

Summary

The monograph empirically examines presenteeism (work in a state of illness) among the self-employed, its causes and consequences. In particular, it focuses on the problem of the impossibility of taking short-term sick leave due to the absence of sick pay insurance coverage during the first 30 working days. In the penultimate chapter, it develops, justifies, and financially evaluates a proposal for a systemic solution to this problem, in the form of a new compulsory insurance. In the final chapter, it presents an evaluation of this proposal based on discussions with representatives of stakeholder organisations and assesses the political possibilities for its implementation.

The monograph has five main chapters.

The chapter *Overview of the Literature* contains an overview of the relevant sociological, medical, economic, and legal literature on precarious work, health among the self-employed, and the regulation of sick pay for the self-employed.

The sociological section establishes a distinction between a legal (through an encompassment of certain employment statuses) and sociological understanding of precarity (through a measurement the level of deprivation and subjectively experienced uncertainty). The latter is an important premise for the following empirical and normative chapters, since it is important to recognise differences between self-employed persons in terms of their business performance and the risks posed to their material status and consequently their health. The section on sociological literature also provides definitions and summary data on the poor self-employed and on presenteeism among the self-employed. It defines the precarious self-employed, in the context of

this study which focuses on presenteeism, as those whose low incomes, small savings, and uncertainty on the market do not allow them to take advantage of short-term sick leave.

The section on literature in the field of occupational medicine provides an overview of foreign research on the effects of precarity on presenteeism and health. Studies have found that continuous uncertainty increases stress, which in turn increases the predisposition to depressive and anxiety disorders on the one hand, and cardiovascular diseases and obesity on the other. Accidents at work are also more common, and mortality is higher. In the long run, presenteeism decreases health and work ability, since it leads to more frequent illnesses, such as various chronic pains, allergies, depression, burnout, gastrointestinal diseases, diabetes, and some rheumatic diseases. The long-term costs of permanent decline in work ability, which is a consequence of presenteeism, are significantly higher than the costs of sick leave, which is why presenteeism among the self-employed leads to a vicious cycle of declining productivity and increasing presenteeism due to ever-lower incomes. The section also contains data on the large difference in the extent of sick leave take-up among employees versus the self-employed in Slovenia.

The section on economic theory of social insurances presents the arguments for their compulsory status, for solidarity with regard to the different personal circumstances of the insured, models for determining calculation methods and eligibility conditions, as well as the risks of system abuse (moral hazard, negative selection) and safeguards against it. It also explains the differences between the concepts of compulsory social insurances and private or commercial insurances, which tend to be combined in various ways within the healthcare system.

The section on legal literature presents an overview of the legal arrangement of self-employment and social health insurances (with a breakdown of rights and responsibilities) in Slovenia, followed by a comparative legal analysis of the regulation of compulsory health insurance and sick pay in different Western European countries. In the first part, in addition to defining several subtypes of the legal status of self-employed persons, it also emphasises the concept of an economically dependent person in the Employment Relationship Act. The section draws attention to systemic errors in the implementation of compulsory health insurance for the self-employed in Slovenia. Part of the problem is the institution of withheld rights in the case of delays in the payment of contributions, which can lead to a vicious cycle of insolvency. Also problematic is the insurance base (profit instead of income or business turnover), because of which almost 70 % of self-employed people only pay their contributions in

the amount of a minimum lump sum, which in relation to real incomes is too low for some and too high for others. The comparative legal analysis presents an overview of the aforementioned field in Austria, France, Germany, Spain, Italy, and Portugal. National arrangements vary significantly and synchronisation at the EU-level is poor, but some national systems, e.g. Austrian, German, and Danish, have interesting solutions to the problem of long waiting times for the onset of sick pay coverage from compulsory health insurance, namely complementary insurance.

