



# Introduction to Freelancing

**ipse**



## About this guide

There is a revolution in the world of work. As the notion and appeal of a job for life dwindles, people in the UK – in rapidly increasing numbers – are instead turning to a more flexible, autonomous and rewarding way of working: freelancing. Currently two million freelancers in the UK are running their own business and enjoying an improved work/life balance, increased earning potential and control over their work. From locum doctors and business consultants to graphic designers and journalists, freelancers are highly skilled, dynamic and diverse.

But what is freelancing? Why is it growing? And what skills are necessary to forge a successful and rewarding career? This guide is designed for anyone who has an interest in freelancing and wants to understand more about what it takes to be your own boss. It serves as an introduction to freelancing and covers the different definitions of this way of working. It also outlines the demographics, market trends, statistics, necessary skills, benefits and challenges of freelancing.

And if, at the end of this guide, you decide that freelancing is for you, that's where IPSE comes in. As the largest membership body representing self-employed people in the UK, IPSE exists to provide our members with the support they need to run their businesses with peace of mind.

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# What is freelancing?

As more and more people choose to work for themselves, the term 'freelance' has become more and more common. So, what better way to start than by defining the term that describes how two million people now work in the UK? Some people use the terms freelance and self-employed interchangeably, but there are subtle differences. So, before defining 'freelance', it is important to first understand self-employment – the generic term of working for yourself.

Self-employment is a general term used to describe any individual in business on their own account. They operate through either their own limited company, as a sole trader, or through a partnership – and they may or may not have employees.

Freelancers, meanwhile, are a sub-section of the wider self-employed workforce and are typically defined as those who work on their own account in skilled, non-manual occupations.

In brief, freelancers:

Have short-term, temporary or project-based working relationships depending on the occupation or industry;

Have commercial 'self-employed' relationships with the clients they supply services to;

Work for a fee rather than a salary;


Are generally skilled professional workers;

Are neither employers nor employees.

## DIFFERENT TERMS IN FREELANCING

While freelancing itself is a relatively broad term, depending on your industry, profession and client base, you may use different terms to describe yourself. So, what are they?

- **Freelancer:** The term used to describe those working for themselves on a nano-scale with multiple clients. This term is commonly used in the creative industries.
- **Independent professional:** Another all-encompassing term used interchangeably with freelancer. It typically refers to non-manual self-employed business owners. **Sole trader:** A legal definition for an unincorporated business, where no legal distinction exists between the owner and the business.
- **Sole director:** A person who is the only shareholder in a company and is solely responsible for managing the company's business. Many freelancers set up limited companies and work this way.
- **Contractors:** Self-employed businesses who provide services under a contract. Many people working in IT or engineering roles use this term to describe themselves.
- **Consultants:** Often used to describe experienced professionals who provide expert knowledge for a fee. They typically work in an advisory capacity and aren't, generally, accountable for the outcome of a consulting exercise.

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- **Interim managers:** Relates to those who provide senior managerial expertise on a fixed-term basis. They are often hired to deliver a strategic piece of work or to temporarily fill a senior post.
  - **Gig economy:** The so-called 'gig economy' or platform economy has become ubiquitous in recent years. It is a classification of freelancers who use online platforms such as Freelancer.com, PeoplePerHour or Uber to find projects, work or 'gigs'.

Not all of the 4.8 million-strong self-employed workforce are full-time though. In fact, 1.47 million self-employed people work part-time alongside their primary job, to supplement their studies, or to earn a little extra cash during retirement. There is a term for these people too:

- **Portfolio workers:** Those who have multiple roles, simultaneously, and switch between different forms of employment. Some portfolio workers will switch between freelance work, full-time employment and part-time work and are likely to have multiple sources of income.





For the purpose of this guide, we will be using the term 'freelancer' but you may want to consider other terms depending on your industry and the work you are doing.

# The growth of freelancing

There has been a significant growth in freelancing and self-employment in recent years. For a variety of reasons, which we'll address later, people are actively choosing to work for themselves more than ever before.

