employees do. Issues arise over verification of income, both when a self-employed person has no employment at all, or partial employment; different income disregards for self-employed compared to employees; lack of access to Working Family Payment; and not receiving credited contributions (i.e. contributions awarded but not paid for while a person is in receipt of certain welfare payments). These issues can mean poorer social insurance coverage for the average self-employed person compared to the average employee. Another matter is that the previously self-employed are generally not eligible for activation and training supports, a situation that a number of official reports have recommended be changed. It has also been suggested that supports specifically for the self-employed, e.g. help to sustain a business during times of difficulty, could usefully be provided.

Disguised self-employment

An issue which has been focused on recently is that of disguised self-employment. This could be becoming more common as new forms of flexible working emerge. There has been no increase in the proportion of Class S PRSI contributors in the last ten years, but concerns remain that some self-employment is set up to avoid both responsibility for provision of employment rights, and the payment of higher income tax and social insurance contributions. As well as leading to losses for the Exchequer and less rights for the 'employee', it can also lead to skills erosion and 'degenerative competition' with good employers forced out of business as they become comparatively less competitive. It is difficult to know how much disguised self-employment exists in Ireland. There are 15,000 intermediary companies,[3] and investigations into certain sectors suggest that up to 25 per cent of workers in some workplaces could be wrongly classified as self-employed. Two approaches have been adopted in Europe to combat this issue—first, bringing in a new legal category of worker somewhere between employee and self-employed, with more employment rights. The second approach is to establish criteria to differentiate employees from the self-employed, and this is the main approach adopted in Ireland, with the production of the *Code of Practice for Determining Employment or Self-Employment Status of Individuals*. A number of stakeholders and working

[3] Such companies create triangular employment relationships, where the worker's services are secured through a third entity, thus distancing the employer from direct engagement with the employee.

groups have recommended greater and more proactive use of this code by the Department of Employment Affairs and Social Protection and the Revenue Commissioners, in order to reduced disguised self-employment.[4] It has also been suggested that a single rate of PRSI contribution should apply to both employees and the self-employed, to help reduce any incentive to try to avoid paying higher employee PRSI contributions.

Policy implications

These issues suggest a number of policy implications. These can be grouped into four. First, should the self-employed contribute more to the social insurance system? Various reports, and indeed the self-employed themselves, have argued that higher PRSI contributions are an appropriate return for more benefits. The question of whether or not more contributions could be raised from assets also arises here.

Second, should more welfare supports be provided to the self-employed? This would include income, activation, and training supports; as well as supports for more sustainable self-employment. This could help ensure that the aim of entrepreneurship policy (to increase start-up numbers and survival) is supported by the treatment of the self-employed in the social welfare system.

For both the first and second group of policy implications, the issue of whether or not there should be differentiation between different types of self-employed arises. Should those on lower incomes and/or with no employees be entitled to more supports, for lower levels of contribution? And how would any changes to contributions or benefits be implemented?

The third policy implication is should regulation be used more effectively, to ensure that differentiation between the situation of employee and self-employed is appropriate? What is the best way of protecting those who are in disguised self-employment? Can some of the inconsistencies between the treatment of self-employed and employee in the welfare system be dealt with? Should there be more audits of the income of the self-employed, to justify more equality of treatment in the social welfare system?

Finally, is there a role for greater representation for the self-employed? While employers and small businesses have some representative bodies already (e.g. IBEC, SFA, ISME, etc) the more dependent self-employed may need more representation. The Competition (Amendment) Act 2017 opened up the possibility of trade union representation for the false or dependent self-employed, although how this will work in practice has not yet been outlined. Is the current situation adequate to represent the interests of all self-employed?

[4] It is currently being revised by an Interdepartmental Working Group.

Chapter 1: Introduction

1.1 Introduction

This paper considers the situation of the self-employed in Ireland in relation to the social welfare system—both how this system supports the self-employed, and the extent to which the self-employed support it. The paper begins by outlining key changes in self-employment in Ireland over the last thirty years, before describing 'who' the self-employed are, and reasons why people move into self-employment. Then the income, assets and debt of the self-employed are considered, to help assess the extent to which they need support from the social welfare system. Following that, the paper moves on to look at supports available to the self-employed, including how the social welfare system supports them, ways in which the self-employed do not 'fit' into this system, and how they contribute to it. Finally, some policy implications are drawn.

1.2 Key Patterns in self-employment in Ireland over the last thirty years

Over the last thirty years, the proportion of self-employed among all workers in Ireland has declined, from almost 19 per cent of those in employment in Ireland in 1998, to 16 per cent in 2017. Census 2016 shows that the number reporting themselves as self-employed was 313,404. The largest group worked in agriculture, forestry and fishing—just over 63,000, comprising 20 per cent of all self-employed.[5] The next largest group worked in construction—37,339, or 12 per cent. This is followed by those working in wholesale and retail, including garages, at just under 34,000 (11 per cent); and then professional, scientific and technical activities at 28,600 (9 per cent)[6] (see Appendix 1, figure A1, figure A2 and table A9).

---

[5] The QNHS for 2016 Q1 shows that 80,100 people worked as self-employed in farming, fishing and forestry, and 29,200 as employees or assisting relatives. This compares to the Farm Structure Survey for 2016 where 72,500 farm holders record farming as their sole occupation, and 32,500 as their major occupation, on 137,100 family farms. The CSO recommends that the QNHS (now the Labour Force Survey) be used as the definitive source on employment.

[6] See Table EB033, Population Aged 15 Years and Over in the Labour Force by Sex, Employment Status, Broad Industrial Group and Census Year, at https://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/saveselections.asp, 06/11/18.

The self-employed include farmers, professionals (e.g. doctors, solicitors, IT professionals); those working in trades such as carpentry, bricklaying, electrical work, etc; sole traders; taxi drivers; landlords; artists, actors and other creative workers; and a variety of people offering personal services, such as hairdressers, sports coaches and childminders. There are also a number of people who work part-time as self-employed, and part-time as employees. Overall, the self-employed are a very heterogeneous group.

The Irish patterns are quite typical of those found across Europe. In most of Europe the proportion of self-employed among all workers is steady or slowly declining, particularly in northern and western Europe (Hatfield, 2015). This is likely to reflect the tendency for the rate of new business creation to decline as countries become wealthier (Shane, 2009).[7] Ireland's rate of self-employment is not far above the EU24 average of 13.5 per cent in 2014.[8] Self-employed workers across Europe are also over-represented in agriculture, construction, professional and scientific services, and other services (de Moortel & Vanroelen, 2017). However, the Irish pattern is more typical of that found in southern and eastern Europe, where self-employment is higher in the agricultural, craft, and medium to low skill sectors. In northern and western Europe, there is a higher proportion of self-employed in high-skill occupations (Hatfield, 2015).

As well as the general decline in self-employment in Ireland, which was particularly strong from 1998 to 2008, sectoral and cyclical changes are evident. Sectorally, QNHS data from 1998 to 2017 (see Appendix 1, figure A2 and table A9) shows the steady decline in the proportion of all self-employed working in more traditional sectors such as agriculture, wholesale and retailing, and food and accommodation. These are sectors where independent businesses are being replaced by larger businesses which own multiple stores, pubs, and hotels, while in farming smaller holdings have been amalgamated into larger farms. In fact, the decline in self-employment in agriculture has been so strong that when it is removed from the general figures, the decline in self-employment among all at work is much lower, falling only one percentage point overall between 1998 and 2017, from 12.5 to 11.5 per cent (see Appendix 1, figure A3). In a small number of sectors there has been a steady increase in the proportion of self-employed since 1998, such as industry, and information & communication—but these sectors account for a small proportion of all self-employed. In line with these recent changes, CSO Business Demography

[7] There are a number of reasons why. One is that increased wealth leads to wage increases, which encourages business owners to use machines to replace work that used to be done by hand. As use of capital is more cost-effective than use of labour, increased use of capital leads companies to grow in size and so hire people who might otherwise have gone into business themselves. In this scenario, would-be entrepreneurs can also make more money working for someone else than for themselves. Innovative companies growing in size also tend to out-perform and replace smaller businesses in their sector, again leading to less self-employment (Shane, 2009; Henrekson & Sanandaji, 2014).

[8] Ireland's rate of self-employment was 16.6 per cent in Q2 2014, falling to 15.8 per cent in Q2 2017.

statistics[9] shows that new companies are mainly being created in the financial, legal and other business, trade and retail, community service, and construction sectors. In 2016, 19,249 new companies registered with the CRO, a considerable increase on the numbers registering in 2008 (15,444), and there has been a five-year survival rate of 67 per cent. There were 250,033 enterprises in Ireland in 2016, less than the number of self-employed, but reflecting the fact that some self-employed are sole traders or in partnerships, rather than registered as limited companies.

Self-employment trends in a number of sectors were affected by the cycle of economic boom and subsequent bust. In several service sectors,[10] and in construction, the proportion who were self-employed in Ireland declined until 2007, then increased sharply by 2012, and by 2017 had declined again, although it remained higher than in 2007 in construction, human health and social work, and administration and support activities. (See Appendix 1, figure A2). These patterns may reflect those who had lost their jobs setting up as self-employed during the crash, until other employment opportunities arose.

There has also been a change in the proportion of the self-employed with staff over the past 30 years. In 1998, 68 per cent of the self-employed had no employees, and this number declined to 64 per cent in 2007 (see Appendix 1, figures A4, A5 and A6). Following the financial crash, the proportion of self-employed with no paid employees (often called own-account workers) rose to 72 per cent of all self-employed from 2014 on, a rate quite typical of the average in Europe, where most of the growth in self-employment is accounted for by an increase in the number of self-employed without employees (see Hatfield, 2015, Eurofound, 2017). However, considerable variation by sector in the number of self-employed without employees is evident, with various cyclical changes apparent also—see table A10 in Appendix 1. During the recession, some self-employed with employees may have had to let them go, while some of those laid off may have set up as solo self-employed.

1.3 The demographics of self-employment in Ireland

Related to the sectors in which self-employment predominates, there is a strong spatial pattern to self-employment, which is least common in cities in Ireland. Ten per cent or less of workers in Cork and Dublin cities are self-employed, but the proportion rises to 21 per cent in Kerry, followed by Leitrim, Cavan and Roscommon, at 20 per cent each.[11] This can be linked to the more important role of

---

9 See https://www.cso.ie/en/releasesandpublications/er/bd/businessdemography2016/, 22/11/18

10 Professional, scientific and technical; finance, insurance and real estate; human health and social work; and accommodation and food services.

11 See https://www.wdc.ie/self-employment-what-does-the-census-tell-us/, 05/10/18. EU-SILC 2016 data also shows that 26 per cent of employment in rural areas is self-employment, compared to 11 per cent in urban areas. NESC are grateful to the Irish Social Science Data Archive (www.ucd.ie/issda) for supplying this data. All

agricultural and construction employment in rural areas, with both of these sectors having high shares of self-employment. It may also be that the relative lack of employment opportunities in more remote rural areas means that people choose, or need to choose, self-employment. Indeed, Faggio & Silva (2014) have noted that self-employment in urban areas in the UK is strongly correlated with business creation and innovation, but not in rural areas. Instead, more rural than urban workers become self-employed in areas with comparably poor labour market opportunities.

Women accounted for 20 per cent of the self-employed in 2017, well below their representation among all those in employment (46 per cent in Q1 2017). This pattern is replicated across Europe, although Ireland has the greatest gap between rates of male and female self-employment (see Hatfield, 2015; de Moortel & Vanroelen, 2017). Women's representation among the self-employed has, however, increased steadily from 16 per cent since the 1990s (see Appendix 1, figure A7), in line with their overall increase in employment. The growth of self-employment among women has actually been higher than the growth of self-employment among men, even though the numbers are lower (see figures A8 and A9, and table A8, in Appendix 1). Women predominate among the self-employed in only three sectors—education, human health and social work activities, and other service activities. Interestingly, the proportion of female self-employed with staff has been consistently higher than the proportion of male self-employed with staff since the late 1990s (see Appendix 1, figure A10 and table A8).

The self-employed tend to be older than employees—as is common in other European countries (Hatfield, 2015; De Moortel & Vanroelen, 2017). Some 40 per cent of the self-employed in Ireland are aged between 50 and 64, and 20 per cent are aged over 65, compared to 27 per cent and 2 per cent, respectively, of employees (see Appendix 1, figure A11). This pattern has become more pronounced over the past 30 years in Ireland (see Appendix 1, figure A12). The self-employed without employees are the oldest group, with 23 per cent aged over 65. The predominance of older farmers among the self-employed explains some of the tendency for the self-employed to be older, but not all. Hatfield (2015) argues that older workers tend to have more experience, as well as larger capital reserves and better access to credit, all of which are helpful when starting a business. As self-employment is often higher for groups facing discrimination in the labour force, some older people may set up as self-employed as they face age discrimination (Hatfield, 2015, citing Ben-Gallim & Silim, 2013). The older age profile of the self-employed could also be related to the fact that they are not obliged by a work contract to retire at a particular age—and some may not have an adequate pension and so may need to remain at work. The self-employed are more likely to suffer

SILC data cited in this and the following sections, unless otherwise referenced, is drawn from NESC analysis of EU-SILC 2016.

from a chronic illness or condition—19 per cent, compared to 13 per cent for employees. Again, this may be related to age, as the proportion of those suffering from such an illness or condition increases with age.

The self-employed are more likely to live in smaller households. This is partly related to the predominance of self-employment in rural areas, as rural areas have smaller household sizes.[12] However, even when those working in farming, fishing & forestry are excluded, 38 per cent of the self-employed live in households made up of 1 or 2 people, compared to 30 per cent of employees. The self-employed, particularly the self-employed with employees, are more likely to be married than employees,[13] but they are less likely to live with children.[14] Both of these factors are likely to be related to their age.

Since the early 2000s, the self-employed are proportionally more likely to be Irish. A similar pattern applies in most of Europe,[15] with migrants less likely to be self-employed than the native-born (see Eurostat, 2018; Marchand & Siegel, 2014; Rath & Eurofound, 2011). However, Ireland has the third highest gap between self-employment for migrants and native-born. Some 18 per cent of Irish nationals were self-employed in 2016, but only 8 per cent of non-Irish nationals, even though the latter make up 12 per cent of those at work. The differences are less stark, but still very evident when those in agriculture, fishing and forestry are excluded.[16] The difference is most stark for those born in Europe, apart from the UK, who are very under-represented in self-employment.[17]

Compared to employees, the self-employed have lower levels of education,[18] and this pattern is most evident among self-employed without employees, and farmers. The pattern can be related to the age of the self-employed in Ireland, as older people have lower education levels. It may also be related to the fact that individuals facing labour market disadvantage are more likely to become self-employed (Hatfield, 2015). The picture in Europe varies. In Germany, France and the Netherlands, the self-employed are more highly educated than employees, but in

---

12 SILC 2016 data shows that 41 per cent of rural households are made up of one or two people, compared to 32 per cent in urban areas.

13 In 2016, 72 per cent of the self-employed were married, compared to 60 per cent of employees. The figure is 81 per cent for the self-employed with employees, compared to 68 per cent for those without.

14 Some 54 per cent of employees live in households with children under 18, compared to 39 per cent of the self-employed (although the difference is not as great for the self-employed with employees).

15 There are exceptions, however, with self-employment higher among migrants in Belgium, Malta, Germany, the UK, Hungary, Poland and the Czech Republic, See Marchand & Siegel, 2014.

16 When these sectors are excluded, 13 per cent of Irish nationals were self-employed and 9 per cent of non-Irish nationals (SILC for 2016).

17 Those born in the rest of Europe make up 9 per cent of employees but only 5 per cent of the self-employed, excluding farming, fishing and forestry (the difference is greater when the latter are included).

18 Some 16 per cent have no formal, or only primary, education, compared to 4 per cent of employees. By comparison, only 21 per cent have a degree or higher, compared to 37 per cent of employees.

the UK, Spain, Sweden and Poland the situation is similar to that in Ireland (Hatfield, 2015). The self-employed in Europe are also less likely than employees to take part in training (except in Germany) (Hatfield, 2015).

SILC data shows that the self-employed are somewhat more likely than employees to work full-time (80 per cent compared to 75 per cent). This is particularly the case for the self-employed with employees, 92 per cent of whom work full-time. This pattern may be linked to the very high proportion of men in self-employment, as they tend to work longer hours. It could also be linked to the type of sectors which have most self-employment, such as farming and hospitality, which require evening and weekend work. Overall, the self-employed worked an average of 45.1 hours per week in Q1 2017, while the corresponding number for employees was 34.7 hours.[19] Meanwhile, the self-employed report greater job satisfaction than employees across Europe, and they link job satisfaction less to financial reward (Hatfield, 2015).

Finally, what influence do farmers have on the demographics of the self-employed in Ireland? When those working in farming, fishing and forestry are excluded from the self-employed, SILC data shows that the gap between the position of employees and the self-employed reduces, but still remains. Excluding farmers, the self-employed compared to employees are still more likely to be male, Irish, older, less educated, own their own home, live in a rural area and live in a small household.