The second chapter, *Analysis of Survey Results*, presents an original quantitative survey on the legal, material, and employment situation of the self-employed, on their health, and on their presenteeism and its consequences. It is the first survey in Slovenia with such a large sample (1,408 self-employed people completed the full survey) and the first time data has been collected on net personal incomes, savings, workload, the extent of and reasons for presenteeism, and health and mental health of the self-employed. This data measures the extent of precarity in the sociological sense among the self-employed, and its health consequences. The questions for which the conditions changed with the onset of the covid-19 epidemic and the decline in economic activity due to epidemic-combatting measures referred to the period before the epidemic.

The survey was web-based, and members of the project team promoted it through formal and especially informal organised groups of self-employed people, particularly a Facebook group with over 15,000 members which formed after the outbreak of the epidemic and recession. The sample was not representative, since there was an above-average response from self-employed people in the culture industries and intellectual services (who were likely more organised at the onset of the economic recession, because they were more affected and concerned, and they also already had certain organisational platforms before) and a below-average response from self-employed people in installation and similar trades. In spite of this, the sample is large enough for the results to be significant.

After presenting the methodology and assessing the representativeness and credibility of the results, the chapter presents univariate statistics, followed by bivariate analyses of correlations between economic situation, workload and presenteeism, and health of self-employed persons. The main findings are as follows.

Just under a fifth of respondents have net personal incomes below the minimum wage; some of these are extremely low. By far the most common reason for this is the low price of services on the market, which is why even the

self-employed with very low incomes are working very hard. This population is also medically vulnerable due to constant presenteeism and exhaustion, leading to permanently deteriorated health and decreased productivity and thus to persistent poverty. Over 60 % of respondents have enough savings to cover living and business expenses and compulsory contributions for less than a month. A similar percentage work more than 40 hours per week, which is the legal norm for employees, the main reason again being insufficient income. There is a significant concentration of concealed employment relationships among the middle-income self-employed. The apparently self-employed view these as relatively safe compared to pure freelancing and are less likely to report fatigue and frequent or constant work in a state of exhaustion. A tenth of the respondents have high incomes and welfare reserves (substantial savings, employment of others) in case of a decline in their health because of hard work. For both the poor self-employed and those with higher incomes, we find that their business model is based on self-exploitation. Having a low income and savings is one of the main reasons for presenteeism. Another reason is that they cannot entrust their workload to anyone else because they are afraid of losing clients to their competitors.

Standing out among the health data are data on poor mental health, which are strongly correlated to poverty. As many as a tenth of respondents have contemplated suicide because of poor working conditions, with the proportion being even higher among those with low incomes. Over half of respondents reported that their illness had a long term effect on reduced productivity. 54.1 % reported working in a state of frequent or constant exhaustion, and another 34.3 % reported occasional work in such a state. Poor health is related to a low income and savings, a sense of hopelessness about one's situation, extensive presenteeism, exhaustion from work, and reduced productivity in the long run.

The third chapter, *Analysis of Interviews*, presents an analysis of 25 semi-structured interviews through which the project team gained a more detailed insight into the reasons for presenteeism among the self-employed in relation to their various business models. The main reasons for presenteeism are a lack of savings, fear of permanently losing clients, and in some cases the nature of the work. The latter is the case for either seasonal work, or authorship or specialist professional work embedded into a team-based division of labour where the interviewee is irreplaceable within a given deadline.

Some of the interviewees support the project team's proposal for introducing a compulsory insurance for faster sick pay coverage as a step in the right direction, while others view taxes and contributions as nothing more than an

expense and argue in favour of lowering them. A lack of understanding of the economics of compulsory social insurance and the feeling of being cheated because of the inefficiency of the healthcare system are also common. A few interviewees made positive suggestions for solving the problem of distrust towards substitute contractors during sick leave, namely their provision within the framework of the Chamber of Craft and Small Business of Slovenia or professional cooperatives, which would prevent the substituted colleagues from being squeezed out of the market.