Of the 4.8 million self-employed people in the UK, two million are freelancers. Since 2008, the number of freelancers in the UK has grown by 46 per cent. Their economic contribution is staggering: in 2017, collectively, they contributed a huge £125 billion to the economy.

These highly skilled, independent professionals are the fastest growing segment of the self-employed labour force, collectively contributing an economic output that is comparable with the entire motor sales industry.

FREELANCING AT A GLANCE:		
 <p>The largest freelance group in the UK is those in artistic, literary and media occupations. This includes, but isn't limited to: artists, writers, journalists, presenters, actors, dancers, musicians, photographers, producers and creative directors. Not only the largest, this freelance occupational group also continues to be one of the fastest growing too.</p>	 <p>The fastest growing occupation group, however, is the health associate professional occupations. These include paramedics, dispensing opticians, pharmaceutical technicians and medical and dental technicians. This group has grown a staggering 194 per cent since 2008.</p>	
 <p>There are an estimated 1.1 million (Source: RSA) people working in the gig economy, but 80 per cent work less than 16 hours per week, suggesting that for the vast majority it is a means of supplementing their studies or primary source of income. Overwhelmingly, people in the gig economy enjoy the flexibility this way of work provides. An estimated 7.9 million people would consider gig work in the future.</p>	 <p>Of the two million people freelancing in the UK, 241,000 do so as a second job. So, if you are thinking about freelancing but not sure whether you want to make the leap to freelance full-time, you may want to first consider freelancing as a secondary source of income.</p>	<p>Research shows that a clear majority of freelancers love what they do and make an active choice to work independently. It's little surprise, therefore, that so many are now turning to this way of working.</p>

# Benefits of freelancing

The benefits of freelancing are innumerable. But perhaps the most telling statistic is that 84 per cent of freelancers are satisfied with their work – compared to just 64 per cent of employees. Everyone has their own reasons for choosing to work for themselves, and everyone has different reasons for enjoying it so much. It's important to know why you want to work for yourself, because knowing your motivations can help drive your business through any challenges you may face.

## SO, WHAT ARE THE BENEFITS

### 1. Being your own boss

Being your own boss means you have the freedom to choose where, when and how you work. In other words, you are able to choose only the projects that matter to you, work only with clients you want to work with and have complete autonomy to determine the direction you want to take your business in. You can manage your time in a way that suits you, which means that you can prioritise and accommodate the things in your life that are important to you.

### 2. Work/life balance

One of the most commonly cited benefits of self-employment is work/life balance. That means whether it's travelling, spending more time with your family or caring for elderly relatives, you can fit your work around your personal life. Of course, that's not to say you don't have deadlines or client demands, but whether you're an early bird or a night owl, you can choose working hours that suit you. To make the most of your work/life balance, you just need to ensure that you are organised and get the right balance between freedom and productivity. You can do this by organising your diary, planning ahead and deciding how many hours you want to work.

### 3. You can set your own rate

As a freelancer, you have the freedom to demand the rate you believe you are worth. Not only choosing how much you want to charge though, you can

also choose how you want to charge it – for example: per project, hourly, daily or weekly. You must be comfortable that your rate is neither too high or too low, and accurately reflects what you believe your worth to be. Most clients will also be open to discussing and negotiating your rate. This, combined with the on-demand expertise they provide, may explain why freelancers often earn more than their employed counterparts. In fact, our Confidence Index consistently shows that freelancers' average quarterly earnings are more than double those of employees in equivalent roles. More details about our Confidence Index can be found here.

### 4. Personal development

Freelancers grow, develop and refine their skills while learning new things on a diverse range of projects. These aren't limited to specific, job-related skills, but all those necessary to run a business, from legal and accounting to marketing and sales. Freelancing also helps you develop vital soft skills such as relationship building and interpersonal skills. Combined, they help you become a more well-rounded professional. They are also transferrable if you are considering transitioning into a new profession.