1.4 Why become self-employed?

There are a range of reasons why people become self-employed. As Faggio & Silva (2014) outline, some people move into self-employment as they are entrepreneurs, bringing innovations to market, intending to grow their business, and bearing the risks of entrepreneurial success. The companies they set up are 'innovative' enterprises. However, not all self-employed people are so entrepreneurial, and a number of authors have cautioned about the tendency to conflate self-employment and entrepreneurship. There is a difference between 'innovative' and 'replicative' entrepreneurs. Replicative enterprises are those that copy an existing type of product or service. Often these businesses do not plan to grow, and do not create much wealth. They may be set up by those looking for more flexible and autonomous employment. These firms are more typical among the self-employed than innovative businesses (Henrekson & Sanandaji, 2014; Shane, 2009). Meanwhile, Roman *et al.* (2011) distinguish between dependent and independent self-employment. Independent self-employment is entrepreneurship spurred by a business profit opportunity (such as an innovative or replicative enterprise), with formal and informal labour relationships with the previous employer ending with

[19] See https://www.cso.ie/en/releasesandpublications/er/qnhs-es/qnhsemploymentseriesq12017/, 04/10/18.

the transition to self-employment. Expansion of the economy can drive a 'pull' into this type of self-employment.

At the other end of the spectrum, some self-employment can be explained by lack of employment opportunities, as noted earlier. For example, Roman *et al.* (2011) have found, when looking at business cycles, that recession conditions can 'push' people into self-employment. While many businesses set up at these times are run by independent entrepreneurs, recessionary conditions can trigger more dependent self-employment, which is defined as workers doing the same tasks for the same employer for whom they previously worked as an employee. As well as being more common during recessionary times, a number of authors argue that dependent self-employment can be linked to attempts to avoid the cost of tax, social insurance contributions and stricter employment protection legislation (see, for example, Roman *et al*., 2011; Behling & Harvey, 2015).

Another push factor can be a desire to have more control over working time organisation (Hatfield, 2015), which can be attractive for mothers of small children in particular (Craig *et al.*, 2012).

State support for enterprises also plays a part, as Roman *et al.* (2011) found that higher national expenditure on start-up incentives was associated with a higher likelihood of some types of self-employment. Hatfield (2015) notes that favourable tax relief and finance guarantees is likely to be behind the atypically high growth of self-employment in the UK. She also cites research arguing that more active labour market policies are connected to less informal work, and so to less informal and formal self-employment.

1.5 Types of self-employment in Europe and Ireland, based on working conditions

In 2015, the European Foundation for the Improvement of Living and Working Conditions carried out a detailed study of the self-employed in Europe, using the sixth European Working Conditions Survey (EWCS).[20] The study developed a typology of five categories of the self-employed in Europe, based on a series of question about their working conditions, which are relevant for understanding different types of self-employment in Ireland.

The first group identified are small and medium employers, which are the largest group of self-employed in Ireland, representing approximately 29 per cent. Almost a quarter of these work in (and may own) multiple sites, and almost all have

20 This survey covered over 44,000 workers in 35 European countries. In Ireland, a random sample of 1,057 people was interviewed by Ipsos, with a 54 per cent response rate. See Ipsos, undated.

employees and a variety of clients. Over half find it easy to get new clients. They are more highly educated than other groups of the self-employed, and are over-represented in some service sectors (health, finance, commerce and hospitality), as well as in construction, industry and the liberal professions.[21] They have high discretion over their professional life (both in terms of laying off employees and taking time off). Only 3 per cent became self-employed out of necessity, and 94 per cent enjoy the responsibility of being self-employed. Over half earn a high income, and 58 per cent would be economically secure if they fell ill (de Moortel & Vanlaeren, 2017).

The next largest group identified by de Moortel & Vanroelen (2017) is small employers and farmers, who represent approximately 28 per cent of the self-employed in Ireland. They usually work alone or with a small number of employees, and are often found in retail and hospitality sectors as well as farming. They have a variety of clients, and only a minority finds it hard to find new clients. This group has a high degree of discretion over their work, and for 67 per cent taking time off at short notice would not be a problem. Only 25 per cent are self-employed due to a lack of alternative employment. Nevertheless, this group has the highest proportion stating that being one's own boss is hard (40 per cent). Work intensity is high—more than 70 per cent of this group work six or seven days a week. They have the lowest health and well-being scores of all the self-employed groups. They have a fairly average income distribution, with a slight over-representation at the bottom and top income quintiles. Some 61 per cent reported that they would be economically insecure if they fell ill.

The third cluster, which represents approximately a quarter of all self-employed in Ireland, are independent own-account workers. De Moortel & Vanroelen (2017) define such independent own-account workers as those without employees and usually working alone, although some have a partner. Some 93 per cent have more than one client and 53 per cent find it relatively easy to find new clients. They have discretion over their professional life, with almost 90 per cent able to take time off at short notice, and 74 per cent having the authority to dismiss staff (where they have them). Only 12 per cent became self-employed due to a lack of alternatives, or find it hard to be self-employed. At least half work five days a week or less. They are over-represented in the service sector, and tend to be third-level educated. They are fairly evenly distributed over the income quintiles, with a small over-representation in the highest earning quintile. However, 45 per cent say they would be economically insecure if they fell ill.

21 This includes those working as health, legal, business and construction professionals, such as doctors, dentists, pharmacists, lawyers, auditors, tax advisors, engineers and architects. These professions require specialist training in the arts or sciences, and their activities are usually closely regulated by national governments or professional bodies.

Similar to the dependent own account workers, but much more insecure, are the insecure self-employed, which includes many subcontractors and freelancers. They represent approximately 11 per cent of the self-employed in Ireland. Over three quarters work alone, and 55 per cent have only one client. They have very low work autonomy, with only 28 per cent having the authority to dismiss staff. Some 40 per cent became self-employed due to lack of alternatives—the highest proportion of all types of self-employed. They are less educated than other groups of self-employed, and are the group least likely to receive training. They are found more in agriculture and 'other services'. More than 80 per cent are in the lowest and the second lowest income quintiles, and more than half would be economically insecure if ill.

A final cluster identified by de Moortel and Vanroelen is dependent self-employed. However, they are estimated to make up less than 1 per cent of the self-employed in Ireland, and so are not described here.

Overall, the study found that 49 per cent of Irish self-employed would not be financially secure in the case of long-term illness, just above the EU average. The Irish self-employed were much more likely than the average in the EU to find running their business a burden (37 per cent compared to 26), but did enjoy being their own boss, and were more likely than average to have set up as self-employed based on their own preferences (68 per cent compared to 59), rather than out of necessity (see Eurofound, 2017). It is relevant to the social welfare system that, based on these figures, almost a third of the self-employed in Ireland work this way due to lack of other options, and that half of the self-employed would not be secure in the case of long-term illness (although with the extension of Invalidity Pension to the self-employed, long-term income support can be provided to those eligible).[22]

1.6 The income profile of the self-employed in Ireland

As this paper is considering social welfare and insurance in relation to the self-employed, it is relevant to look at the income and living conditions of the self-employed in relation to other groups in Ireland. Three different statistical databases are used to assess the income and living conditions of these groups in Ireland—the EU-Survey of Income and Living Conditions (SILC), the Household Budget Survey (HBS), and the Household Finance and Consumption Survey (HFCS). These are large-scale surveys of randomly selected private households in Ireland, collecting data on a range of variables relevant to income, expenditure and wealth. See appendix 2 for further details on their methodology and coverage.

---

[22] See http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/disability_and_illness/invalidity_pension.html for eligibility criteria, 09/11/18.

Analysis by NESC of EU-SILC data[23] for Ireland in 2016 shows that individual employees, and households headed by employees, had higher income, both before and after social transfers, than their self-employed counterparts.[24] This is different to the pattern in Europe, where on average the self-employed have higher after-tax incomes (Eurofound, 2017). The average yearly gross income of a household headed by a self-employed person in Ireland was €72,347 in 2016, compared to €86,916 for a household headed by an employee. The gross average yearly income of an individual self-employed person was €48,654, compared to €54,602 for an individual employee.

The difference in equivalised[25] income between employees and the self-employed after social transfers, by quartile, is shown in Table 1.1, as this gives the best indication of the financial position within which each group finds themselves. This income comes from a variety of sources, not just employment or self-employment.

Table 1.1: Equivalised income,[26] after social transfers, of employees and the self-employed, by income quartile, 2016

	Income up to €15,177	Income from €15,178 to €22,078	Income from €22,079 to €30,915	Income of €30,916 & over
Employees—percentage with an income of…	6.6%	20.4%	32.6%	40.4%
Self-employed—percentage with an income of…	16.8%	20.4%	27.7%	35.1%

Source: EU-SILC 2016, analysis by NESC

[23] This data was accessed via the Irish Social Science Data Archive—www.ucd.ie/issda.

[24] Despite this general pattern, some self-employed do have high incomes. The European Foundation for the Improvement of Living and Working Conditions report that the self-employed are more strongly represented in both the lowest and the highest income brackets. (See Eurofound, 2017, *Exploring self-employment in the European Union*, downloaded from https://www.eurofound.europa.eu/sites/default/files/ef_publication/field_ef_document/ef1718en1.pdf on 30 October 2018.) In Ireland, 7 per cent of the self-employed paid the USC surcharge on self-employed incomes of over €100,000 in 2017. SILC data for 2016 shows that 4.7 per cent of individual self-employed people had a gross annual income over €100,000, while 6.5 per cent of employees did.

[25] Equivalising means adjusting a household's income for its size, so that different household incomes are comparable. The equivalence scale used by the OECD divides household income by the square root of the household size.

[26] This data uses the EU definition of income and the OECD equivalence scale.

The table shows that the self-employed are more than twice as likely as employees to have an equivalised income under €15,177 per year.

What are the implications of these incomes for each group? Poverty and deprivation data adds to our understanding. In terms of consistent poverty and deprivation,[27] the self-employed, as part of the group of people at work, are among the least likely to suffer from either of these conditions. It is the unemployed, and then the ill/disabled, who are most likely to be in this position. Twenty seven per cent of the unemployed and 25 per cent of the ill/disabled were in consistent poverty, compared to only 2 per cent of those at work (from SILC 2016). Among those at work, however, the self-employed were more than twice as likely to be in consistent poverty as employees—3.2 per cent of the former, compared to 1.3 percent of the latter. This pattern is strongly driven by the self-employed without employees, who were four times more likely to be in consistent poverty than the self-employed with employees (4.1 per cent vs 0.9 per cent). This group is likely to include the cluster of insecure self-employed workers, as outlined above.

The pattern for deprivation is similar. Again those at work, and retired, are far less likely than the unemployed, the ill/disabled and other inactive, to suffer from deprivation. In 2016, only 13 per cent of those at work suffered from deprivation, compared to 44 per cent of both the unemployed and the ill/disabled. When comparing the self-employed and employees, however, employees are more likely to suffer from deprivation,[28] although the self-employed without employees are more likely to suffer from deprivation than the self-employed with employees. Again, excluding those working in agriculture, fishing and forestry from these calculations does not change the overall trends in relation to income, poverty and deprivation. This may be because farmers are not among the most economically insecure self-employed, as the Eurofound typology outlined earlier suggested (see de Moortel & Vanroelen, 2017). Overall, in line with what the Advisory Group on Tax and Social Welfare reported in 2013, the self-employed are less likely than the population as a whole to suffer from consistent poverty or deprivation.[29]

[27] A person is in consistent poverty when their income is below the relative/at risk of poverty threshold and they cannot afford at least two of the eleven deprivation indicators. The relative or at-risk of poverty threshold is an income of less than 60 per cent of the national median annual income. Deprivation occurs when a person is deprived of 2 or more of the following 11 items—two pairs of strong shoes , a warm waterproof overcoat, buy new (not second-hand) clothes, eat meal with meat, chicken, fish (or vegetarian equivalent) every second day, have a roast joint or its equivalent once a week, had to go without heating during the last year through lack of money, keep the home adequately warm, buy presents for family or friends at least once a year, replace any worn out furniture, have family or friends for a drink or meal once a month, and have a morning, afternoon or evening out in the last fortnight for entertainment.

[28] Some 12.4 per cent, compared to 9.8 per cent of the self-employed.

[29] The figures for the population as whole in 2016 were 8 per cent in consistent poverty, and 20.5 per cent deprived of two or more items in the deprivation scale.

Household Budget Survey data shows a similar pattern, but reports lower income differences between employees and the self-employed. Table 1.2 outlines the sources of income for households by the livelihood status of the head of household, differentiating between those headed by employees and the self-employed, and all households.

Table 1.2: Average Weekly Household Income (Euro) by Livelihood Status, 2015-16

All livelihood status	All	Employee	Self-employed
Employees-wages/salaries	710.82	1250.4	433.13
Self-employed income	92.68	41.2	564.47
Retirement pensions	65.53	14.81	38.82
Investment income	6.66	4.32	14.46
Property income	10.76	6.42	39.83
Own garden/farm produce (valued at retail prices)	0.95	0.71	2.48
Other direct income	16.08	14.69	13.63
Total direct income (A)	***903.48***	***1332.55***	***1106.82***
Child benefit	29.82	42.05	35.01
Older people pensions	55.14	5.53	50.07
Widows, Widowers & Guardian payments	13.2	3.55	5.53
Other long term social protection payments	32.09	18.15	14.01
Jobseekers payments (including farm assist)	35.86	23.2	24.63
Carers' payments	5.65	3.36	5.44
Education grants/scholarships/back to education allowance	6.03	4.53	7.07
Other state transfers	18.44	18.19	13.3
Total state transfers (B)	***196.22***	***118.56***	***155.05***
Gross income (A+B)	***1099.7***	***1451.11***	***1261.87***
Income tax & social insurance deductions (C)	188.14	302.72	181.19
Disposable income (A+B-C)	***911.55***	***1148.39***	***1080.68***

Source: CSO (2017), data selected from table HS151

This table shows that the average direct income of households headed by a self-employed person is approximately €226 less per week than households headed by an employee in 2015-2016. The former earn less through self-employment and salaries, but have more income from property and investments. In line with their overall lower direct incomes, state transfers to households headed by a self-employed person are higher than those to employee households, by €36 per week.

Therefore, the average disposable income of households headed by a self-employed person was €68 less than that of households headed by an employee. The Household Budget Survey for 2009-10 shows a similar pattern. The relative position[30] of the self-employed and employees did not change between 2009-10 and 2015-16.

Both SILC and the Household Finance and Consumption Survey (HFCS) provide information on ownership of assets, wealth, and financial stress. In terms of assets, SILC shows that the self-employed are much more likely to live in a home they own rather than rent, and this is particularly the case for the self-employed with employees. In 2016, those that owned their home made up 76 per cent of all at work, but 90 per cent of the self-employed.[31] There is a link with the age and location of the self-employed, as those who are older, and those living in rural areas, are more likely to own their home than rent it. This ownership pattern can provide the assets needed to finance self-employment through own resources or access to credit. The self-employed are also more likely than employees to own a second home.[32] The self-employed with employees are more likely to own a second home than those without.[33]

The 2013 HFCS confirms this pattern. Its data shows that households headed by a self-employed person were those most likely to own land, other real estate, and financial assets such as shares. These households also held the highest values of real assets[34] and financial assets.[35] The median net wealth of households headed by a self-employed person was €307,000, compared to a state average of €102,600. When farmers are excluded the real assets of other self-employed-headed households are lower—€252,000—but still much higher than those of employee-headed households—€158,000. This is related to higher ownership of property, particularly other property (not own residence) among the self-employed excluding farmers, than is the case for employee-headed households.

In terms of financial stress, once again the self-employed, as part of the group of people at work, are among those least likely to be suffering from economic distress. The unemployed, ill/disabled, students and sometimes those on home duties are far more likely to find it difficult to make ends meet, to find debt repayment to be a burden, and to be in arrears with rent, mortgage or utility bills. SILC data shows that

---

30 Relative to average state incomes.

31 Some 13 per cent of all at work rented privately in 2016, and 12 per cent at below market rate, but they made up only 5 per cent each of the self-employed.

32 Some 9 per cent of employees had a second home in 2016, and 14 per cent of the self-employed. This gap increases when self-employed people working in farming, fishing and forestry are excluded.

33 Some 19 per cent of the self-employed with employees owned a second home in 2016, compared to 12 per cent of those without.

