

Entrepreneurship in Focus

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Hybrid self-employed and employees with a midi-job – inequality in the statutory pension insurance

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Summary

Since July 2019, employees in midi-jobs acquire full pension rights despite reduced contributions. This fact favours hybrid self-employed with a midi-job over solely wage earners. If the limits of the transition area of October 2022 had already been applied in 2018, there would have been more than half a million hybrid self-employed with a midi-job in 2018. Four out of five had a positive profit income and would have benefited from the new regulation.

In 2003, the legislator introduced the so-called “midi-job” to encourage the switch from a marginal employment, which is exempt from social insurance contributions (i.e., “mini-job”) to a position subject to social insurance contributions. Midi-jobs’ monthly earnings lie within a so-called transitional range. Midi-jobs are subject to social and, thus, pension insurance contributions, however, employees benefit from a reduced contribution.

Until the end of June 2019, employees in a midi-job had lower pension rights because of lower contributions to the pension insurance. Since July 1, 2019, however, these employees acquire full pension rights despite their reduced contributions. Based on the equal treatment principle, this new regulation is uncritical as long as all employees in a midi-job have exclusively labour income. However, this is not the case because some of the hybrid self-employed (i.e., persons who are wage earners in addition to their self-employment) have positive income from self-employment in addition to the midi-job income. If no contributions to the statutory pension insurance have to be paid on the income from self-employment – this is the case for about three out of four self-employed – hybrid self-employed with a midi-job are better off than exclusively employees with the same income. How many hybrid self-employed benefit from the new regulation and to what extent is unknown. The answer to these questions will indicate a possible need for action.

The midi-job regulations in detail

Between July 1, 2019, and September 30, 2022, the transitional range was from 450.01 euros to 1,300.00 euros. Employees in midi-jobs paid half the contribution rate of the statutory social insurance, while employers paid the full contribution rate, irrespective of the payment.

Since October 1, 2022, the lower and the upper limits of the transitional range are 520.01 euros and 1,600 euros. However, the employee contribution to the statutory social insurance is now staggered, starting at 0 per cent for a salary of 520.01 euros and ending at the full contribution rate when the upper limit is reached. The employer's contribution falls on a sliding scale from 28 per cent for a salary of 520.01 euros to the regular employer's contribution rate when the upper limit is reached.

Hybrid self-employed who have a midi-job: not a fringe phenomenon

We have used the Taxpayer Panel (TPP) to determine the number of hybrid self-employed who are employed in a midi-job because official statistics do not provide information on the income level and income source of hybrid self-employed. It is not presently possible to determine the number of hybrid self-employed with a midi-job between July 2019 and September 2022 and from October 2022 onwards because the TPP extends currently only to 2018. Alternatively, the transitional ranges in the respective periods are applied to the most recent years available in the TPP, 2016 to 2018, to estimate the magnitude of hybrid self-employed with a midi-job expected in later years.

The number of hybrid self-employed has been rising steadily for years from just over 2.46 million in 2001 (see Butkowski et al. 2022, p. 7) to around 3.46 million in 2018 (see Table 1). This is an increase of about 41 per cent. Approximately 468,000 of these 3.46 million hybrid self-employed would have had a midi-job in 2018 if the regulations from July 2019 had already been in force. This would have been 13.5 per cent of all hybrid self-employed. If the limits from October 2022 had already been applied, there

Table 1: number and share of (with midi-job) hybrid self-employed from 2016 to 2018

year	total	Hybrid self-employed			
		with midi-job Reg. 2019	share in %	with midi-job Reg. 2022	share in %
2016	3.413.589	488.901	14,3	584.000	17,1
2017	3.442.393	481.308	14,0	583.618	17,0
2018	3.459.584	467.832	13,5	578.910	16,7

Source: RDC of the Statistical Offices of the Federal States, Taxpayer-Panel 2016-2018, own calculations.

would have been around 580,000 hybrid self-employed with a midi-job in 2018, accounting for a share of 16.7 per cent.

The majority of hybrid self-employed with a midi-job have a positive profit income

Four out of five hybrid self-employed with a midi-job had a positive profit income in 2018. Around 47 per cent and 52 per cent, respectively, made profits in their self-employment up to the mini-job limit, and about 34 per cent and 28 per cent, respectively, earned beyond the mini-job limit (see Table 2).

Table 2: Distribution of hybrid self-employed with midi-job 2018 auf profit income classes, in %

Reg. 2019	Transition area 450,01- 1.300 €	Profit incomes in the amount of ... euros				total.
		losses	1 to 5.400	5.401 to 15.600	More than 15.600	
		19,4	46,7	18,0	15,9	100
Reg. 2022	Transition area 520,01- 1.600 €	Profit incomes in the amount of ... euros				total.
		losses	1 to 6.240	6.241 to 19.200	More than 19.200	
		20,8	51,5	16,3	11,4	100

Source: see table 1.

A considerable amount of unequal treatment

The change in the midi-job regulations from July 2019 has led to a considerable increase in the number of persons with a midi-job (see BT Drucksache 19/32219). One reason is that a larger group of persons is covered by the extension of the transitional range - the upper limit was increased from 850 to 1,300 euros. Moreover, acquiring full pension entitlements may have prompted some persons with a mini-job to expand their work volume. Due to such changes in behaviour, the number of self-employed working in a midi-job may be underestimated. On the other hand, their number seems to decrease over time - presumably due to rising incomes (see Table 1). Regardless of these uncertainties: Hybrid self-employed with a midi-job represented about 16 per cent of the total of 2.97 million persons with a midi-job in 2019 or about 46 per cent of the persons with a midi-job who were within the transitional range throughout 2019.

Our analyses show that the lack of consideration of profit income from self-employment leads to advantages for most hybrid self-employed with a midi-job over solely wage earners with comparable total income. The lower the wage income and the higher the income from self-employment, the greater the advantage. In addition, it is at the expense of the statutory social security funds. Given the steadily increasing number of hybrid self-employed and the increasing switches between paid employment and self-employment, the midi-job example shows that co-existing social security systems for paid employees and self-employed lead both to problems for those affected and unjust solutions. From a Mittelstand policy perspective, it should also be considered that they can affect the decision on being a paid employee or a self-employed (see Faulenbach et al. 2007).

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More publications:

Butkowski, O.; Kay, R.; Suprinovič, O. (2022): Entwicklung der hybriden Selbstständigkeit in Deutschland – Analysen anhand des Taxpayer-Panels 2001-2016, IfM Bonn: Daten und Fakten Nr. 30, Bonn.

Butkowski, O.K.; Kay, R. (2022): Die Einkommenssituation von hybriden Selbstständigen. Analysen mit dem Taxpayer-Panel 2001-2016, IfM Bonn: Chartbook, Bonn.

Faulenbach, N.; Kay, R.; Werner, A. (2007): Die Opportunitätskosten der sozialen Absicherung für Selbstständige in Deutschland: Simulationsrechnungen für ausgewählte Fallgruppen, IfM Bonn: IfM-Materialien Nr. 177, Bonn.

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