

Unlocking the **Courage** Economy: What needs to change for the self- employed

Ahead of Party Conference Season 2026

Labour market barriers

Business confidence has collapsed. Clients are pausing projects and contractor engagement, stifling the flexible labour market at a time when the economy can least afford it.

The IR35 reforms sit at the heart of it, keeping one in 10 contractors out of work and the flexible labour market in a prolonged slump.

What the sector needs

A credible government plan to restore business confidence in hiring freelancers and contractors.

Reversal of the 2017 and 2021 IR35 reforms.

And modernised employment status legislation that gives self-employment a clear legal definition.

Tax complexity and MTD

Making Tax Digital risks forcing sole traders with modest incomes into quarterly digital filing, an unnecessary software and admin burden for those earning too little to justify it.

Meanwhile the Trading Allowance remains frozen at £1,000, holding back those trying to get a business off the ground.

What the sector needs

Keep those earning under £30,000 out of MTD's scope entirely.

Extend the quarterly filing window to at least seven weeks.

And raise the Trading Allowance to £3,000 to support those building something for themselves.

Financial security

Maternity Allowance pays a flat rate from day one, while employed mothers receive 90% of their earnings for the first six weeks through Statutory Maternity Pay. Self-employed mothers lose out simply because of how they work.

And self-employed fathers receive no paternity support at all.

What the sector needs

Equalise Maternity Allowance with Statutory Maternity Pay so that self-employed mothers receive 90% of their earnings in the first six weeks.

Introduce a Paternity Allowance for self-employed fathers.

Security clearance

Clearance can only be granted once a role is offered, yet clients routinely demand active clearance at the application stage, locking qualified contractors out before the process has even begun.

This directly contradicts the existing code of practice, which is voluntary, and it is being widely ignored.

What the sector needs

Make the IPSE and Cabinet Office code of practice mandatory.

Contractors should no longer be unlawfully excluded from roles they are qualified for.

| How important is self-employment in the UK?

4.4m

self-employed
people in the UK

£331bn

contributed to UK
economy annually

1 in 13

workers are self-
employed

1 in 10

contractors
currently out of
work due to IR35