### 5. Variety of work and experiences

The majority of freelancers work for a variety of clients. The experience gained by working with multiple clients helps you become more adaptable and able to cope with different environments. And with every new project and role,

you will build on your skills and expertise. It also develops your understanding of how different organisations and industries work, thus increasing your exposure and enriching your experience as a result. There's also the benefit of choosing only the projects and industries that matter to you.

### 6. Employability/work experience

Although IPSE research shows only two per cent of self-employed people are actively hoping to switch back to employment, if you do decide later that freelancing is no longer for you, you will have at least developed various skills that will aid your path back into employment. Freelancers possess many desirable qualities such as independence, commercial awareness, diligence, organisation and self-motivation. For many employers, there is great appeal in these attributes and the broad skillset that freelancers can bring to a permanent position.

### 7. Do what you love and shape your career

Freelancing gives you complete freedom to choose the projects you are passionate about. From setting your rates and learning new skills to choosing your clients and improving your work/life balance, freelancing has many benefits. In essence, you can write your own job description, and then take the necessary steps to achieve your career goals. It's little surprise, therefore, that so few plan to move back into employment!

# Challenges in freelancing and how to overcome them

Despite the benefits of freelancing, it's also not without its challenges. With IPSE's help, though, these challenges can be overcome.

## 1. It can be lonely

There's no denying it: sometimes freelancing can be lonely. Not only can this have implications for your wellbeing; it can also stagnate creativity and progress. When you are freelance you don't have colleagues to chat to or bounce ideas off. However, co-working spaces and networking events are great ways to connect with other freelancers and build your contacts. Similarly, there are also lots of support forums which you can join such as Twitter chats and IPSE forums. Your contact base doesn't exclusively have to be professional, though: no matter what industry they're in, it's always valuable to have good people around you when times get tough.

## 2. It can be stressful

Freelancing can be stressful and mentally challenging and it takes a certain personality to endure it. As rewarding as freelancing can be, it involves risk, and success isn't guaranteed. Patience is important in dealing with the daily challenges that come with managing every aspect of the business. If you can't juggle all these responsibilities, it can be difficult to succeed. Ultimately, the success of the business is on you and that can be a burden. Don't be deterred though – a strong network and the skills you learn along the way can help you manage and alleviate stressful situations.

## 3. Winning work

A steady flow of work is the lifeblood of freelancers. After all, you can't get paid if you have no work. The amount of work can fluctuate and there may be times where you have little or no work coming in, and that could bring about self-doubt. It's always going to be a challenge, and peaks and troughs are different for every industry. But don't worry: it is rare that a freelancer finds themselves constantly inundated with work. To counteract slow periods, it is important to be aware of potential opportunities and always have a strategy for winning work. Your search for the next contract doesn't have to begin at the conclusion of another: market yourself even while on current projects and minimise periods of inactivity.

Being active on LinkedIn, Twitter, Facebook and Instagram is important, while online platforms like PPH (PeoplePerHour) and Freelancer.com are great sources of work too. Networking is also key as one introduction could lead to the next client or project. It is worth maintaining relationships with people and agencies you've worked with in the past, especially if they were impressed by your work. After every project, it is valuable to ask for feedback and testimonials because referrals and recommendations can lead to new clients. Asking clients to provide feedback on your work can also remind the client of your value and may lead to repeat business.

## 4. Tax can be complicated

Unless you're well informed on the latest tax processes and legislation, tax can be complicated, confusing and stressful. Your business structure will determine what taxes you pay and when. While accounting and tax can be daunting, hiring an accountant or using software such as Intuit Quickbooks can simplify the entire process. Whichever route you choose, IPSE members can benefit from our partnership with Quickbooks and our supplier directory of recommended accountants.