34 Defined as main residence, land, other real estate, self-employment business wealth, vehicles and valuables.

35 Defined as savings, bonds/mutual funds, shares, voluntary pensions and other financial assets.

among those at work, the self-employed report less difficulty than employees in making ends meet, and they are less likely to be in rent or mortgage arrears.[36] However, the self-employed are more likely to find repayment of debt to be a burden than employees, particularly the self-employed with employees. The HFCS confirms that households headed by a self-employed person are the most likely to have debts. The median debt value held by these households is €128,000, compared to €63,000 on average in the state, and €97,600 for households headed by an employee. Households headed by the self-employed, excluding farmers, have the highest median debt value, at €162,000, which is mainly due to higher mortgages, both on their own residence and particularly on other property. When comparing the work status of different households, those headed by the self-employed have the highest median debt values for all types of debts—home mortgages, mortgages on other property, non-mortgage loans, overdrafts and credit cards. Households headed by a self-employed person also have the worst debt to income ratio—186, compared to 135 for employee-headed households. The median debt-to-income ratio of self-employed-headed households, excluding farmers, is the highest, at 240. Comparing debt to assets, households headed by employees are in the most precarious position (a ratio of 48.3), followed by those headed by the self-employed, excluding farmers (42.6), with all self-employed-headed households in the best position (26.9).

The HFCS also shows that the self-employed and the unemployed are the most credit constrained households, that is, most likely to have been refused credit in the previous three years, or not to have applied for credit as they felt they were unlikely to get approved for it. The households headed by the self-employed, excluding farmers, are the most credit constrained (29 per cent), more than all households headed by the self-employed (26 per cent), or by employees (22 per cent).

So overall, a variety of statistics show that households headed by the self-employed have lower reported average income than those headed by employees. However, they have more assets—albeit with higher debt. This is particularly the case for households headed by the self-employed excluding farmers. This group has the highest debt levels of all households, the worst median debt-to-income ratio, and a poor median debt-to-asset ratio (although slightly better than that for employee-headed households). This data reaffirms the typology of the self-employed identified by Eurofound (see de Moortel & Vanroelen, 2017), which showed that while many self-employed are financially secure, others are much more financially vulnerable. This group includes the dependent self-employed, some of those without employees, and some of those with debts not well matched by assets or income.

36 Some 15 per cent of the self-employed find it easy or very easy to make ends meet, compared to 14 per cent of employees. At the other end of the scale, 20 per cent of employees find it difficult or very difficult to make ends meet, compared to 15 per cent of the self-employed.

1.7 Supports for entrepreneurship

What kind of supports can the self-employed access in Ireland? This and the following section will outline the business supports available, as well as those from social welfare, and the taxation system.[37]

First, there are a range of business supports which can be accessed by the self-employed. These include those provided to entrepreneurs; to very small businesses; and specifically to farmers. These are described below.

To help increase entrepreneurship and job creation, in 2014, Ireland published its *National Policy Statement on Entrepreneurship* (Department of Jobs, Enterprise and Employment, 2014). It contains three goals—to increase the number of start-ups by 25 per cent, to increase their survival rate in the first five years by 25 per cent and to improve the capacity of start-ups to grow to scale by 25 per cent. Its strategic objectives are to provide supports under the following headings:

i. Culture, human capital and education;
ii. Business environment and supports;
iii. Innovation;
iv. Access to finance;
v. Entrepreneurial networks and mentoring; and
vi. Access to markets.

A very wide range of supports are offered to help enterprises set up, and develop. The supports are often aimed at both innovative and replicative types of businesses, although some are targeted specifically at more innovative firms. A number of key organisations such as Enterprise Ireland and Local Enterprise Offices (LEOs) provide the assistance available, ranging from finance to mentorship to training. There are also a number of funds which entrepreneurs can access, ranging from the Ireland Strategic Investment Fund and Strategic Banking Corporation of Ireland to Microfinance Ireland. Many government agencies and departments provide supports for business in specific sectors, such as Udaras na Gaeltachta, Bord Bia, Bord Iascaigh Mhara, the Department of Agriculture, Food and Marine. Box 1.1 outlines the key supports available to companies in terms of finance, mentoring, provision of workspace, etc.[38]

---

[37] These are the supports available as at end 2018, when this paper was prepared and agreed.

[38] For a comprehensive list, see https://dbei.gov.ie/en/What-We-Do/Business-Sectoral-Initiatives/Entrepreneurship-/Mapping-of-supports/.

BOX 1.1: Supports for entrepreneurs in Ireland

Finance:

- Enterprise Ireland supports—Innovation funds, R&D grants, market research grants, Feasibility and Development Capital Funds, Competitive Start Funds, Innovation HPSU (High Potential Start Up) Funds, Regional Enterprise Development Fund, Employment Incentive & Investment Scheme
- InterTrade Ireland Business Angel finance
- Halo Business Angel Network
- Ireland Strategic Investment Fund growth and equity funds
- Strategic Banking Corporation of Ireland Brexit Loan scheme, Investment & Working Capital Loans, Invoice Finance
- Credit Guarantee Scheme
- Udaras na Gaeltachta training, feasibility, employment, capital, consultancy and R&D grants
- Western Development Commission investment funds and micro-finance loans
- Irish Film Board finance
- Bord Bia Ascent programme
- Bord Iascaigh Mhara grants
- Department of Agriculture, Food & Marine grants
- Design & Crafts Council of Ireland grants
- LEADER grants
- LEO business support and business expansion grants, feasibility grants, marketing grants, expansion funds, and Competitive Fund, Innovation & Investment Fund grants, County Enterprise Funds
- Revenue Commissioners—Tax Relief for new start-up companies; SURE tax relief; Start Your Own Business tax relief, R&D tax credits, Employment and Investment Scheme
- Microfinance Ireland Microenterprise Loan Fund
- Community Enterprise Initiative

Workspace:

- County Enterprise Centres
- Community Enterprise Centres
- Commercial hubs and co-working spaces

Mentoring:

- Enterprise Ireland mentoring
- InterTrade Ireland advisory services
- LEO mentoring
- Microfinance Ireland mentoring

Packages of support:

- Enterprise Ireland's New Frontiers incubator supports
- Up to 100 incubator companies, that help new and start-up companies to develop by providing services such as management training or office space. Many are located in universities/ITs
- 28 accelerator programmes that give developing companies access to short-term intense mentorship, investment funds and other support to help them become stable, self-sufficient businesses
- 34 Female Entrepreneurship programmes
- Local Development Companies (working with communities and combating social exclusion), offering training and workspace
- County Enterprise Centres
- Community Enterprise Centres

Other supports:

- Over 40 online resources
- Over 80 networking groups

Source: https://dbei.gov.ie/en/What-We-Do/Business-Sectoral-Initiatives/Entrepreneurship-/Mapping-of-supports/.

The Department of Employment Affairs and Social Protection also provides JobsPlus,[39] free advertising of job vacancies on jobsireland.ie, and incentives for businesses which employ a person with a disability.[40]

There are supports geared specifically at the unemployed who wish to set up as self-employed; and at community enterprises and microenterprises. The unemployed can avail of the Back to Work Enterprise Allowance,[41] if eligible. All of these businesses can also avail of assistance from LEOs; while finance and other services can be obtained from Microfinance Ireland, the Community Enterprise Initiative, the Western Development Commission and Local Development Companies, depending on the type of enterprise.

In terms of support to farmers, the largest group of self-employed in Ireland, Box 1.2 provides an outline of the assistance which is available specifically for them.

---

39 This provides up to €10,000 per year to an employer who recruits a person from the Live Register.

40 See http://www.welfare.ie/en/Pages/Supports-for-People-with-Disabilities-and-for-Employers---SW.aspx# for further details, 30/11/18.

41 This support allows those embarking on self-employment to retain some existing welfare benefits for up to two years while setting up a new business.

BOX 1.2: State supports targeted specifically at farmers

CAP—Pillar 1/ direct payment schemes:

- Basic Payment Scheme
- Greening Payment
- Young Farmer Scheme
- Protein Aid Scheme

CAP—Pillar 2 schemes:

- Areas of Natural Constraint Scheme
- Targeted Agricultural Modernisation Scheme
- Collaborative Farming Grant Scheme
- Forestry Supports
- TB Compensation Scheme

Supports for farm diversification:

- LEADER programme grants

Social welfare supports:

- Farm Assist

Taxation supports:

- Income from long-term leasing
- Succession Farm Partnership Scheme
- Capital Acquisitions Tax Agricultural relief
- Forestry tax exemption

Training:

- Teagasc courses and grants

Source: Teagasc/ Citizen's Information Board, 2018.

1.8 The self-employed and the social insurance fund

And how are the self-employed in Ireland supported by the social welfare system? In terms of social insurance, the self-employed are insured under Class S of the PRSI system, and there were 326,235 Class S contributors in 2016. Those in Class S pay a contribution rate of 4 per cent (or a minimum payment of €500 per year for those who earn at least €5,000 per year), which is lower than the total contribution rate paid on behalf of employees in Class A—see Table 1.3 .

Table 1.3: Contribution rates paid by Class S and Class A contributors to the PRSI system

Class/Subclass of PRSI	Weekly pay band	Contribution rate
SO	Up to €500 inclusive	4%
S1	More than €500	4%
AO	€38-€352 inclusive	Employee—0 ; Employer—8.6%
AX	€352.01-€376 inclusive	Employee—4%; Employer—8.6%
Al	€376.01-€424 inclusive	Employee—4%; Employer—10.85%
A1	More than €424	Employee—4%; Employer—10.85%

Source: Department of Employment Affairs & Social Protection, 2018b

Currently, eligible self-employed people may claim for the State Pension (Contributory), Widow's Contributory Pension, Guardian's Payment, Maternity, Paternity and Adoptive Benefit, Treatment Benefit, Invalidity Pension, and more recently, Jobseekers Benefit (Self-Employed). This is fewer benefits than employees are eligible for, with the self-employed not eligible to claim short-term Illness Benefits.[42] The self-employed have gradually had access to a number of benefits extended to them since the PRSI system was set up. They first became eligible to contribute for and claim State pension (contributory) for themselves and their dependents in 1988, with eligibility extended to allow them to claim Maternity and Adoptive Benefits in 1997, Invalidity Pension and Treatment Benefit in 2017, and Jobseekers Benefit (Self-Employed) in 2019.

Approximately 10 per cent of the self-employed are aged over 65,[43] and those aged over 66 would be covered by Class M of the PRSI system. No contributions are

[42] However, if you are self-employed and have been told to self-isolate or restrict your movements by a doctor or the HSE, because of Covid-19, you can apply for an Enhanced Illness Benefit for Covid-19.

[43] Figure abstracted from Table EB003: Population Aged 15 Years and Over 2011 to 2016 by Regional Authority, Sex, Principal Economic Status, Age Group and CensusYear, in the CSO’s Statbank.

payable for this Class, and it provides cover for Occupational Injuries Benefit in certain circumstances. Those in Class M, as they are over 66, are likely to have previously paid contributions into Class S or Class A, in which case they may be eligible to claim the State contributory pension.

The self-employed are also entitled to access other social welfare payments on a means-tested basis. These include, for example, Jobseeker's Allowance, Disability Allowance, Supplementary Welfare Allowance, etc. There can, however, be difficulties applying standard means tests to the self-employed—see section 2.13.

A number of the self-employed insure themselves privately against illness and unemployment. A 2016 survey of over 3,000 Class S contributors (Department of Social Protection, 2017) showed that 28 per cent had private insurance coverage for long-term illness, 17 per cent for work-related injuries, and 16 per cent for short-term illness. They were very unlikely to have private insurance cover for unemployment, with only 2 per cent having this. The Advisory Group on Tax and Welfare (2013) did note that some sectors in which the self-employed are over-represented have higher physical risks,e.g., farming and construction. It has also noted that the ability of the self-employed to cover their income in case of illness or disability varies. Those with employees are likely to be able to draw an income when ill or disabled, while those without are more likely to be entirely dependent on their own day-to-day labour to generate an income. The EU-SILC data cited above indicates that the self-employed without employees are in a more precarious financial position than those with employees; and employees; although to a lesser degree than the population as a whole. This is confirmed by the typologies of the self-employed described by Eurofound (see de Moortel & Vanroelen, 2017) which indicates that many self-employed would be economically insecure if they fell ill.

1.9 The tax treatment of the self-employed

There are a number of differences in how the self-employed are treated under the tax system, compared to employees. First, employers are responsible for the collection and payment of an employee's income tax, through the PAYE system. This tax is deducted from each wage/salary payment over the year. The self-employed, in contrast, must register as self-employed with the Revenue Commissioners, and then self-assess and self-declare their income tax, which is paid once a year. Preliminary tax (an estimate of tax due for the current trading year) must be paid on or before 31 October each year, and a year later, a final tax return is made for the previous year and any outstanding taxes are paid. Some self-employed people working in creative industries, such as artists and writers, are exempt from income tax up to a certain level of earnings.

There are a number of ways in which the self-employed pay more tax and USC than employees. One is related to tax credits. Employees are entitled to a PAYE tax credit of €1,650, while the self-employed are entitled instead to an Earned Income Tax Credit, which is worth a lower amount—€1,150 per year. The self-employed must also pay a 3 per cent higher rate of USC on incomes over €100,000, a surcharge which does not apply to employees.[44]

The self-employed can claim certain business expenses against tax, such as for example rent, rates, lighting and heating, running costs of machinery used in the business, accountancy fees, interest paid on business loans. Employees do not need to claim tax back against these expenses as they are paid for by their employer. Both employees and self-employed can claim tax relief on contributions to a personal pension, up to certain limits. And as outlined above, there are some tax reliefs available to start-up businesses, and those investing in R&D.

Internationally, a number of researchers have noted the likelihood that the self-employed under-report their income, or report income levels which are tax-advantageous (see e.g. Engstrom & Holmlund, 2009; Bigio & Zilberman, 2011; Johns & Slemrod, 2010). In Ireland, Schneider & Buehn (2012) estimate that between 1999 and 2010, self-employment accounted for 21.3 per cent of the shadow economy.[45] More specifically, Hargaden (2015) has found that, between 2005 and 2013 in Ireland, the reporting of income just under the threshold over which a higher tax rate would be applied[46] was highest among the self-employed; as well as in the construction and agriculture sectors, the two sectors in which self-employment is most common. Those working in less formal types of business (e.g. sole traders, small partnerships), and small companies, were also more likely to report tax-advantageous incomes. Such an option is not open to employees, as they do not self-declare their income for tax purposes.

In SILC and the HBS, the income of employees is linked to Revenue Commissioner data and so confirmed, but this is not the case for the self-employed (see Appendix 2). So is there under-reporting of the income of the self-employed in these surveys? One method which has been developed to assess the extent to which the income of the self-employed might be under-reported is to compare overall household expenditure, and expenditure on food, of self-employed households to those of employees. This is based on the idea that hidden economic activity can be inferred from comparing reported income with an expenditure-based estimate (see Pashardes & Polycarpou, 2008; Lyssiotou, Pashardes & Stengos, 2004; Engstrom & Holmlund, 2009). Table 1.4 outlines the expenditure reported in the HBS of all households, as well as those headed by an employee, and those headed by a self-employed person.

---

[44] See Reddan, F. (2016) 'Four ways self-employed are hard done by Irish tax system', *Irish Times*, 23.2.2016; and http://www.publicpolicy.ie/low-income-self-employed-are-unfairly-treated-by-the-tax-system/, 31/10/18

[45] Defined as economic activities and income that circumvent government regulation, taxation or observation.

[46] He shows how, in 2008, there was a strong bunching of people earning between €25,991 and €26,000. At the time, if a person earned €26,001, they would have been liable to pay €1,040 more in income tax than if they earned €1 less.

Table 1.4 shows that households headed by a self-employed person spent only €11 less per week on average than households headed by an employee. This suggests that the self-employed have less to spend than employees. However, the gap between reported expenditure is much lower than the gap between reported income, which was €68 per week (see Table 1.2).

Table 1.4: Average weekly household expenditure (euro) by livelihood of reference person

Commodity Group	Self employed	Employee	All
Food	147.49	140.86	123.28
Alcoholic drink and tobacco	28.46	32.60	28.00
Clothing and footwear	41.31	41.45	33.65
Fuel and light	46.09	39.88	38.56
Housing	178.47	216.47	164.36
Household non-durable goods	18.36	19.98	16.51
Household durable goods	32.78	33.47	27.50
Transport	168.02	152.19	124.39
Miscellaneous goods, services and other expenditure	359.96	355.02	281.21
Total	**1,020.95**	**1,031.93**	**837.47**

Source: CSO (2017), Table 1.18.

The tax system for the self-employed is based on self-assessment, with supporting documentation, and a system of random audits to ensure compliance. If there are concerns about the accuracy of income reported by those who are self-employed, is there a role for more audits of their income and tax payments, to ensure accuracy in reporting?

