Social Insurance for Entrepreneurs*

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Abstract

We estimate entrepreneurs' preferences for social insurance coverage and the extent of adverse selection and moral hazard in social insurance for entrepreneurs in Finland. We show that when given a choice, entrepreneurs prefer a level of coverage that is on average 10-15% lower than what is typically mandated. To estimate the extent of moral hazard and adverse selection, we leverage a reform that allowed a subset of entrepreneurs to freely choose their level of social insurance contributions and coverage. We find that both moral hazard and adverse selection are close to zero.

Keywords: entrepreneurs; social insurance; moral hazard, adverse selection.

JEL: H55, J32, L26.

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