## 5. Establishing and maintaining rates

Knowing what to charge for your services or products can be difficult – especially in the early stages of your business journey. Throughout their careers, all freelancers must evaluate and re-evaluate how much they should charge. It's a balancing act mastered over time, and it's not easy. Quote too high and you may lose a potential client, quote too low and potential clients may wonder why. Doing your research and finding out what your competitors are charging is vital. Always make sure your rate works for you and don't be afraid to test the waters with a new rate – as long as you are clear on your value and you are open to negotiations.

Unfortunately, there is an epidemic of unpaid work – particularly in the creative industries – which IPSE strongly campaigns against. Our research for the #NoFreeWork campaign found that some companies are exploiting freelancers by asking them to work for free in exchange for exposure. This is wrong: if your work has a commercial value, you should be paid for it. For more information about setting your rates, visit our website here.

## 6. Financial security

Permanent employees have the security of a fixed salary – irrelevant of illness or holiday. However, freelancers don't have that luxury and that is why sound financial management is so important. It is crucial to save so you have a buffer for periods of inactivity and remember that your income from projects should not only cover the time when you are working, but also times when you are not. On the bright side, IPSE offers sickness cover to our members in case they have any unforeseen health issues that prevent them working.

There is also growing concern about the self-employed pensions crisis. At present, just 31 per cent of self-employed people in the UK are paying into a pension, and many are not saving for later life at all. It is important to engage with your pension as soon as possible to make sure you have a comfortable and secure retirement. In June, IPSE's landmark report 'How to solve the self-employed pensions crisis' outlined a number of recommendations for government, the pensions industry and the self-employed themselves to help turn around these worrying statistics. For more information, visit our website.

## 7. You are responsible for all aspects of your business

Being responsible for every single aspect of running your business can be daunting. Ultimately, the success or failure of your business is in your hands. This may sound scary, especially if you are used to employment where you focus only on your area of the business. As a business owner, it can be difficult to switch off and you might find that you are constantly thinking about work. There is nothing wrong with that though, especially if you are doing what you love. It's always worth remembering what motivated you to go freelance in the first place, and that committing time to invoicing, accounts and other business admin allows you to do what you love.

However, try to make time to switch off and achieve a positive work/life balance. And if things get too much, you can also outsource certain aspects of your business to experts. Finally, having a contingency plan in place ensures you are ready for any business challenge.

Outlining these challenges isn't meant to scare you, but instead should help you to anticipate them and put measures in place so that you are prepared if any of them occur. And don't forget: every single challenge is manageable and should hopefully be offset by the freedom, work/life balance and increased earning potential freelancing provides.

# Qualities and Attributes

So, if like IPSE, you feel the benefits far outweigh the challenges, what are the skills and attributes you need to be a successful freelancer? Some of the traits you may well possess already, some will be easy to learn and others may need a little bit of work. Here, we'll explore all the important attributes, and why possessing them can help you in your freelance journey.

## 1. Resilience

Going it alone and dealing with the daily challenges of running a business requires a lot of resilience. In every freelancer's career, there are times when you might lose a pitch or receive some negative feedback, but it's important to take it in your stride and find a way of turning the experience into a positive. After all, you might not be right for that role, but there are others you'd be more suited to, and negative feedback can help identifying areas where you can improve. Every challenge should be used as a learning experience, and resilience plays a central part in this. Don't give up, and always remember that there are other opportunities and better feedback on the horizon.

## 2. Determination and persistence

Despite your best intentions, things don't always go as planned. But it's important to believe in yourself and focus on the end goal, irrespective of any obstacles you may encounter on the way. Always remember your motivations and ambitions, and let them drive you. It is also important to continually reflect on your work so that you can keep adding value to yourself and your business.

## 3. Learning while doing

The world of work is evolving rapidly. It is, therefore, important to be constantly learning so you and your business stay relevant and ahead of the curve. In the competitive world of freelancing, you need to have an edge and broaden your offering to clients by ensuring you both identify and take advantage of new opportunities. You should have an open mind to new technology, changing markets and political changes. Showing a willingness to learn new skills – whether they are industry specific or simply personal – will also impress clients and help you win more work in future.