1.10 What value do the self-employed gain from the PRSI fund, compared to employees?

The 2016 survey of over 3,000 Class S contributors showed that 80 per cent rated the value they received for their PRSI contributions as poor, or very poor (Department of Social Protection, 2017). However, a number of studies have shown that, despite being eligible for fewer benefits, Class S contributors actually get better value out of the PRSI system than those in Class A. This is due to the rate of contribution paid by each class. The key benefit received by both Class A and Class S workers is the State pension (contributory) (SPC). KPMG, in their 2015 actuarial review of the social insurance fund, have calculated the contribution rate (as a percentage of salary) which would be required to pay for the SPC. For a person on average earnings to get the full SPC, they should pay a PRSI rate of 15.5 per cent. Currently, those in Class A are effectively paying a rate of 13 per cent, while those in Class S are effectively paying a rate of 3.7 per cent. Therefore, no contributors to the social insurance fund are paying the amount required to cover the benefits they receive, but this is much more so for the self-employed than employees. The KPMG calculations show that at every salary level, the self-employed are paying less than employees for the benefits which they are entitled to, providing them with much better value from the social insurance fund.[47] Considering that the social insurance fund is moving into deficit (see Background Paper No. 1 on *Social Insurance and the Welfare System*), this weakens its financial sustainability further.

1.11 Should the self-employed pay more into the social insurance fund?

Although Class S contributors considered that they received poor value from the social insurance fund,[48] 88 per cent of those surveyed in 2016 said they would be willing to pay higher PRSI rates in return for at least one extra social insurance benefit.[49] They were most willing to pay extra for long-term illness benefit—85 per cent would pay more. The average extra rate that the surveyed Class S contributors were willing to pay for this benefit was 1.6 per cent. There was very little difference

---

47 In addition, KPMG (Department of Social Protection, 2017b:111) note that Class S contributions are charged at the rate of 4 per cent of reckonable income over €5,000—or a flat €500, whichever is the greater. Therefore, 'self-employed contributors who pay the minimum contribution of €500 and who build up a sufficient contribution history to qualify for the SPC are getting exceptional value for money. To put this into context individuals paying at the minimum €500 per year over a full working life will receive a pension of €238.30 per week (circa €12,392 per annum) for each and every year during retirement'.

48 There is no comparative survey of Class A contributors, to assess the value they feel they receive from the fund.

49 This survey was carried out before Invalidity Pension and Treatment Benefit were extended to Class S contributors in 2017, and Jobseekers Benefit (Self-Employed) in 2019.

in willingness to pay more by income decile (Department of Social Protection, 2017).

A number of recent studies have suggested that Class S contributors should indeed pay more than they currently do into the PRSI system. These are outlined in Table 1.5.

Table 1.5: Recommendations on the rates which the self-employed should pay for extra social insurance benefits

Report	Recommendation
Commission on Taxation (2009)	‘A similar PRSI base should apply to employees and the self-employed and there should be a single rate of charge which should apply to both.’ (p.17)
Citizen’s Information Board (2012)	‘The cost of additional social insurance benefits for the self-employed will have to be funded by increasing significantly the PRSI contribution rate for the self-employed’ (p.29)
Report of the Advisory Group on Tax and Welfare (2013)[50]	‘It is potentially financially achievable to extend unemployment, illness/injury and invalidity payments to self-employed people on a cost neutral basis if appropriate decisions are made in relation to higher contribution rates … Extending social insurance to the self-employed will necessitate an increase in their contribution rate’ (p.53) ‘[of] at least 1.5 percentage points’ (p.57)

The Department of Employment Affairs and Social Protection (2018) also noted that ‘any reduction in the differential in PRSI rates charged between self-employed and employed people would help to reduce the revenue loss [from false self-employment]’ (see section 2.12 for further detail).

Despite the recommendations, when Treatment Benefit and Invalidity Pension were extended to the self-employed in 2017, and Jobseeker’s Benefit (Self-Employed) in 2019, their rate of contribution was not changed. In the stakeholder interviews carried out for this study, all but one of 15 stakeholders felt that the self-employed

[50] Advisory Group on Tax and Social Welfare (2013) Third Report: Extending social insurance coverage for the self-employed.

should contribute more towards the social insurance fund. Eight interviewees felt that there needs to be a stronger link between benefit and contribution for the self-employed, with more benefits linked to more contributions. Five interviewees clearly stated that the self-employed should pay a higher contribution than they currently do. Only one interviewee felt that many self-employed could not afford to pay more contributions, and therefore they should not pay more.

Tax wedges and other implications

The report of the Advisory Group on Tax and Welfare noted that if the rate of PRSI was increased for the self-employed, as they recommended, that this would have impacts on the marginal tax rates of the self-employed. The highest such rate is currently 52 per cent, which includes income tax, USC and PRSI. In addition, there is the USC surcharge on self-employed incomes over €100,000, which approximately 7 per cent of the self-employed paid in 2017. Increased contributions might also mean an incentive for employees to be falsely declared as self-employed. However, class S PRSI rates could be increased considerably before they would reach the tax wedge faced by employees (see Table 1.3). As outlined in Background Paper No. 1 *Social Insurance and the Welfare System*, Ireland has a much lower rate of social insurance contributions than nearly all other EU countries (see table in Appendix 3). Nonetheless, it could be hard for those on low incomes to cover the costs of higher contributions. Does this suggest a form of differentiation would be appropriate? For example, should PRSI contributions be more income-based by having those with higher gross incomes paying more? Would there be any merit in more PRSI payments based on asset value? Currently, the inclusion of rental income into the PRSI system is moving towards this. Nonetheless, it is always a concern when making changes to tax and social insurance, particularly for the Department of Finance, that the incentive to work and to set up enterprise, remain.[51]

1.12 The issue of ‘disguised’ self-employment

Due to changes in the nature of work (see background paper No. 3 *Issues of Platform Working*), there are an increasing number of new forms of employment and self-employment, with blurred boundaries between them. For example, self-employment can have features that are associated with employment, such as lack of ability to determine working conditions and price for work. There may also be incentives for employment to be ‘disguised’ as self-employment. For example, social insurance contributions and income tax are lower for the self-employed. Clearly, this can mean a loss for the social insurance fund and other Exchequer funding

[51] See for example, Tax Strategy Group paper TSG 14/08—Pay Related Social Insurance Changes; Department of Finance (2017) Income tax and Universal Social Charge: Incorporating an ex-ante equality impact assessment of possibly changes to the income tax system’, Tax Strategy Group—TSG 17/02

streams. Table 1.6, based on analysis by the Comptroller and Auditor General, outlines this.

Table 1.6: Illustration of the effect of employment status on tax and PRSI due

	PAYE worker	Self-employed individual	Operating through a company structure
Income	€100,000	€100,000	€100,000
Tax due	€29,790	€26,070	€26,779
PRSI due — employee	€4,000	€3,578	€3,200
— employer	€10,850	–	–
Total receipts	**€44,640**	**€29,648**	**€29,979**

Source: Comptroller & Auditor General (2018) *Report on the Accounts of the Public Services 2017*, Dublin: p.252.

Self-employed people do not need to be paid severance payments when work in industries with irregular cycles dries up. A number of stakeholders interviewed for this project felt that the increased number of employer payments for redundancy since 2012 were contributing to a preference to take workers on as self-employed sub-contractors, rather than employees, in some sectors.[52]

A self-employed person also does not have employment rights which need to be fulfilled by the employer, such as the costs of paying for annual leave, the minimum wage, etc. One stakeholder interviewed for this project noted that there are over 40 pieces of legislation that impact on an employment relationship, which can be

[52] The statutory redundancy employer rebate (which was available to employers paying redundancy) was abolished from 1 January 2013. Before then, employers could claim back 60 per cent of the cost of paying a redundancy until 2012, and then 15 per cent until 2013, after which time the rebate was abolished entirely. ISME have argued for it to be reinstated, or for employers' PRSI to be reduced by 0.5 per cent, to cover the extra costs of paying redundancy, or for statutory redundancy payments to be abolished. See https://fora.ie/employers-redundancy-rebate-ireland-3523246-Jul2017/. Meanwhile, Roman *et al.* (2011) have found that the strictness of employment protection legislation and potential severance payments were positively linked to transitions to dependent self-employment across Europe.

challenging for small businesses to fulfil.. A number of interviewees were of the view that some aspects of employment law can incentivise a self-employment relationship over an employment one.

Behling and Harvey (2015) point out, in relation to the UK construction industry, that disguised[53] self-employment can lead to reduced investment in training, and loss of skills reproduction as less apprenticeships are supported by the buyers of self-employed labour. This lowers productivity. De Moortel & Vanlaeren (2017) found that freelancers and subcontractors, as well as farmers, were the least likely group of the self-employed to receive training. Where false self-employment is widely adopted, Behling and Harvey argue that there is 'degenerative competition', with employers having little option but to follow the route of false self-employment, or go out of business.

While the vast majority of self-employment is genuine (see the Eurofound typology described by de Moortel & Vanroelen, 2017), employment can be disguised as self-employment in a number of ways—for example, the use of intermediary companies, and the false declaration of a *de facto* employed person as self-employed. Some also argue that franchises can be a 'grey zone' between normal employment and self-employment, with some franchisees having low autonomy and being economically vulnerable (Muehlberger, 2007). A relatively small number of the self-employed in Ireland work through an intermediary company, approximately 15,000 (Department of Employment Affairs and Social Protection, 2018). Such companies create triangular employment relationships, where the worker's services are secured through a third entity, thus distancing the employer from direct engagement with the employee. They provide a useful form of flexibility for short-term work, but they may also be used to avoid PRSI and tax payments, and provision of employment rights. However, at 15,000, the number of such intermediary structures accounts for less than 5 per cent of the total number self-employed in Ireland. It may be more common for a person who is designated as self-employed to actually be an employee. There is no systematic data to confirm this, but the result of Department of Employment Affairs and Social Protection and Revenue Commissioners inquiries (see Box 1.3) suggest that in some businesses up to a quarter of those registered as self-employed are, in fact, employees. As with intermediary arrangements, this can mean the 'employee' does not have access to employment rights, as well as reducing PRSI and tax payments. It is clearly financially beneficial for a would-be employer to do this, and while it can also be financially beneficial for the 'employee' in the short-term (assuming they are paid the amount which is not spent on PRSI and tax contributions), it reduces their eligibility for PRSI supports in the longer-term. These self-employed workers may

[53] In fact, Behling and Harvey use the phrase 'false self-employment'. There are several words that are used to describe this phenomenon—false, disguised, bogus or dependent self-employment. While quite similar, there are some differences. Bogus self-employment can be a deliberate attempt to avoid tax and welfare contributions, while dependent self-employment may not intend to do so (see Eurofound, 2017).

not have much choice about their work status either. As outlined earlier, there is greater transition from employee to dependent self-employed status in Europe during economic downturns (Roman *et al.*, 2011). In such downturns, the dependent self-employed are likely to have poor bargaining power in relation to what they are paid.

Box 1.3: Self-employed or employee? Department of Employment Affairs and Social Protection & Revenue investigations

Both the Department of Employment Affairs and Social Protection and the Revenue Commissioners work to detect cases where a person may be incorrectly categorised as self-employed. The Department of Employment Affairs and Social Protection has a 'scope' section, to which employers or employees or their representatives may apply to have the scope of employment investigated and see if the correct class of PRSI is applied. It also has a Special Investigation Unit (SIU) staffed by 91 officers and 19 Gardai, who investigate and report on social welfare fraud. The Revenue Commissioners have a Risk Evaluation Analysis and Profiling (REAP) system, and uses this, as well as audits, investigations and site visits, to detect fraud. Both organisations work together formally through the Joint Investigation Unit (JIU), which carries out site visits and inspections, usually unannounced. There are concerns about false self-employment in particular sectors, such as construction, food-processing and media. In relation to the media sector, a 2017 review of 433 contracts for services issued by RTE found that 25 per cent had attributes akin to employment (Comptroller and Auditor General, 2018). Interviews which the JIU conducted in 2016 of 11,699 people working on construction sites resulted in 345 sub-contractors being registered as employees, and 848 individuals registering as PAYE employees—just over ten per cent of those interviewed. Also in 2017, the Comptroller and Auditor General (2018) reported that 25 per cent of those interviewed as a result of Revenue and Department of Employment Affairs and Social Protection visits to sites in the construction sector were wrongly classified as self-employed (see Department of Employment Affairs and Social Protection, 2018).

In order to include the 'disguised' self-employed in the tax and welfare systems, two different approaches have been adopted in Europe. Some countries have introduced a third category of workers, somewhere between employees and the self-employed—e.g. Austria and Italy, where these workers are classified as self-employed but have special status with regard to social protection. In Portugal, Slovakia, Spain and Slovenia, they are identified as 'economically dependent workers', more like employees, and so entitled to some of the protections which an employee gets. Meanwhile, in Ireland, as in Belgium, Norway and Poland, criteria have been established to differentiate employment from self-employment, looking at the extent to which the worker is subordinate to the person providing the work (Eurofound, 2017). The *Code of Practice for Determining Employment or Self-Employment Status of Individuals* sets out criteria for determining if a person is self-employed or not. The Code is based on legal precedent.[54] It provides guidance to consider the work carried out by an individual, the way the work is done, and the terms and conditions under which the person is engaged, be they written, verbal or implied. A key question is—is the person a free agent with an economic independence from the person engaging the service? (Department of Employment Affairs and Social Protection, 2018). A number of stakeholders interviewed as part of this research referred to this Code, considering that it is effective in determining whether self-employment is genuine or not, when applied. In fact, the Comptroller and Auditor General (2018) has recommended that the Department of Employment Affairs and Social Protection consider the introduction of a random programme of reviews of PRSI classification, which should act as a deterrent to those tempted to wrongly classify workers as self-employed. The Advisory Group on Tax and Welfare (2013) also recommended that the Department of Employment Affairs and Social Protection and the Revenue Commissioners should ensure greater compliance with this Code.

There has also been some legal change in relation to disguised self-employment. The Competition (Amendment) Act 2017 acknowledges that 'atypical employment, involving those who are not obviously employed or self-employed, is a growing phenomenon', and this Act allows for trade unions to apply to the Minister for Business, Enterprise and Innovation[55] for permission to collectively represent such workers. The Act also introduced a third category of worker in specific sectors (voice-over actors, session musicians and freelance journalists), on whose behalf trade unions are now enabled to organise and negotiate collectively. This approach may expand in scope over time. Private Members Bills to prohibit and prevent bogus self-employment were put forward by both the Labour Party and Solidarity-People Before Profit in 2018,[56] but both these Bills lapsed with the dissolution of the Dáil and Seanad.[57] Both aimed to prevent reductions in PRSI contributions and tax revenue, as well as aiming to provide employment rights to the affected workers.

Despite these debates and findings, it is important to note that the Comptroller and Auditor General (2018:264) found that 'despite apparent changes in employment relationships, there has been no significant increase in the proportion of earners in PRSI class S over the past ten years.' In fact, the proportion of self-employed

---

[54] The Code was prepared by the Employment Status Group set up under the Programme for Prosperity and Fairness (2000). The Department of Employment Affairs and Social Protection can be asked to determine the employment status of a person, based on the guidance in the code. The Revenue Commissioners also provide it as a guide for individuals trying to decide their employment status for tax purposes.

[55] Now the Minister for Enterprise, Trade and Employment

[56] See https://www.rte.ie/news/economy/2018/0208/939244-bogus-self-employment/, and https://www.algoodbody.com/insights-publications/bogus-contracts-for-service-new-law-proposed-to-tackle-employment-status, 04/10/18.

[57] They were restored to the order paper in September 2020, see https://www.kildarestreet.com/debates/?id=2020-09-17a.211

contributors in the PRSI system was lower in 2016 than ten years previously (see Appendix 1, figure A13). Nonetheless, concerns remain, bolstered by investigations carried out by the Revenue Commissioners and the Department of Employment Affairs and Social Protection; and the results of surveys on the working conditions of the self-employed, such as that conducted by Eurofound (2017).

1.13 'Fitting' the self-employed into the social insurance and social welfare system

The self-employed have different access to social protection than employees. Eurofound (2017) note differences in terms of entitlement to social protection (either not included, or having difficulty meeting thresholds); contribution gaps (which impact on calculation of contributions); and integration gaps, whereby other entitlements, such as those related to housing or credit, are linked to one's employment status.

In Ireland, Eurofound (2017) notes that there are limited universal social security rights, as in the UK, for both employees and the self-employed. In addition, there are a number of ways in which the self-employed do not 'fit' well into the Irish social welfare and insurance systems. As noted above, they are not entitled to all social insurance benefits, and there are a number of other difficulties as well, which are outlined below.

One difficulty arises in assessing income from self-employment, which does not arise in the case of employees, for whom an employer can quickly provide independent verification of income. For the means test for Jobseeker's Allowance, the self-employed need to establish the actual income they are likely to receive in the current year. This can be hard to do if their business has failed, or is failing. Some self-employed people who have gone out of business may not be able to afford an accountant to verify income levels. Where Intreo deciding officers are not sure what the current year's income will be, they may use income from the previous year as the base for calculating eligibility. However, the previous year's income may bear no relation at all to the income that is likely to be received in the current year. In 2012, the Citizen's Information Board stated that 'it would appear that reference to the previous year's income in respect of establishing means is being made unnecessarily and more frequently than it need be … Instances have been reported where the use of the previous year's income as the primary source for determining the level of means has resulted in people being disqualified from assistance' (Citizen's Information Board, 2012: 22).

