

# Working Well for Yourself:

## What makes for good self-employment?





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## About IPSE

IPSE, the Association of Independent Professionals and the Self-Employed, is the voice of the UK's self-employed population who make up one in seven people working today. We make sure freelancers, interim managers, consultants and contractors are represented to Government. By producing insightful, hard-hitting research and effective policy campaigns, we fight to create a better environment for the self-employed to run their businesses and ultimately, ensure our economy remains one of the most flexible in the world.



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 self-employed professionals easier. We endeavour to be the most appreciated source of protection and information for independent professionals in the UK. We work to provide legislators and regulators with authoritative and comprehensive policies to enhance the ability of freelancers, contractors and independent professionals to succeed.

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# Contents

.....

Executive summary	<b>2</b>
.....	
Introduction	<b>4</b>
.....	
Methodology	<b>5</b>
.....	
Chapter 1 – Pay	<b>6</b>
.....	
Chapter 2 – Client relationships	<b>11</b>
.....	
Chapter 3 – Work-life balance	<b>14</b>
.....	
Chapter 4 – Skills, progression and purpose	<b>19</b>
.....	
Principles of good self-employment	<b>24</b>
.....	
Summary of recommendations	<b>25</b>

## Foreword

### Simon McVicker

As the numbers in work rise ever higher, the Taylor Review has rightly shifted focus to the quality – not just quantity – of work in the UK. With one in seven now self-employed and likely to hit the 5 million mark soon, we need a laser-like focus on what good self-employed work looks like and how we can get more of it.

There has been a lot of discussion among politicians and the media about the rise in self-employment. And while we're pleased to see this so high on the agenda, debates can sometimes be rooted in anecdote rather than fact.

That is why this project IPSE has undertaken with the IPA is so important. Working Well for Yourself has involved speaking to self-employed people around the country operating in a huge range of sectors – from IT to taxi driving. We also conducted a comprehensive survey asking 800 self-employed people directly about their work.

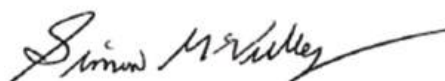
The results are fascinating. You'll need to read the full report to get the detail, but I was particularly struck by the finding that good self-employment is about much more than money. Instead of money, the self-employed actually see developing skills and knowledge as one of the most important measures of career progression. Government policy must reflect this and do more to encourage the self-employed to develop their skills.

More broadly, it was pleasing to hear that the self-employed are generally very happy with their work – and hugely value the autonomy that self-employment delivers.

One challenge the report does draw out is the poor payment culture the self-employed have to deal with. Poor payment practice – whether it's having to chase payments from clients or even being asked to work for free – has to change. A good way to make this happen would be increasing the powers of the Small Business Commissioner.

IPSE and the IPA are confident that Working Well for Yourself can help to create a more nuanced policy response to the good work debate. Policymakers and business leaders alike must start to understand and respect the distinctive nature of self-employment. The conclusions and recommendations in this report should help make that happen – ensuring that as self-employment grows, it remains a positive career choice for all.

**Simon McVicker, Director of Policy and External Affairs at IPSE, the Association of Independent Professionals and the Self-Employed.**



## Executive Summary

This report seeks to address the question ‘what makes for good self-employment?’ Building on the wider debate about good work – sparked by the publication of the 2017 Taylor Review of Modern Employment Practices – we set out to uncover what exactly makes for good work for the UK’s 4.8 million self-employed. Asking the self-employed directly for their views, we identified four key factors that determine the quality of their work.

### 1. Pay

This includes both the amount people earn and how regularly they are paid. While some choose self-employment to increase their earning potential, in some self-employed categories people actually make less than their employee counterparts. However, the relationship between income and happiness levels is more complex. A low income can be a major cause of dissatisfaction, but above a certain level, earning more doesn’t seem to further improve wellbeing.

The variable nature of self-employed earnings is a more common concern for the self-employed, particularly when it makes it difficult for people to access financial products or government benefits like Universal Credit. The problems the self-employed face because of low or variable incomes are often also exacerbated by poor payment culture. There are many reports of clients paying invoices late – and even not paying them at all. This is something which needs to be tackled to improve the working lives of the self-employed.

