

Self-employment or employment relationship?

You may be doing temporary work (gig work) either as in an employment relationship or as a self-employed freelancer. Temporary work is by definition of short duration. Temporary workers are often referred to as freelancers.

Freelance work is not defined by whether it's done as an employee or as self-employment – freelancing can entail both types of work.

Benefits legislation, such as unemployment insurance and pensions insurance is premised on work being done either as an employee or as a self-employed earner. The method of work affects social security in many ways even though not all aspects of it correspond to the employee/self-employed division.

Different laws may define the employee and self-employed status differently. In the eyes of the tax administration, for instance, you might be an employee, while the employment and economic development office would consider you to be self-employed.

If you're a borderline case, you might even find that the authorities don't consider you to be either one or the other. If your own definition of your work and that of the authorities differs fundamentally, it is important that you clarify the situation with the relevant authority on a case-by-case basis.

Fixed-term stints of paid employment

An employment relationship comes about when employees start working for employers under their management and supervision. Work done at home or as distance work does not count as being in an employment relationship.

An employee has an employment relationship with their employer, who pays them wages and takes care of pension and other social security coverage. In order to be paid wages, employees give employers their tax card.

For people doing short stints of work, their tax card is usually a freelance one, which does not define the tax for primary and secondary work.

Short-term employment entails having a number of fixed-term jobs, which may be separated by spells of unemployment. It may also be done as two or more simultaneous employment relationships.

This is possible when you have part-time jobs or have short work engagements. In this case you may have several employers at once. Employee and employer agree on a contract that may be fixed term or otherwise atypical, for instance on a casual basis.

A work relationship is based on a mutual agreement. It is important to have a written agreement even for a short spell of work, or agreed in some other verifiable way, such as in an email.

An employment relationship may be

- employment paid on a monthly basis
- employment paid on an hourly basis
- open ended employment
- fixed-term employment – temporary work
- part time work
- agency temporary work
- casual work

In practice an employment relationship work in the premises and using the equipment of the employer commissioning the work, though of course it can also be performed from other locations.

Earnings are usually paid on a regular basis according to contract. Employment contracts and/or labour legislation set out the minimum terms of the working relationship.

Employment relationship elements

- Working for an employer for pay or other remuneration.
- Employer determines the time and place of work
- The employer usually provides the necessary equipment for working and other necessities. There are exceptions to this, such as with musicians, who generally use their own instruments.
- Employer oversees and manages the work, such as by giving guidance and regulations for work. With temporary agency employment this entitles the right to make use of a user company for the employer (e.g. a restaurant to which a programme agency has sold a musician for a performance.
- The right to pay security to receive remuneration if wages are not paid.
- The right to sick pay.
- The employer decides on possible substitute employees
- The employer takes out pension insurance for employees
- Working for other employers during the time of the employment relationship is restricted.
- The right to receive unemployment benefit between employment relationships.

These features do not necessarily apply to all employment relationships.

Self-employment

Entrepreneurships are highly varied in type and size. In the creative sector self-employment is often on an individual basis, where for the most part you are responsible for all your enterprise's assignments.

The majority of such activity in the creative sector concerns practicing one's profession rather than actual business operations.

Self-employed professionals obtain commissions through their own work. This means you support yourself, for instance by selling your know-how.

You bill your clients for your work and take care of your own social security by paying such things as pension insurance. As a private entrepreneur you use a freelance tax card with which your clients make tax deductions.

It might seem that as a self-employed person you consider that you have a company.

But it's not as simple as that. Artists or freelancers may meet the criteria of being entrepreneurs but not have a business name. The most usual forms of self-employment in the creative industries are as a private entrepreneur (with or without a business name), a limited company and a cooperative.

Self-employment features

- You carry out work for customer or client.
- You can refuse to take on a particular job.
- You receive payment or compensation for work, for which you generally bill the client.
- If your payment goes unpaid, you can use debt collection.
- Expenses incurred are not paid for separately but are included in the fee.
- You can use assistants or substitutes to carry out your work
- There is no working time protection or annual holiday bonuses
- No restriction imposed by a client on work for other clients
- Total financial risk
- Pension insurance for self-employed
- Prepayment tax invoices and inclusion on the prepayment register
- You procure the equipment, tools and materials you use for working.

These features do not necessarily apply to all self-employed people.

On the borderline of an employment relationship and self-employment

The distinction between being an employee and self-employed is sometimes surprisingly ambiguous, especially for creative workers.

Many people work on the borderline of employment relationships and self-employment. If you are unsure whether you work as an employee or self-employed person, find out who is your actual employer. If you cannot, it may be that you are working as a self-employed person.

The decisive factor is who takes care of your pension insurance and other social security cover.

Remuneration for work goes by many names

You can identify employment relationships and self-employment on the basis of the name used for the remuneration paid. In employment relationships remuneration is often called a salary, while invoiced remuneration is referred to as compensation for work or a payment (*palkkio*).

On the other hand the term *palkkio* in Finnish is used also to describe payments in employment relationships. Temporary workers (or gig workers) may also receive compensation for the use of their work, which refers to the copyright fee for surrendering copyright.

Dividing line on core issues

- Employment agreement or commission agreement?
- Pay, payment or compensation for work?
- Employer or client
- Who manages and supervises the work?
- Whose equipment and tools do you use?
- Who decides on the place of work and working times?

Whether you work in an employment relationship or are self-employed, you should also always agree in such a way that the agreement can be substantiated. Email is an inexpensive and easy way to agree on gigs in a verifiable way.

Either/or?

As a temporary or gig worker you may be in an employment relationship and work as a self-employed professional. Someone employed, say, as a teacher may also do gigs as a self-employed person under a business name, or write detective novels.

Or the same person could be working the first part of the week in an employment relationship, midweek as a self-employed person and be unemployed toward the end of the week – and without unemployment benefit.

What's most important is that whether you are in an employment relationship or self-employed you ensure that your social security affairs are in good order.

Your pension, for instance, can accrue from different pension schemes concurrently.

If in addition to short-term work you carry out secondary work that could be interpreted as self-employed activity, you should check whether you require self-employed person's pension insurance (YEL). A person who is self-employed as a secondary occupation can belong to a salaries employee's unemployment fund.

The decisive thing is where you as a self-employed person and/or employee derive your main source of income. A secondary occupation as a self-employed person would include running a summer business or dealing with a few assignments.

This text is based on the Finnish booklet [Keikkatyöläisen sosiaaliturvaoppaasta](#) (Social security guide for temporary employees)

Further information:

[Enterprise Finland](#) – website run by the Ministry of Economic Affairs and Employment for businesses and entrepreneurs

www.vero.fi the tax administration website – information for new businesses and entrepreneurs on taxation and other enterprise obligations.

[Finnish Enterprise Agencies](#) – information on starting an enterprise.

[Women Entrepreneurs Centre](#)

[Finnish Patent and Registration Office](#) – information on trade registration

[Social Insurance Institution of Finland](#) – information on social security for self-employed people

[Finnish Centre for Pensions](#) – information on pensions for self-employed people