A number of recommendations have been made to address these problems, which are presented in Table 1.7.

Table 1.7: Recommendations to address issues with means tests for the self-employed

Report	Recommendations
Citizen's Information Board (2012)	A pragmatic mechanism for establishing actual means, based on the legislation, for example, a detailed pro-forma list of the type of means-related evidence that can be used to enable a claim to be processed in a timely fashion A supplementary welfare payment for 6-8 weeks for the [previously] self-employed who can not establish entitlement to another social welfare payment.
Advisory Group on Tax and Social Welfare (2013)	The methodology for assessing means should be simplified.

A person who works less than 30 hours a week is eligible for Jobseeker's Allowance on a means-tested basis, whether employed or self-employed. However, as self-employment income generally varies from week to week or month to month,[58] to a much greater extent than that of an employee, people who are in self-employment on a part-time basis can have difficulty verifying their actual income from different sources. In 2012, the Citizen's Information Board felt there were local disparities in how self-employed people's income was assessed, with some reporting having income assigned to their self-employment which was notional rather than real—for example, money owed by debtors which may not be realised. They also reported that some social welfare offices had told previously self-employed people that they needed to cease this work completely in order to be eligible for a payment. The Citizen's Information Board (2012) recommended greater flexibility in relation to suspending a claim for short periods of work, or allowing people to claim Jobseeker's Allowance for the days which they do not work, in all Intreo offices, rather in some. There is also a model to verify income from self-employment in

58 Hatfield (2015) notes that the self-employed have much more volatile income than employees.

Farm Assist, which is a means-tested payment for farmers with low incomes.[59] In any case, the Department of Employment Affairs and Social Protection has a system to recover overpayments of social welfare payments, if such does occur in relation to income supports to the self-employed.

The Citizen's Information Board also noted another anomaly in the way means are assessed for Jobseeker's Allowance when the spouse is self‑employed. Where a spouse is an employee, there are a number of disregards that apply—earnings of €20 per day, for each day, up to a maximum of €60 per week, are discounted; and only 60 per cent of the balance is assessed as means. However, in the case of self‑employed persons, all the income from self‑employment is taken into account in the means test. On a related issue, the self-employed are not entitled to Working Family Payment, a payment for low income families where the adults are employees.

Some interviewees felt that the idea of a single payment for people of working age should be revisited.[60] This could help as it would mean, for example, that income disregards which are different for employees and the self-employed under various payments, would more easily be standardised.

Another issue, albeit one that has less immediate impact, is that those paying Class S PRSI are not eligible for credited contributions. If an employee is sick, unemployed or retires early and so is not working, PRSI deductions may not be paid by them. However, they may qualify for credited contributions (often called 'credits') instead.[61] These credited contributions play a similar role to the PRSI contributions paid while in employment, as they ensure a contribution record that maintains a person's entitlement to PRSI benefits in future. Without credited contributions, if a person remains without social insurance cover for two or more years, the only mechanism to re-enter the system is to obtain 26 paid contributions. Another consequence is that a person will have insurance gaps that may cause problems in terms of eligibility for the Contributory State Pension. Those in Class S can pay voluntary contributions to keep up their record. However, two issues arise here. First, the Citizen's Information Board (2012) is concerned that many in Class S do not know that they can pay voluntary contributions to keep up their records, and

---

59 See http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/farming_and_fishing/farm_assist.html, 29/11/18.

60 See Department of Social Protection *Report on the Desirability and Feasibility of Introducing a Single Social Assistance Payment for People of Working Age,* November 2010. The Single Working Age Assistance Payment or single payment is a proposal to create a single social welfare payment that would cover all people of working age, including those who would be classified as unemployed, with a disability or parenting alone.

61 Those who have made at least one contribution at PRSI Class A, B, C, D, E, or H and have paid or credited contributions in either of the last two completed tax years are eligible to get credited contributions.

recommended more proactive dissemination of information on this possibility,[62] as did the Advisory Group on Tax and Welfare (2013). A second issue is why do Class S contributors have to pay for the equivalent of 'credits' when out of the labour force, but those in other Classes do not? This may be related to the lower contributions which those in Class S pay. However, those who qualify for Jobseeker's Allowance are a disadvantaged group, and the Citizen's Information Board (2012) recommended that they should get credited contributions while on this payment. The Advisory Group on Tax and Welfare recommended that the Department of Employment Affairs and Social Protection consider this issue in their review of the credits system.[63]

A further issue that affects previously self-employed people is that those who do not qualify for unemployment income support are not eligible for activation and training supports. Both the Citizen's Information Board (2012) and the Advisory Group on Tax and Welfare (2013) recommended that this be changed. The Citizen's Information Board also suggested a form of short-term insurance payment to self-employed people who take up training or education programmes. Considering that the self-employed, particularly the dependent self-employed, are less likely to take part in training than employees (Hatfield, 2015), and that the self-employed in Ireland have lower levels of education than employees, it is important to ensure that the self-employed are supported to take up training opportunities.

An additional issue, also noted by the Citizen's Information Board (2012), is that the self-employed may not be paying into the PRSI system at all. In Census 2016, 313,404 people declared as self-employed, but DEASP statistics furnished to NESC show that a lower number, 228,413 contributors, paid only Class S contributions in that year, which implies that their only income was from self-employment.[64] This does suggest that some self-employed may not be paying PRSI contributions. In line with the Citizen's Information Board (2012) report, to ensure that the self-employed are aware of social welfare benefits for the self-employed, in February 2018 the Taoiseach launched a campaign to raise awareness of this issue.[65]

In addition, the Citizen's Information Board has noted that the self-employed can need different types of support to employees. During the 2008-2013 recession, the Citizen's Information Board supported many self-employed people struggling with

[62] The Department of Employment Affairs and Social Protection has now extended the time period during which a person can retrospectively pay voluntary contributions, from 1 year to 5 years.

[63] In communication with the Department of Employment Affairs and Social Protection, it was confirmed that this review is not a policy paper, and so is for internal reference only.

[64] A further 95,494 people paid contributions into both Class S and another Class, indicating that they had income from both self-employment and another source. These contributors may include employed landlords, for example.

[65] See https://merrionstreet.ie/en/News-Room/News/Taoiseach_launches_self-employed_benefits_awareness_campaign.html and www.gov.ie/selfemployed, 16/10/18.

debt. As noted earlier, the self-employed, excluding farmers, are the most indebted group. The Citizen's Information Board recommended that a mentoring service be set up under the LEOs for such businesses, and that consideration be given to setting up a separate support unit for them in MABS[66]/LEOs. They noted that most supports for the self-employed were focused on establishing a business, and that there were less to sustain it (Citizen's Information Board, 2012). A similar point was raised by entrepreneurs in the Mid Term Review of the National Policy Statement on Entrepreneurship (Department of Business, Enterprise and Innovation, 2018). They felt that while there are numerous supports for start-ups, there are not enough once a company grows to the 8-10 employee stage. It could be argued that farmers in difficulty are able to access more supports, however, as there is assistance for farms in financial difficulties, such as the Farm Assist income support payment,[67] the Areas of Natural Constraint Scheme for those farming on marginal land, and the TB compensation scheme for those who cannot sell animals during a TB outbreak.

There may be some inconsistencies between the range of supports provided to drive the growth and survival of enterprises, as described in section 2.7 earlier, and the difficulties which the self-employed can face in accessing social welfare supports.

1.14 The self-employed and the principles underpinning social welfare

Having outlined the situation of the self-employed, this section considers how the self-employed are treated in the social welfare system, with reference to the principles underpinning social welfare.

The principles of the social welfare system, as outlined in background paper No. 1 *Social insurance and the welfare system*, include comprehensiveness, adequacy, the contributory principle, solidarity, redistribution, consistency, equity, simplicity and sustainability. How do these principles apply in relation to the self-employed?

On comprehensiveness, all adults may apply for means-tested social assistance payments. In relation to social insurance, this is moving towards the self-employed having the same coverage as employees. Over time, benefits such as the Contributory State Pension and Invalidity Pension have been extended to those in Class S. However, as Illness Benefit is not yet available to the self-employed, and Jobseeker's Benefit has only been available from late 2019, the system is not yet

---

66 Money Advice and Budgeting Service.

67 This of course is similar to Jobseeker's Allowance.

fully comprehensive. Neither do the self-employed get credited contributions, or access to activation supports.

On adequacy [of income], redistribution and solidarity—although the self-employed have lower incomes than employees, they own more assets. EU-SILC data also shows that social transfers raise the income of self-employed people nearer to those of employees, so the tax and welfare system is meeting this goal to a large degree, while people are earning. However, if a self-employed person becomes ill or unemployed they have greater difficulty accessing short-term income supports than do employees.

In relation to the contributory principle, the lower payments into the social insurance fund by the self-employed clearly do not fit well with this principle; and this has implications for sustainability of the fund in future. This also has implications for solidarity, and it could be argued that it is not equitable.

On consistency, the self-employed are not always treated consistently with employees. They are not able to access Working Family Payment, for example. In addition, applying means tests and income tests to the self-employed in the same way as to employees is problematic. The circumstances of the self-employed are different to those of employees, suggesting that the issue of 'tailoring' services to their circumstances, as outlined in the Developmental Welfare State (see NESC, 2005), could ensure more equity in outcomes. With social risks for the self-employed (and indeed other workers) changing, along with greater economic uncertainty and more emphasis on flexicurity, how well does the social welfare system support the self-employed, particularly through transition periods? The self-employed have less access to income supports, and to training and activation supports, than employees. Access to these supports can help people to maintain and improve their participation in the economy. In addition, some self-employed are more vulnerable than others. Some are self-employed due to lack of alternatives, and some earn low incomes, which are much more volatile than those of employees. Some have high levels of debt. Some work long hours and have lower well-being. Some have low educational attainment, and on average the self-employed do less training than employees. This suggests a need for greater support for at least some of the self-employed.

1.15 Policy implications

This final section considers a number of policy options in relation to the self-employed in the social welfare system. They can be grouped into four.

First, should the self-employed contribute more to the social insurance system? A range of reports, and indeed the self-employed themselves, have argued that higher PRSI contributions are an appropriate return for more benefits. Any changes would, however, need to be made carefully, to avoid any incentive for employees to be falsely declared as self-employed; and to ensure that the self-employed on low incomes can afford to cover the costs of higher contributions. This raises a number of further questions. For example, does this suggest a form of differentiation would be appropriate? Or greater similarity of treatment with employees? And should some PRSI contributions be raised from assets?

Second, should more welfare supports be provided to the self-employed? Such supports could include income, activation, training and business sustainability supports. Again, some differentiation of support among different groups might be warranted, bearing in the mind the varied situation of the self-employed, with those who are own account workers and the more dependent self-employed in a different situation to those with employees and a lower debt-to-asset ratio.

Third, should regulation be used more effectively, to ensure that differentiation between the situation of employee and self-employed is appropriate? Can some of the inconsistencies between the treatment of self-employed and employee in the welfare system be dealt with more fairly? Should there be more audits of the income of the self-employed, at the same time as more equal treatment of employees and the self-employed in the social welfare system? Should there be a third status of worker, between employee and self-employed? Or is the existing Revenue Commissioners' *Code of Practice for Determining Employment or Self-Employment Status of Individuals* adequate to provide employment protection and ensure social insurance and tax are paid?

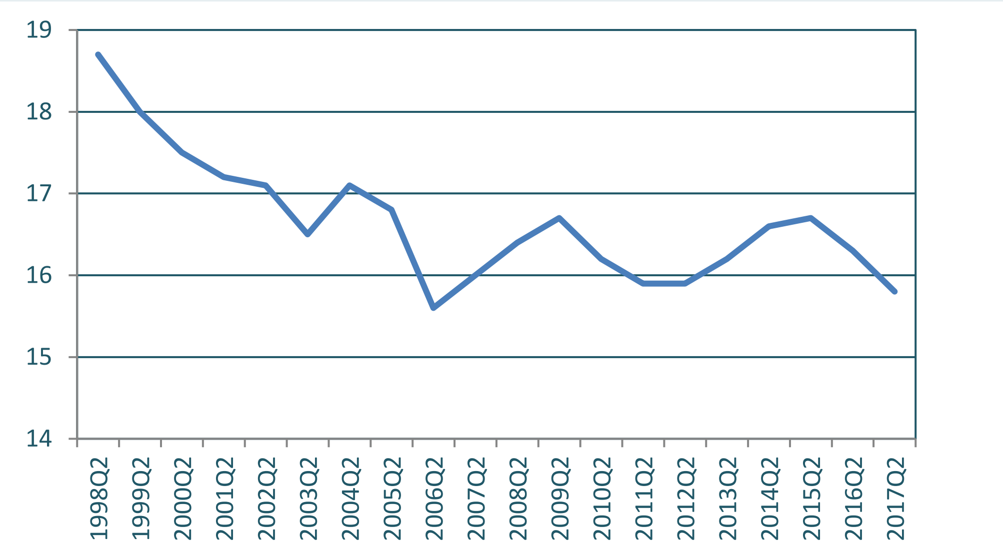
Finally, is there a role for greater representation of the self-employed? Some self-employed are represented by IBEC, the Small Firms Association, ISME, the Chambers of Commerce, and the IFA. And those who are in 'false' or fully-dependent self-employment can now be represented by trade unions under the Competition (Amendment) Act of 2017. However, the mechanics of how this will work have not yet been published. Is the current situation adequate to represent the interests of all self-employed?

Appendices

Appendix 1: Figures

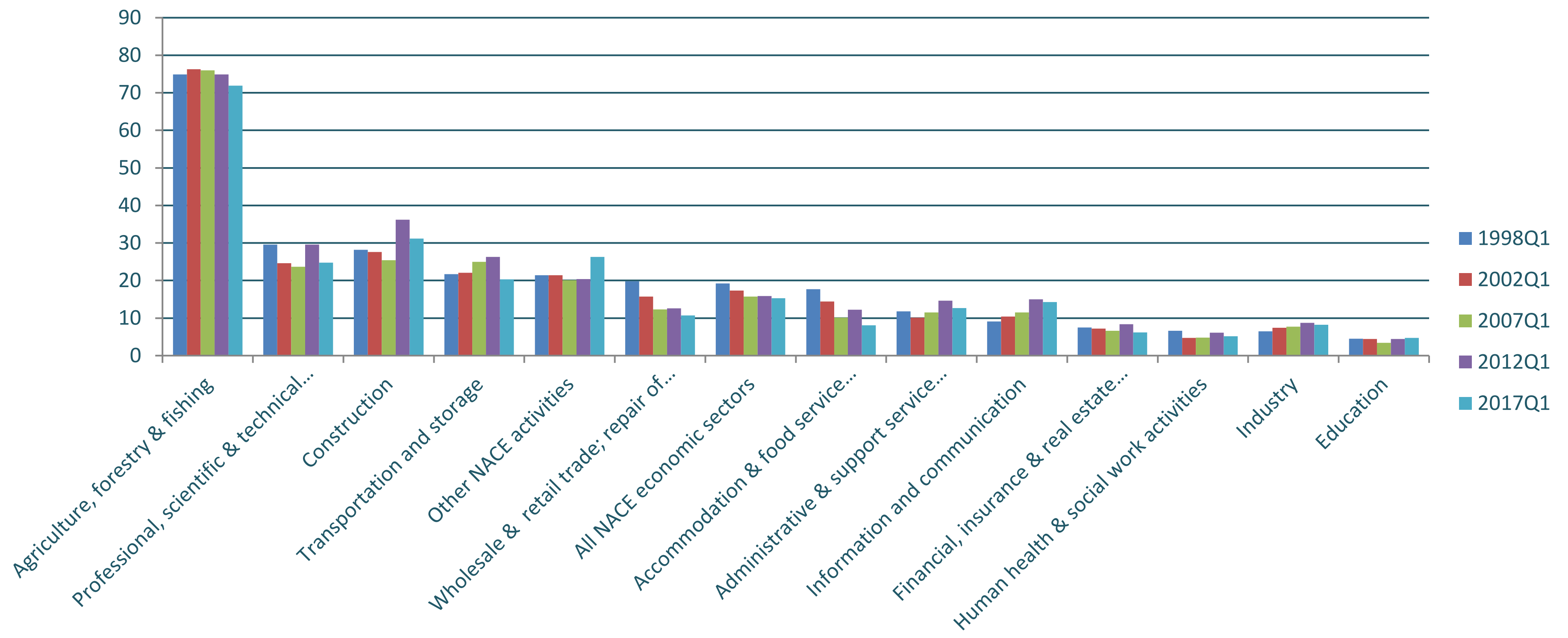
See Tables A8-A10 at the end of the Appendix, for the numbers of self-employed from 1998 to 2017