## 4. Not afraid to ask for support

While confidence is important, you must also be prepared to ask for support when it's needed. By nature, freelancing requires an independent mindset, but asking for help is no bad thing. It can be easy to take on too much, but making the most of the expertise and shared knowledge in your network can be extremely worthwhile. By asking for support – especially from other freelancers who have been through the same challenges – you can learn and gain an outside perspective that could save you time and money. Remember: asking for help is not a sign

of weakness, and you would be surprised how many people are willing to help and share advice. Also, by not asking for help when it's necessary, you could find the issue escalates to the point where it becomes irreparable.

## 5. Focused

Being focused on your business and the steps you need to take to achieve your goals will always stand you in good stead. Focused goals will help you not only establish your long-term vision and short-term motivation, but also manage your time and resources efficiently. If you do not stay focused on your goals, you could quite easily find yourself lacking productivity. Setting goals and breaking them into manageable objectives will help you stay on track and achieve your desired result.

## 6. Organised

It's hard to overestimate the importance of organisation – a simple trait that can you save a lot of time, money and effort. Apart from the main operation of your business – including photography, website design etc – you must also set aside time for administrative purposes. A simple diary, whether online or in a hard copy, is a good way to stay organised and manage your time. Project planning tools are especially useful when juggling multiple projects simultaneously. If you plan current and future projects effectively – in terms of both time and resources – you limit the potential for surprises and the need to rush at the end of a project. Organisation gives you structure and demonstrates professionalism to your clients.

## 7. Creative and innovative

As outlined earlier in this guide, a lot of freelance work is creative and innovative. It's always important to be able to offer different solutions to suit the specific needs of your clients. By being creative and innovative about how you solve client problems, you demonstrate your value, your adaptability and your ability to build strong and lasting relationships with your clients. Creativity and innovation can also give you an edge against competitors – and that's certainly no bad thing!

It is always prudent to reflect on your strengths and identify areas for improvement. Not just in terms of industry-specific skills, but your personal development too. Without a manager to carry out an annual appraisal, you need to make time to do this for yourself. Reflect on your strengths and how you can build on these, as well as areas that you'd like to improve.

# Is it right for you?

Now that you know what to expect and the tools you need to succeed, there are a few things to bear in mind if you are considering whether it is right for you.

**It can take time, and success isn't guaranteed straight away. But stick at it – if you are dedicated the rewards will come.**

**It is not for everyone but don't worry, that's okay.**

**It's a great opportunity if you are looking to develop new skills like creativity, adaptability and business acumen.**

**If you are unsure, speak to other freelancers to get an authentic insight into their successes and what they could have done better. You can also speak to a careers advisor, mentor or coach for guidance.**

**Freelancing doesn't mean you have to be alone, there is also a lot support out there to help you both professionally and personally.**

**Finally, if you start out and decide it's not right for you – you can always return to traditional employment and take with you the wealth of skills that freelancing provides.**

# Starting your freelance journey

So, if after the previous section you have decided that freelancing is indeed for you, how do you go about setting up your business?

## 1. Registering your business

Starting a business can be overwhelming, so it is important to set the right foundations. It is easy to jump in immediately and develop an eye-catching website or a polished logo, but there are a number of things you must consider first to give you the best chance of success. You must register your business (via gov.uk) within three months of starting out or you could be fined. Most freelancers set up as either a sole trader or a limited company, both of which have their own advantages and legal implications. You will need to decide which structure suits your business, then inform HMRC how you will be operating. With more straightforward accounting and less paperwork, setting up as a sole trader is much simpler than a limited company.

## 2. Business plan

Creating a business plan will help focus your mind on your goals, give you direction and help keep you organised and on-track. It is also an important resource when you're pitching to clients. It's worth remembering, though, that things in your business may change and new opportunities may arise so always allow for a degree of flexibility.