The chapter *Proposal for a Complimentary Health Insurance for Faster Coverage of Sick Pay for Self-Employed Persons* presents a solution to the project's normative task. The solution entails a proposal for the implementation of a new complementary compulsory insurance. All self-employed persons would be liable for contributions, except in the cases of economically dependent persons where the liable persons would be their primary clients, and low-income self-employed persons who do not employ others, where the liable entity would be the state budget. The proposed new insurance could be extended to other comparable groups in the labour market, such as owners of single-member LLCs, and farmers. The proposal retains a certain waiting period before the onset of sick pay insurance coverage. Several variations of the insurance are presented. On the one hand, there are two versions with a 3- and 5-day waiting period, respectively. The estimated monthly contribution with the current minimum contribution base would be 25.63 and 16.32 EUR, respectively. On the other hand, a framework is proposed for changing the insurance base from profit to business turnover, though the problem of valuing the different costs of materials, goods, and investments for the different activities would have to be solved. This problem would also have to be solved with the current insurance base if the state budget were obliged to cover the new contribution for poor self-employed persons under a certain income threshold. The chapter also provides an estimate of the number of beneficiaries of state coverage of the new contribution (18,600 poor self-employed who are not economically dependent and do not employ others) and the budget expense (3.3 million EUR in case of a 5-day waiting period or 5.7 million EUR in case of a 3-day waiting period). This shows that solving the financial reasons for presenteeism is feasible and not very costly.

The chapter justifies the implementation of the new insurance with the view that new or expanded social benefits require new or expanded sources, otherwise their costs would eat into the funding of other benefits (specifically the health services covered by the Health Insurance Institute of Slovenia). The

compulsory status of the proposed insurance is justified on the basis of solidarity and the prevention of negative selection, where younger and healthier people would withdraw from voluntary insurance, causing premiums to rise. Retaining a shorter waiting period before the onset of sick pay is justified as a means of limiting abuses. The legislative process would likely see the inclusion of a safeguard in the form of independent experts through which the Health Insurance Institute of Slovenia could ascertain the eligibility of claimants for sick leave. The costs of paying experts would raise the previously given estimate of the monthly contribution. The chapter justifies the budget coverage of the new contribution for the poor self-employed as an investment into maintaining the long-term health and productivity of the most vulnerable group on the labour market. The liability of primary clients to pay the new contribution for the benefit of dependent subcontractors would encourage the regulation of employment relationships and the involvement of state supervisory authorities in uncovering hidden economic dependency among self-employed persons with low incomes, whose contributions would otherwise burden the state budget.

The last chapter, *Stakeholder Evaluation of the Proposal for a Complementary Health Insurance and Feasibility Assessment*, contains a presentation of the stakeholders' responses to the proposal for a new compulsory insurance, and an assessment of the political viability of its implementation. The project team received responses from the Chamber of Commerce and Industry of Slovenia, the Chamber of Craft and Small Business of Slovenia, the Association of Free Trade Unions of Slovenia, the Confederation of Trade Unions of Slovenia PERGAM, the Health Insurance Institute of Slovenia, and the Triglav insurance company. The Ministry of Finance and Ministry of Economic Development and Technology responded that they were not competent to comment on the proposal, while the Ministry of Health and the Ministry of Labour, Family, Social Affairs and Equal Opportunities did not respond despite having been in direct contact with the project team.

Among stakeholders representing the interests of groups in employment relationships, there is a noticeable distrust towards the self-employed and their pro-bono culture and avoidance of obligations to public social systems, and the response from the Chamber of Craft and Small Business of Slovenia confirmed this problem. The project team sees one of the main obstacles to the adoption of the proposed reform in the rejection of the idea of a new contribution for a new benefit by the organisations representing the interests of the self-employed. Such a position addresses the short-term interests of those

self-employed who earn well and benefit from a system which enables paying minimum contributions with the help of creative accounting and the privatisation of welfare resources, while the interests of the poor self-employed are scarcely being represented by anyone. It should also be mentioned that a majority of the stakeholders oppose state coverage of the new contribution for poor self-employed persons.

The project team identified a second obstacle to the adoption of the reform in the inertia of bureaucracy. If the initiative for the reform didn't come from the representative organisations of the self-employed, it could be initiated by the government, but this would require political stability and professional support from the competent public institutions in the face of probable opposition from the interest group of the wealthy self-employed.