Figure A1: Self-employed as percentage of all in employment, 1998-2017



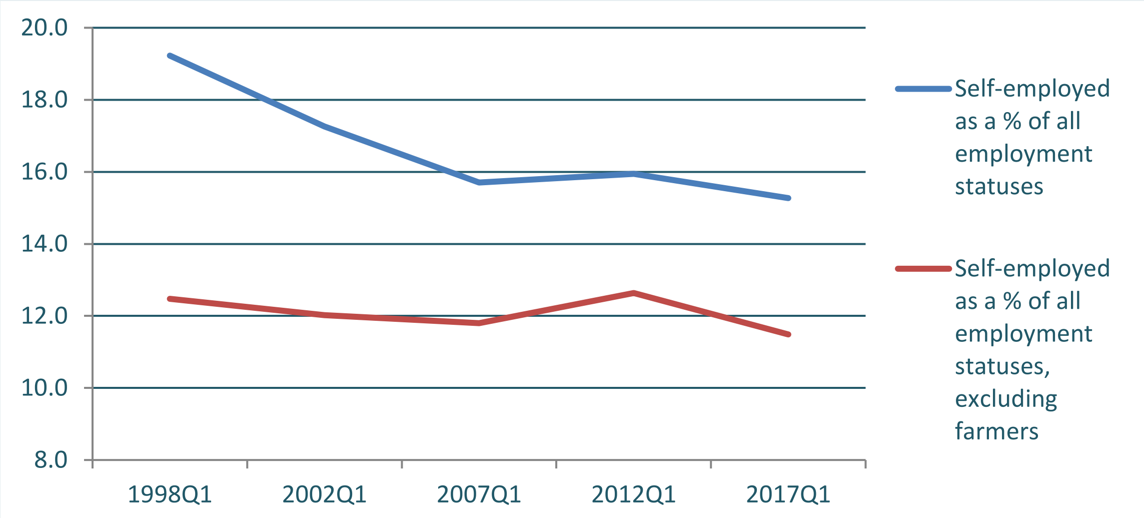
Source: QNHS, StatBank

Figure A2: The percentage of self-employed in each NACE sector, 1998-2017



Sources: QNHS, Q1 each year from 1998 to 2017; downloaded from Statbank, Table 4 at https://www.cso.ie/en/releasesandpublications/er/qnhs-es/qnhsemploymentseriesq12017/

Figure A3: The percentage of all at work in self-employment, overall and excluding those working in agriculture, fishing and forestry, 1998-2017

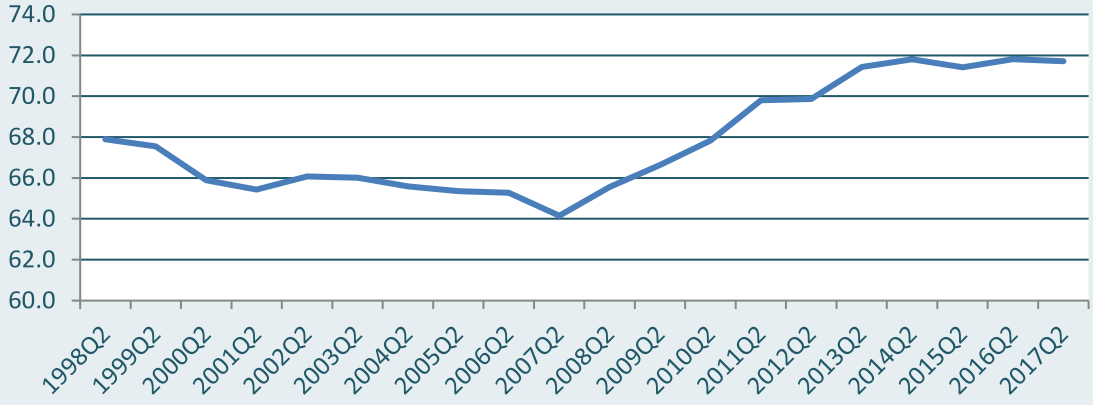


Source: QNHS, StatBank

Figure A4: Changes in the percentage of employees, self-employed with employees, and self-employed with no staff, in the construction sector, 1998-2017

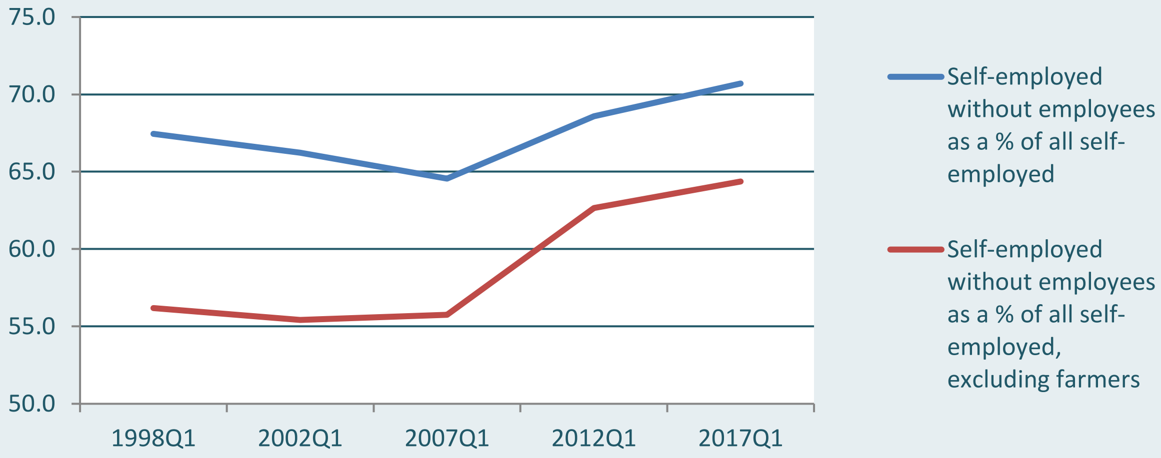
Source: QNHS, Statbank

Figure A5: Self-employed with no paid employees as a percentage of all self-employed



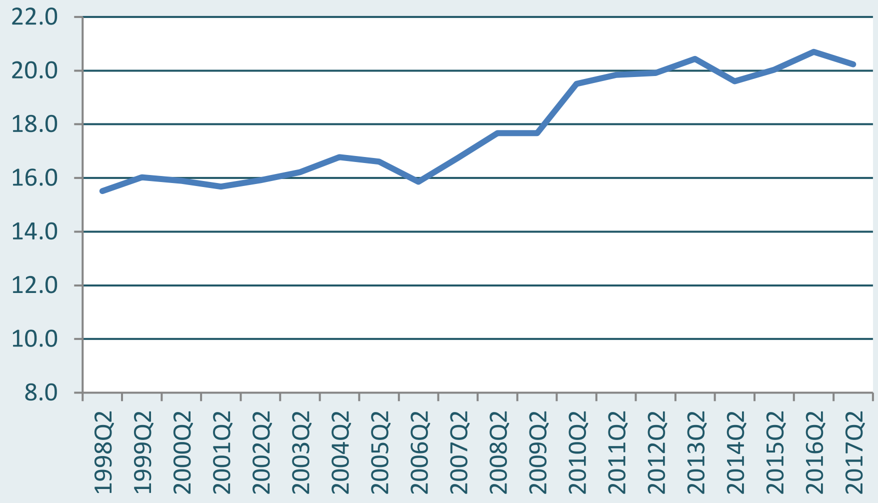
Source: QNHS, via StatBank

Figure A6: The self-employed without employees, as a percentage of all self-employed, with and without those working in agriculture, forestry and fishing, 1998-2017



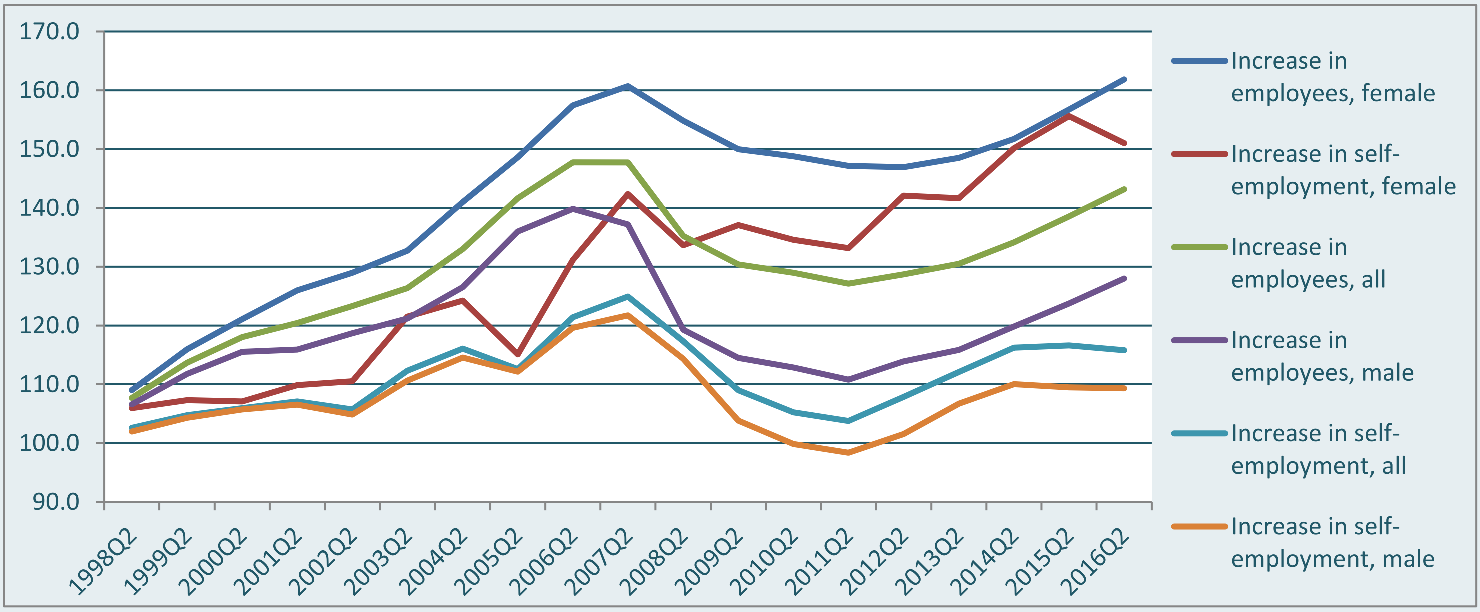
Source: QNHS, via StatBank

Figure A7: Percentage of self-employed who are female, 1998-2017



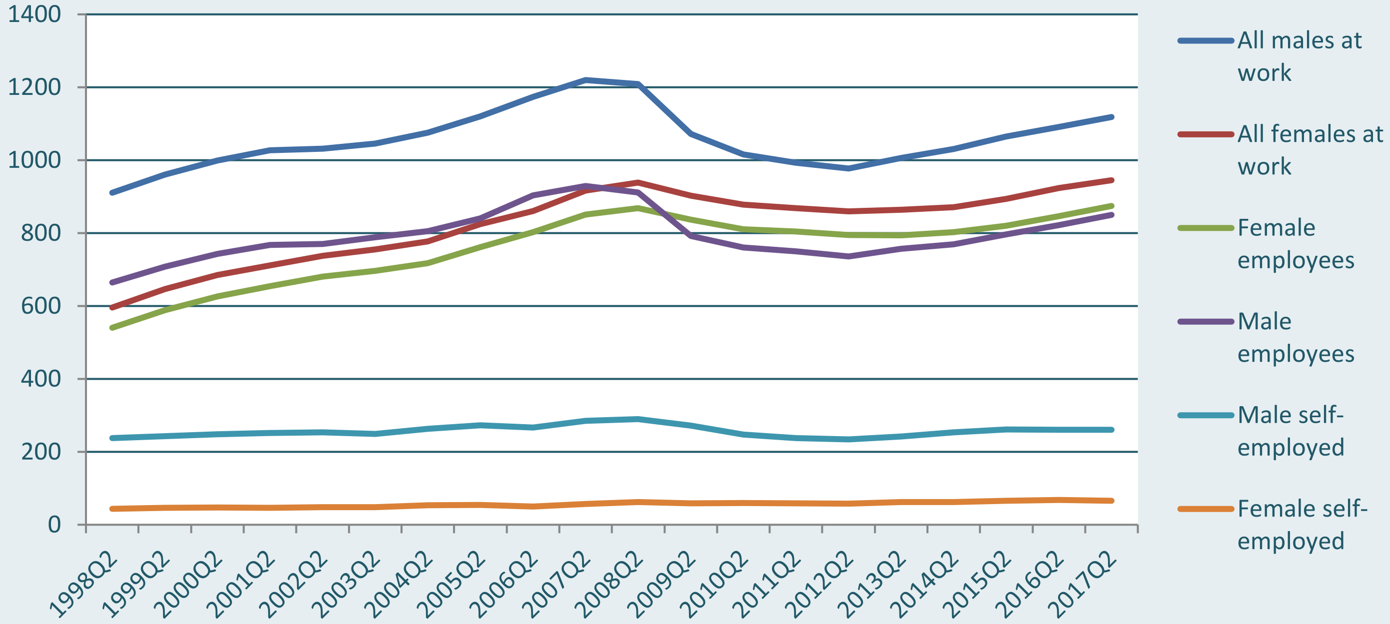
Source: QNHS, Statbank

Figure A8: Percentage increase in the number of male, female and all self-employed and employees since 1998 (taking 1998 as base year)



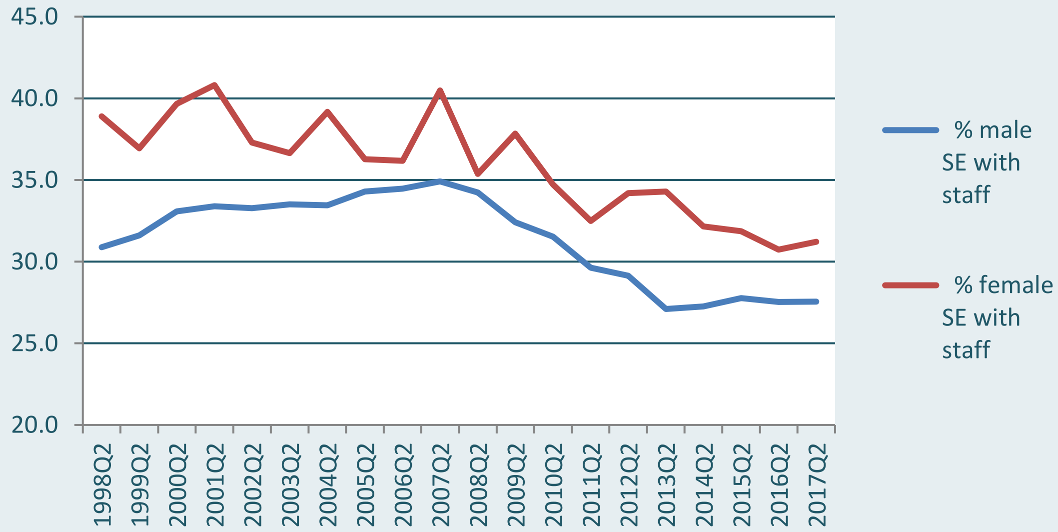
Source: QNHS, Statbank

Figure A9: Changes in the number of male, female and all employees and self-employed, 1998-2017



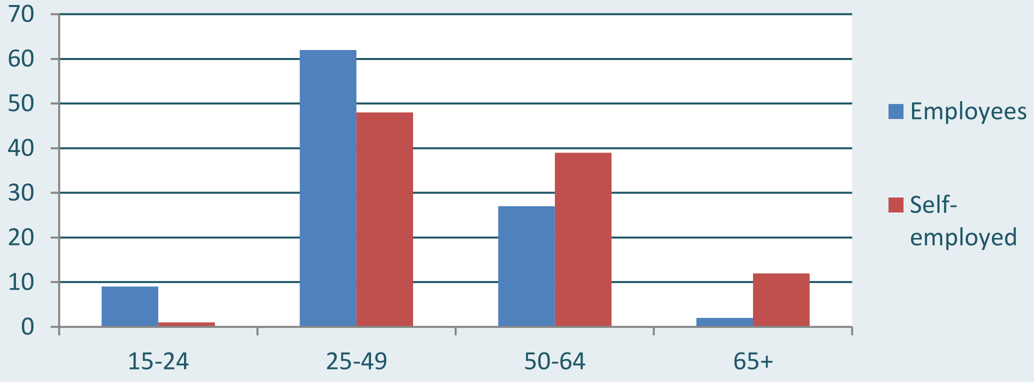
Source: QNHS, Statbank

Figure A10: The percentage of male and female self-employed (SE) with paid employees, 1998-2017