## 3. Acting professionally

The greater your level of professionalism, the easier it is to build a positive image for your business. If you don't demonstrate that you are professional – as both an individual and a business – it can be hard to impress customers or clients. Don't worry though: adopting a more professional demeanour isn't difficult. You can do this by creating a business email address, website and maybe a professional workspace to operate from. It is also crucial to have contracts and legal and commercial templates in place before you start; IPSE can help you with that though, so fear not!

## 4. Setting your rate

While there is no correct way to set your rate, it is important to research your market and decide what rate works for you. Your income has to cover not only your rent, travel and utilities, but also freelancer-specific extras such as equipment, training and organisational costs – so make sure you don't undercut yourself! Choosing an hourly or daily rate will accurately compensate you for your time and can help ensure you don't sell yourself short. You can quote on a per-project basis too.

## 5. Insurance cover

Having the right insurance in place can be the difference between staying in business or not. If during your freelance career you make a mistake which negatively affects your client or their business, they are within their rights to make a claim against you. The two major types of insurance you should consider are professional indemnity insurance and public liability insurance. Professional indemnity insurance protects you against claims for negligence or if you're alleged to have caused a client to lose out financially. Public liability insurance provides cover if, for example, someone is injured, or a third-party property is damaged as a result of your actions while supplying services. Hopefully you'll never have to rely on insurance, but it's a nice safety net to have.

## 6. Online presence

In the age of the internet a strong online presence plays a huge role in maximising your audience reach. A website is the first port of call for many prospective clients, so making a good first impression with an eye-catching, informative and functional site is imperative. Similarly, social media is essential for spreading brand awareness, so it's worth creating a business profile, posting regularly, and engaging with your audience. You can also create a profile on online freelance platforms such as PPH (PeoplePerHour) and Freelancer.com, which specialise in connecting clients with freelancers.

## 7. Sort out the legal basics

As a self-employed person it is important you are on top of government legislation; after all, it affects everything you do as a business owner. While it may sound simple, employment status is a complicated matter, and HMRC will use the specific details of your engagement with clients to decide your tax status. Having sound contracts in place helps determine your employment status so that you don't fall foul of HMRC. It is also important that you understand your intellectual property (IP) rights and responsibilities surrounding.

## 8. Bookkeeping

To run a successful business, it is essential to understand the basics of accounting. Keeping on top of your finances requires you to keep a record of all incomings and outgoings such as invoices, expenses and bank transactions. Online platforms like Intuit QuickBooks simplify the entire process. Alternatively, you can hire an accountant to save yourself the hassle. Staying on top of it daily doesn't have to be arduous, and will save you a lot of time – and potentially money – in the long run.

## 9. Winning work

Time and money are of the essence when you're starting out, so it's about finding out what ways work best for you. An effective and free way of winning work is word-of-mouth. Tell everyone – literally everyone – you know about what you're doing: you'd be surprised how far it can get you! Website, social media, email marketing and online job platforms are excellent ways of building your brand and winning work. Agencies can be a source of regular work too, and also cut the time it takes to find work.

# IPSE membership

IPSE exists to help freelancers every step of the way. As a member of IPSE you can get access to:

- Tools and resources such as our comprehensive 'Guide to Freelancing', contracts and business templates
- Discounted training
- Tax and legal advice helplines
- Compensation for personal and business interruptions
- Discounts on business products
- Subscription to Modern Work magazine and IPSE's newsletter
- Events including our flagship National Freelancers Day
- Many other benefits

<https://www.ipse.co.uk/>

IPSE's mission is to represent and promote the interests of the UK's self-employed population. We achieve this through a comprehensive policy agenda, research programme and services to members which make the lives of the self-employed easier. We endeavour to be the most appreciated source of protection and information for independent professionals in the UK, and provide legislators and regulators with authoritative and comprehensive policies to enhance the ability of freelancers, contractors and independent professionals to succeed.

**Join the freelancing revolution: we're here to help.**



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The Association of  
Independent Professionals  
and the Self-Employed