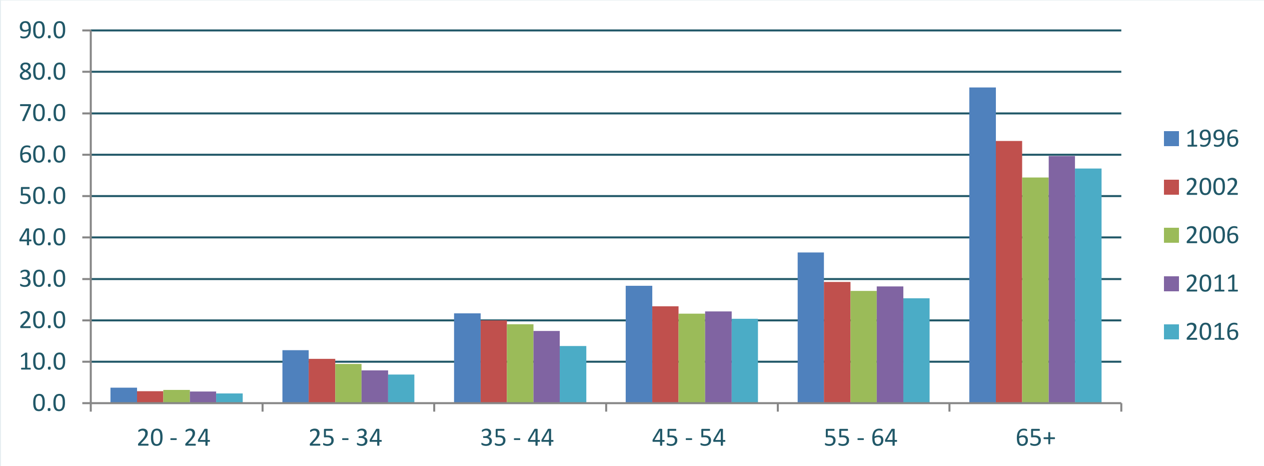
Source: QNHS, StatBank

Figure A11: Percentage of employees and self-employed (excluding those working in agriculture, fishing and forestry) in different age groups, 2016



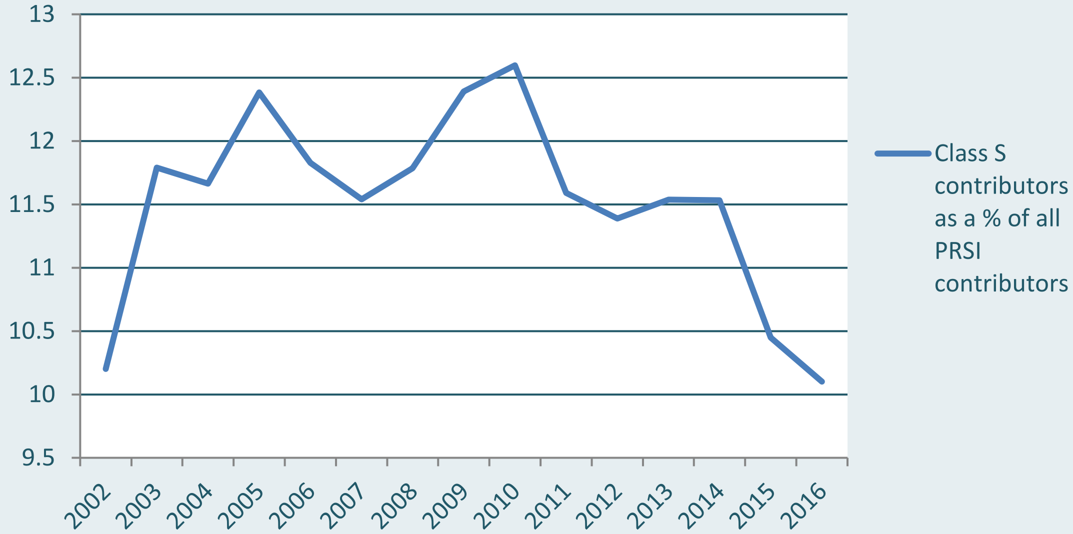
Source: SILC, 2016

Figure A12: Percentage of self-employed among employees and self-employed, by age group, 1996-2016



Source: Census 1996-2016, Statbank

Figure A13: Class S contributors as a percentage of all PRSI contributors



Source: Statistical Information on Social Welfare Services 2017, and 2004-2010, downloaded 24 October 2018

Table A8: Number of male, female and all self-employed, self-employed with and without paid staff, and employees (including schemes, and assisting relatives), 1998 to 2016 (000s)

	1998Q2	2000Q2	2002Q2	2004Q2	2006Q2	2008Q2	2010Q2	2012Q2	2014Q2	2016Q2
Male self-employed with paid employees	73.5	82.1	84.4	88.1	92	99.2	77.9	68.2	69.2	71.7
Male self-employed with no paid employees	164.5	166.1	169.2	175.2	174.9	190.5	169.2	165.9	184.7	188.8
All male self-employed	238	248.2	253.6	263.3	266.9	289.7	247.1	234.1	253.9	260.5
Male employees (including schemes, and assisting relatives)	672.7	751.2	778	812.1	907.3	918.9	768.6	742.9	776.8	830.6
Males—all employment status	910.7	999.4	1031.5	1075.4	1174.1	1208.6	1015.7	977	1030.6	1091
Female self-employed with paid employees	17	18.6	17.9	20.8	18.2	22	20.8	19.9	19.9	20.9
Female self-employed with no paid employees	26.7	28.3	30.1	32.3	32.1	40.2	39.1	38.3	42	47.1
All female self-employed	43.7	46.9	48	53.1	50.3	62.2	59.9	58.2	61.9	68
Female employees including schemes and assisting relatives)	552.1	638.6	689.2	723.9	810.7	876.5	818	800.9	809.1	855.9
Females—all employment status	595.8	685.5	737.3	777	860.9	938.7	877.9	859.2	870.9	923.9
All self-employed with paid employees	90.5	100.7	102.3	108.9	110.2	121.2	98.7	88.1	89.1	92.6
All self-employed with no paid employees	191.2	194.4	199.3	207.5	207	230.7	208.3	204.2	226.7	235.9
All self-employed	281.7	295.1	301.6	316.4	317.2	351.9	307	292.3	315.8	328.5
All employees (including schemes and assisting relatives)	1224.8	1389.8	1467.2	1536	1718	1795.4	1586.6	1543.8	1585.9	1686.5
All employment status	1506.5	1684.9	1768.8	1852.4	2035.2	2147.3	1893.6	1836.1	1901.7	2015

Source: QNHS, Statbank

Table A9: The numbers of all in employment, and all self-employed, 1998 to 2017 (000s)

	1998 Q1		2002 Q1		2007 Q1		2012 Q1		2017 Q1	
	All employment status	All self-employed	All employment status	All self-employed	All employment status	All self-employed	All employment status	All self-employed	All employment status	All self-employed
All NACE economic sectors	1485.9	285.7	1757.2	303.3	2110.6	331.5	1825	290.9	2045.1	312.3
Agriculture, forestry and fishing (A)	134	100.4	120.5	92	108.5	82.5	80.5	60.3	107.7	77.4
Industry (B to E)	296	19.2	309.6	23	301.8	23.2	236	20.6	263.8	21.6
Construction (F)	118.1	33.3	173.8	47.9	270.4	68.8	103.3	37.4	142.5	44.5
Wholesale and retail trade; repair of motor vehicles and motorcycles (G)	208.1	41.1	247.2	38.7	297.5	36.5	271.3	34.2	276.5	29.7
Transportation and storage (H)	66.9	14.5	85.5	18.9	93.7	23.4	90.2	23.7	95.4	19.4
Accommodation and food service activities (I)	93.7	16.6	106.2	15.3	133.8	13.5	117.6	14.4	152.2	12.3
Information and communication (J)	49.5	4.5	65.7	6.8	66.8	7.7	78.5	11.8	92.7	13.3
Financial, insurance and real estate activities (K, L)	59.8	4.5	78.7	5.7	100.3	6.6	101	8.5	100.4	6.2
Professional, scientific and technical activities (M)	64.2	19	82.4	20.3	108.9	25.8	98	29	116.5	28.9
Administrative and support service activities (N)	39.8	4.7	52.4	5.3	73.6	8.5	62.5	9.1	72.2	9.2
Public administration and defence; compulsory social security (O)	71.4	..	84.3	..	101.4	..	99.5	..	100.7	..
Education (P)	95.3	4.3	111.1	4.9	142.6	4.9	146.6	6.5	158.1	7.4
Human health and social work activities (Q)	111.4	7.4	154	7.2	212.4	10.2	239.6	14.6	256.2	13.2
Other NACE activities (R to U)	70.6	15.1	77.7	16.6	94.3	19	98.5	20.1	103.1	27.1
Not stated	7.1		8.4	..	4.7	..	..	..	7.3	..

Source: QNHS, Statbank

Table A10: The percentage of self-employed without employees, by sector, 1998 to 2017

	1998Q1	2002Q1	2007Q1	2012Q1	2017Q1
All NACE economic sectors	67.4	66.2	64.6	68.6	70.7
Agriculture, forestry & fishing	88.2	91.1	91.2	91.2	89.9
Education	79.1	71.4	75.5	80.0	82.4
Transportation & storage	74.5	77.2	78.6	83.5	82.0
Other NACE activities	72.2	75.9	72.1	72.6	74.9
Information & communication	71.1	70.6	74.0	69.5	75.2
Administrative & support service activities	61.7	52.8	57.6	63.7	70.7
Construction	58.6	56.4	53.5	71.7	68.3
Human health & social work activities	58.1	56.9	58.8	57.5	63.6
Financial, insurance & real estate activities	55.6	49.1	54.5	65.9	69.4
Professional, scientific & technical activities	53.7	58.1	57.8	70.7	65.1
Industry	51.0	45.2	50.0	49.0	58.3
Wholesale & retail trade; repair of motor vehicles	45.3	43.2	43.0	43.9	42.1
Accommodation & food service activities	42.8	34.6	25.2	27.8	33.3

Source: QNHS, 1998-2017

Appendix 2: Methodology of various household surveys

EU-SILC measures the income and living conditions of different types of private households in Ireland. Information is collected throughout the year from the nominated head of household and other household members.[68] Each household member provides their income from various sources as part of completing the survey questionnaire. In addition, the CSO has controlled access to the Department of Employment Affairs and Social Protection's social welfare data and the Revenue Commissioners' employee income data, which greatly improves the reliability of SILC data. The CSO's comparison of answers to the SILC questionnaire and the Revenue Commissioners and Department of Social Protection data shows that the survey respondents tend to slightly underestimate both their income and welfare payments. However, for those paying Class S PRSI, in other words the self-employed, there is no comparison of their income with the Revenue Commissioners' data, and so the SILC data relies on their self-reported income.

In addition, the Department of Agriculture, Food and the Marine (DAFM) provides information on direct payments paid to farmers, such as CAP entitlements, enabling the CSO to capture these payments as part of the SILC income calculation.

In 2016, 5,218 households took part in SILC, a response rate of 55 per cent.[69] The resulting data is weighted to be representative despite non-responses.

The data used in this report are based on analysis carried out by NESC of the EU-SILC 2016 datafile, supplied to NESC by the Irish Social Science Data Archive, www.issda.ie.

The *Household Budget Survey* is a five yearly survey of private households in Ireland, held to determine detailed patterns of household expenditure. Detailed information is also collected on all sources of household income. Information on household income is collected mainly through linking with Revenue Commissioner and Department of Employment Affairs and Social Protection data. In the most recent HBS (carried out in 2016), more than 89 per cent of adult respondents supplied the CSO with their PPSN, and the Revenue Commissioners and Department of Department of Employment Affairs and Social Protection supplied the CSO with detailed information regarding their income data and state transfer payments. Where the PPSNs were not supplied, income and state transfer information was collected directly from the respondents. Self-employed respondents working on their own account or in a business other than farming were asked to state their

---

[68] However, up to 50 per cent of the interviews with 'non-head of household' members are proxy interviews, carried out with another household member as the person is not available at that time.

[69] See https://www.cso.ie/en/media/csoie/methods/surveyonincomeandlivingconditions/Standard_Report_on_Methods_and_Quality_for_the_2016_Survey_and_Income_and_Living_conditions_(EU-SILC).docx for further information on SILC methodology,18/10/18.

gross income net of depreciation allowances and business expenses. Farming income was calculated using the UAA (Utilised Agriculture Area) methodology.[70]

The households record their expenditure for a two week period in survey diaries, recording individual payments personally made each day. Details of regular household payments (e.g. rent, mortgage repayments, utility bills) and personal payments (e.g. life assurance, education fees, etc.) are recorded in the interview questionnaire. Retrospective questions relating to the twelve months preceding the interview are also used in the survey for a limited number of major and easily remembered irregular outlays.

The response rate for the 2016 HBS was 40 per cent,[71] with 6,839 households completing it. Again, the responses are weighted to ensure representativeness.

The CSO compares the results from SILC and HBS data, to identify any unusual differences. There are some differences, but these tend to be lower than those recorded in other EU member states. In general, the HBS shows higher household income than SILC. For example, the SILC data for 2010 showed the at-risk-of-poverty threshold to be €12,307, while HBS data for the same year showed it to be €12,836 (see Foley *et al.*, 2015).

The *Household Finance and Consumption Survey* collects detailed information on private household assets and liabilities, income, consumption and credit constraints (CSO, 2015). The survey conducted in Ireland in 2013 was used for this paper,[72] when 5,419 households took part, a response rate of 51.5 per cent. Comparing it to SILC, the CSO found that the difference between the average gross weekly equivalised household income reported in the HFCS and the SILC was only 40 cents, so the data seems robust (CSO, 2015:14). In terms of income, 90 per cent of adult respondents supplied their PPSN and this was linked to Department of Employment Affairs and Social Protection databases to supply the CSO with detailed information on social transfers received by these individuals. The survey notes that it was difficult for many self-employed households to estimate the business wealth they held, and so it is subject to high degrees of estimation.[73]

---

70 The number of hectares of land owned + number of hectares rented in - the number of hectares let out - number of hectares in bog land - number of hectares in woodland - number of hectares in other areas e.g. lakes. See https://www.cso.ie/en/methods/housingandhouseholds/householdbudgetsurvey/appendix1-conceptsanddefinitions/,18/10/18.

71 See https://www.cso.ie/en/methods/housingandhouseholds/householdbudgetsurvey/appendix2-methodology/,18/10/18.

72 A Household Finance and Consumption Survey was carried out in 2018.

73 This value was imputed in 34 per cent of cases. See CSO, 2015, *Household Finance and Consumption Survey, 2013*, Dublin: Stationery Office, p.47.

Appendix 3:

Table A11: Social insurance and income tax contributions for a single person with no children on average income—OECD member states, 2017

Country	Average rate of employees'[74] social security contributions	Average rate of employer's social security contributions	Average income tax rate	Total, average employee & employer contributions & income tax rate
Belgium	14.0	28.5	26.5	69.0
France	14.4	35.1	14.8	64.3
Italy	9.5	31.6	21.7	62.8
Austria	18.0	28.5	14.4	60.9
Germany	20.8	19.4	19.1	59.3
Czech Republic	11.0	34.0	13.1	58.1
Hungary	18.5	23.5	15.0	57.0
Sweden	7.0	31.4	18.0	56.4
Slovak Republic	13.4	31.0	10.1	54.5
Latvia	10.5	23.6	18.9	53.0
Finland	9.3	22.3	20.9	52.5
Estonia	1.6	33.8	16.8	52.2
Portugal	11.0	23.8	16.5	51.2
Greece	16.0	25.1	10.0	51.0
Spain	6.4	29.9	14.7	51.0
Slovenia	22.1	16.1	11.6	49.8
Turkey	15.0	17.5	12.9	45.4
OECD–Average	**9.8**	**17.5**	**15.7**	**43.0**
Netherlands	13.1	11.3	17.3	41.7
Poland	17.8	16.4	7.2	41.5
Luxembourg	12.3	12.2	16.7	41.2
Norway	8.2	13.0	19.4	40.6
Japan	14.4	15.2	7.9	37.5
Denmark	0.0	0.8	36.1	36.8
Iceland	0.3	6.9	28.3	35.5
Canada	7.4	11.6	15.4	34.5
United States	7.7	8.3	18.4	34.3
United Kingdom	9.4	10.9	14.0	34.3
Australia	0.0	6.0	24.4	30.3
Ireland	**4.0**	**10.8**	**15.4**	**30.1**
Korea	8.4	10.4	6.1	24.9
Israel	8.0	5.6	9.7	23.3
Switzerland	6.2	6.2	10.7	23.1
Mexico	1.4	11.6	9.8	22.8
New Zealand	0.0	0.0	18.1	18.1
Chile	7.0	0.0	0.0	7.0

Source: Data extracted on 21 Jun 2018 11:40 UTC (GMT) from OECD.Stat

[74] This is the social insurance rate for a single person on average earnings, with no children.

Bibliography

Bibliography

Advisory Group on Tax and Welfare (2013) Report to the Minister for Social Protection on Extending Social Insurance Coverage for the Self-Employed—Third Report: Extending Social Insurance Coverage for the Self-Employed

Behling, F & Harvey, M (2015) 'The evolution of false self-employment in the British construction industry: a neo-Polanyian account of labour market formation', Work, employment and society, Vol. 29(6) 969–988

Bigio, S & Zilberman, E (2011) 'Optimal self-employment income tax enforcement', Journal of Public Economics, 95, 1021-1035

Citizen's Information Board (2012) Hard Times for the Self-Employed: Citizens Information and MABS Experience. A Citizens Information Board Social Policy Report. Dublin: Citizen's Information Board

Commission on Taxation (2009) Report, Dublin

Comptroller & Auditor General (2018) Report on the Accounts of the Public Services 2017, Dublin

Craig, L, Power, A & Cortis, N (2012) 'Self-employment, work-family time and the gender division of labour', Work, Employment & Society, Volume: 26 issue: 5, page(s): 716-734

CSO (2017) Household Budget Survey 2015-16, downloaded from https://www.cso.ie/en/releasesandpublications/ep/p-hbs/hbs20152016/ on 27 November 2018

CSO (2015) Household Finance and Consumption Survey, 2013, Dublin: Stationery Office

De Moortel, Deborah & Vanroelen, Christophe (2017) Classifying self-employment and creating an empirical typology, Dublin: European Foundation for the Improvement of Living and Working Conditions

Department of Business, Enterprise & Innovation (2018) The National Policy Statement on Entrepreneurship: Mid-term Review, February 2018

Department of Employment Affairs and Social Protection (2018) The use of intermediary-type structures and self-employment arrangements: Implications for Social Insurance and Tax Revenues, January 2018

Department of Employment Affairs and Social Protection (2018b) PRSI contribution rates and user guide from 1 January 2018: SW14

Department of Jobs, Enterprise, and Innovation (2014) National Policy Statement on Entrepreneurship in Ireland

Department of Social Protection (2017) A survey of Class S PRSI contributors—Benefits and entitlements available to the self-employed

Department of Employment Affairs and Social Protection (2017b) Actuarial Review of the Social Insurance Fund 2015. Undertaken by KPMG on behalf of the Department of Employment Affairs and Social Protection. Dublin: Department of Employment Affairs and Social Protection

Engstrom, P & Holmlund, B (2009) 'Tax evasion and self-employment in a high-tax country: evidence from Sweden', Applied Economics, 41:19, 2419-2430

Eurofound (2017), Exploring self-employment in the European Union, Publications Office of the European Union, Luxembourg

Eurostat (2018) How common is self-employment among migrants in the EU? downloaded from https://ec.europa.eu/eurostat/web/products-eurostat-news/-/DDN-20180702-1?inheritRedirect=true on 5 November 2018

Faggio, G & Silva, O (2014) 'Self-employment and entrepreneurship in urban and rural labour markets', Journal of Urban Economics, 84, pp67-85.

Foley, P, McCarthy H, and O'Brien, C (2015) A consistency check between five EU-SILC indicators compiled from EU-SILC 2010 and HBS 2010, Dublin: CSO

Hargaden, E (2015) Taxpayer responses over the cycle: Evidence from Irish notches. Downloaded from http://www.hargaden.com/enda/Hargaden_JMP.pdf, 9 November 2018

Hatfield I (2015) Self-employment in Europe, London: IPPR (Institute for Public Policy Research). Available at http://www.ippr.org/publications/self-employment-in-europe

Henreckson, M & Sanandaji, T (2014) 'Small business activity does not measure entrepreneurship', PNAS, 111 (5), pp. 1760-65

Ipsos, undated, 6th European Working Conditions Survey: Technical report, Dublin: Eurofound

Johns, A & Slemrod, J (2010) 'The distribution of income tax non-compliance' National Tax Journal, 63:3, 397:418

Lyssiotou, P, Pashardes, P and Stengos, T (2004) 'Estimates of the Black Economy Based on Consumer Demand Approaches', The Economic Journal, 114: 622–640.

Marchand, K & Siegel, M (2014) World Migration Report 2015: Immigrant entrepreneurship in cities—background paper. International Organisation for Migration, Switzerland

Muehlberger, U (2007) Dependent Self-Employment: Workers on the Border between Employment and Self Employment, Palgrave Macmillan

NESC (2005) The Developmental Welfare State, Dublin: NESC

OECD (2018) The Future of Social Protection: What works for non-standard workers? Policy brief on the future of work, Paris: OECD

Pashardes, P and Polycarpou, A (2008) 'Income Tax Evasion, Inequality and Poverty', Cyprus Economic Policy Review, Vol. 2, No.2, pp. 37-49

Rath, J and Eurofound (2011), Promoting ethnic entrepreneurship in European cities, Publications Office of the European Union, Luxembourg.

Reddan, F (2016) 'Four ways self-employed are hard done by Irish tax system', Irish Times, 23.2.2016

Roman, C, Congregado, E & Millan, J-M (2011) 'Dependent self-employment as a way to evade employment protection legislation', Small Business Economics, 37:363–392

Schneider, F and Buehn, A (2012) Shadow economies in highly developed OECD countries: What are the driving forces? Discussion Paper no 6891, Bonn: IZA (Institute for the Study of Labour)

Shane, S (2009) 'Why encouraging more people to become entrepreneurs is bad public policy', Small Business Economics, 33, 141:149

Spasova S, Bouget D, Ghailani, D and Vanhercke B (2017) Access to social protection for people working on non-standard contracts and as self-employed in Europe: A study of national policies, European Social Policy Network (ESPN), Brussels: European Commission

Teagasc/ Citizen's Information Board (2018) Supports for farmers, Dublin: Teagasc/ Citizen's Information Board

National Economic and Social Council Publications

No.	Title	Date
1.	Report on the Economy in 1973 and the Prospects for 1974	**1974**
2.	Comments on Capital Taxation Proposals	**1974**
3.	The Economy in 1974 and Outlook for 1975	**1974**
4.	Regional Policy in Ireland: A Review	**1975**
5.	Population and Employment Projections: 1971-86	**1975**
6.	Comments on the OECD Report on Manpower Policy in Ireland	**1975**
7.	Jobs and Living Standards: Projects and Implications	**1975**
8.	An Approach to Social Policy	**1975**
9.	Report on Inflation	**1975**
10.	Causes and Effects of Inflation in Ireland	**1975**
11.	Income Distribution: A Preliminary Report	**1975**
12.	Education Expenditure in Ireland	**1976**
13.	Economy in 1975 and Prospects for 1976	**1975**
14.	Population Projects 1971-86: The Implications for Social Planning –Dwelling Needs	**1976**
15.	The Taxation of Farming Profits	**1976**
16.	Some Aspects of Finance for Owner-Occupied Housing	**1976**
17.	Statistics for Social Policy	**1976**
18.	Population Projections 1973-86: The Implications for Education	**1976**
19.	Rural Areas: Social Planning Problems	**1976**
20.	The Future of Public Expenditure	**1976**
21.	Report on Public Expenditure	**1976**
22.	Institutional Arrangements for Regional Economic Development	**1976**
23.	Report on Housing Subsidies	**1976**
24.	A Comparative Study of Output, Value-Added and Growth in Irish and Dutch Agriculture	**1976**
25.	Towards a Social Report	**1977**
26.	Prelude to Planning	**1976**
27.	New Farms Operators, 1973 to 1975	**1977**
28.	Service-type Employment and Regional Development	**1977**
29.	Some Major Issues in Health Policy	**1977**
30.	Personal Incomes by County in 1973	**1977**
31.	The Potential for Growth in Irish Tax Revenues	**1977**

32. The Work of NESC: 1974-1976 **1977**

33. Comments on Economic and Social Development; 1976-1980 **1977**

34. Alternative Growth Rates in Irish Agriculture **1977**

35. Population and Employment Projections 1986: A Reassessment **1977**

36. University and Selectivity: Strategies in Social Policy **1978**

37. Integrated Approaches to Personal Income Taxes and Transfers **1978**

38. University and Selectivity: Social Services in Ireland **1978**

39. The Work of NESC: 1977 **1978**

40. Policies to Accelerate Agricultural Development **1978**

41. Rural Areas: Change and Development **1978**

42. Report on Policies for Agricultural and Rural Development **1978**

43. Productivity and Management **1978**

44. Comments on Development: Full Employment **1978**

45. Urbanisation and Regional Development in Ireland **1979**

46. Irish Forestry Policy **1979**

47. Alternative Strategies for Family Support Income **1980**

48. Transport Policy **1980**

49. Enterprises in the Public Sector **1980**

50. Major Issues in Planning Services for Mentally and Physically Handicapped Persons **1980**

51. Personal Incomes by Regions: 1977 **1980**

52. Tourism Policy **1980**

53. Economic and Social Policy 1980-83: Aims and Recommendations **1980**

54. The Future of the National Economic and Social Council **1981**

55. Urbanisation: Problems of Growth and Decay in Dublin **1981**

56. Industrial Policy and Development: A Survey of Literature for the Early 1960s to the Present **1981**

57. Industrial Employment and the Regions 1960-82 **1981**

58. The Socio-Economic Position of Ireland within the European Economic Community **1981**

59. The Importance of Infrastructure to Industrial Development in Ireland: Roads, Telecommunications and Water Supply **1981**

60. Minerals Policy **1981**

61. Irish Social Policy: Priorities for Future Development **1981**

62. Economic and Social Policy 1981: Aims and Recommendations **1981**

63. Population and Labour Force Projections by County and Region, 1979-1991 **1981**

64. A Review of Industrial Policy **1982**

65. Farm Incomes **1982**

66. Policies for Industrial Development: Conclusions and Recommendation **1982**

67. An Analysis of Job and Losses in Irish Manufacturing Industry **1982**

68. Social Planning in Ireland: Its Purposes and Organisational Requirements **1983**

69. Housing Requirements and Population Change: 1981-1991 **1983**

70. Economic and Social Policy 1982: Aims and Recommendations **1983**

71. Education: The Implications of Demographic Change **1984**

72. Social Welfare: The Implications of Demographic Change **1984**

73. Health Services: The Implications of Demographic Change **1984**

74. Irish Energy Policy **1984**

75. Economic and Social Policy 1983: Aims and Recommendations A Review of the Implications of recent Demographic Changes for Education, Social Welfare and the Health Services **1984**

76. The Role of Financing the Traded Sectors **1984**

77. The Criminal Justice System: Policy and Performance **1985**

78. Information for Policy **1985**

79. Economic and Social Policy Assessment **1985**

80. The Financing of Local Authorities **1985**

81. Designation of Areas for Industrial Assessment **1985**

82. Manpower Policy in Ireland **1986**

83. A Strategy for Development 1986-1990 **1986**

84. Community Care Service: An Overview **1987**

85. Redistribution Through State Social Expenditure in the Republic of Ireland: 1973-1980 **1988**

86. The Nature and Functioning of Labour Markets **1988**

87. A Review of Housing Policy **1989**

88. Ireland in the European Community: Performance, Prospects and Strategy **1989**

89. A Strategy for the Nineties: Economic Stability and Structural Change **1990**

90. The Economic and Social Implications of Emigration **1991**

91. Women's Participation in the Irish Labour Market **1992**

92. The Impact of reform of the Common Agricultural Policy **1992**

93. The Irish Economy in a Comparative Institutional Perspective **1993**

94. The Association between Economic Growth and Employment **1993**

95. Education and Training Policies for Economic and Social Development **1993**

96. A Strategy for Competitiveness, Growth and Employment **1993**

97. New Approaches to Rural Development **1995**

98. Strategy into the 21st Century: Conclusions and Recommendations **1996**

99. Strategy into the Century **1996**

100. Networking for Competitive Advantage **1996**

101. European Union: Integration and Enlargement **1997**

102. Population Distribution and Economic Development: Trends and Policy Implications **1997**

103. Private Sector Investment in Ireland **1998**

104. Opportunities, Challenges and Capacities for Choice, Overview, Conclusions and Recommendations **1999**

105. Opportunities, Challenges and Capacities for Choice **1999**

106. Review of the Poverty Proofing Process **2001**

107. Benchmarking the Programme for Prosperity and Fairness **2002**

108. National Progress Indicators **2002**

109. Achieving Quality Outcomes: The Management of Public Expenditure **2002**

110. An Investment in Quality: Services, Inclusion and Enterprise, Overview, Conclusions and Recommendations **2002**

111. An Investment of Quality: Services, Inclusion and Enterprise **2003**

112. Housing in Ireland: Performance and Policy **2004**

113. The Developmental Welfare State **2005**

114. NESC Strategy 2006: People, Productivity and Purpose **2005**

115. Migration Policy **2006**

116. Managing Migration in Ireland: A Social and Economic Analysis **2006**

117. The Irish Economy in the Early 21st Century **2008**

118. Ireland's Five-Part Crisis: An Integrated National Response **2009**

119. Well-being Matters: A Social Report for Ireland **2009**

120. Next Steps in Addressing Ireland's Five-Part Crisis: Combining Retrenchment with Reform **2009**

121. The Euro: An Irish Perspective **2010**

122. Re-finding Success in Europe: the Challenge for Irish Institutions and Policy **2010**

123. Supports and Services for Unemployed Jobseekers: Challenges and Opportunities in a Time of Recession **2011**

124. Quality and Standards in Human Services in Ireland: Overview of Concepts and Practice **2011**

125. Promoting Economic Recovery and Employment in Ireland **2012**

126. Draft Framework for Sustainable Development for Ireland: NESC Response **2012**

127. Quality and Standards in Human Services in Ireland: Policing and the Search for Continuous Improvement **2012**

128. Quality and Standards in Human Services in Ireland: Residential Care for Older People **2012**

129. Quality and Standards in Human Services in Ireland: The School System **2012**

130. Quality and Standards in Human Services in Ireland: Home Care for Older People **2012**

131. Quality and Standards in Human Services in Ireland: End-of-Life Care in Hospitals **2012**

132. Quality and Standards in Human Services in Ireland: Disability Services **2012**

133. Quality and Standards in Human Services in Ireland: A Synthesis Report **2012**

134. The Social Dimensions of the Crisis: The Evidence and its Implications **2012**

135. Five Part Crisis, Five Years On: Deepening Reform and Institutional Innovation **2013**

136. Ireland's Environmental Data: Inventory, Assessment and Next Steps **2014**

137. Jobless Households: An Exploration of the Issues **2014**

138. Social Housing at the Crossroads: Possibilities for Investment, Provision and Cost Rental **2014**

139. Wind Energy in Ireland: Building Community Engagement and Social Support **2014**

140. Homeownership and Rental: What Road is Ireland On? **2014**

141. Ireland's Rental Sector: Pathways to Secure Occupancy and Affordable Supply **2015**

142. Housing Supply and Land: Driving Public Action for the Common Good **2015**

143. The Dynamics of Environmental Sustainability and Local Development: Aquaculture **2016**

144. Moving Towards the Circular Economy in Ireland **2017**

145. Urban Development Land, Housing and Infrastructure:

Fixing Ireland's Broken System **2018**

146. Moving from Welfare to Work: Low Work Intensity Households and the Quality of Supportive Services **2018**

147. Climate-Change Policy: Getting the Process Right **2019**

148. Transport-Orientated Development: Assessing the Opportunity for Ireland **2019**

149. Addressing Employment Vulnerability as Part of a Just Transition in Ireland **2020**

150. Housing Policy: Actions to Deliver Change **2020**

151. The Future of the Irish Social Welfare System: Participation and Protection **2020**

NESC Research Series

1. Cluster in Ireland: The Irish Dairy Processing Industry: An Application of Porter's Cluster Analysis **1997**

2. Cluster in Ireland: The Irish Popular Music Industry; An Application of Porter's Cluster Analysis **1997**

3. Cluster in Ireland: The Irish Indigenous Software Industry; An Application of Porter's Cluster Analysis **1997**

4. Profit Sharing Employee Share, Ownership and Gainsharing; What can they Achieve? **2000**

5. Sustaining Competitive Advantage: Proceedings of NESC Seminar **1998**

6. Ireland's Child Income Supports: The Case for a New Form of Targeting **2008**

7. State of Play Review of Environmental Policy Integration Literature **2015**

8. Socially Integrated Housing and Sustainable Urban Communities: Case Studies from Dublin **2015**

9. The Burren Life Programme: An Overview **2016**

10. Nature's Values: From Intrinsic to Instrumental **2017**

11. Valuing Nature: Perspectives and Issues **2017**

12. Low Work Intensity Households and the Quality of Supportive Services: Detailed Research Report **2018**

13. Advancing the Low-Carbon Transition in Irish Transport **2019**

14. Transport-Orientated Development: Assessing Opportunity for Ireland: Background Case Studies **2019**

15. Four Case Studies on Just Transition: Lessons for Ireland's Transition Teams **2020**

16. Modelling the Zero-Carbon Transition: International Approaches and Lessons for Ireland **2020**

NESC Secretariat Papers