### 2. Client relationships

For most self-employed people, the key type of social interaction at work is with their clients. We found that in most cases these are predominantly positive and a source of satisfaction for the self-employed. According to our research, most relationships seem to be founded on mutual respect, and allow self-employed people to enjoy the autonomy and control that are the defining features of this way of working. In the majority of cases, this includes control over how work is done, when it is done and where it is done.

Tensions in relationships arise when the self-employed come under pressure to compromise on points that are in their clients’ interests but not their own. These often relate to unpaid extra hours, compromising on the quality of work and a range of other issues. Clients need to properly respect the independence of self-employed contractors, and this means making sure both that work contracts are properly drafted to begin with and that they adhere to them in practice.

### 3. Work-life balance

On average, the self-employed work longer hours than employees, but this is generally their own choice and doesn’t necessarily mean they are less happy: most self-employed people enjoy their work and are naturally self-motivating. The majority, however, would also prefer to be working fewer hours and said they found it hard to take many holidays or sick days.

Self-employed people find it particularly hard to separate their work life from their home life. This can cause problems for the family lives of people who don’t enjoy self-employment, but it can also be a benefit for those who need to combine work and caring responsibilities. Many self-employed people are also remote workers, which brings many benefits in terms of independence and flexibility, but can also lead to loneliness if people spend a lot of the day working by themselves.

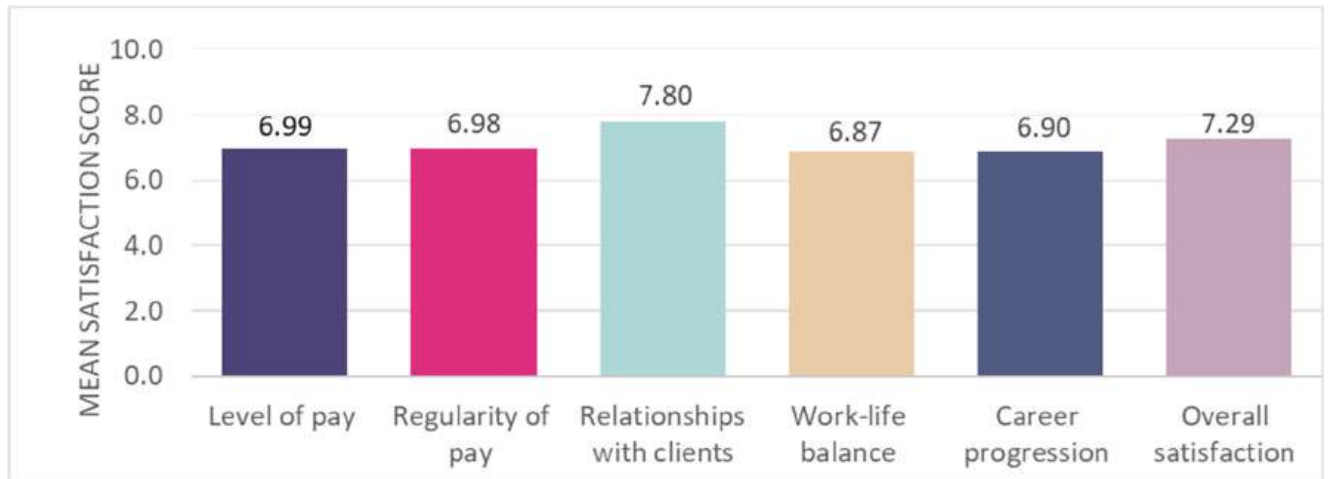
### 4. Skills, progression and sense of purpose

Finally, the acquisition of new **skills**, the feeling of **progression** and a sense of **purpose** at work. Evidence suggests that the vast majority of the self-employed do not fit the description of entrepreneurs looking to grow a business and hire other employees; instead they simply enjoy practising their chosen profession as an independent worker. This means they have to think differently to employees about how they assess their progression at work. Instead of climbing a career ladder, they find other sources of meaning in their work – often through contributing to society or developing their own skills and expertise.

Self-employment naturally requires a very broad range of skills, as one person may have to manage all

aspects of a business themselves. In many cases they have opportunities to learn most of these skills on the job, having to be proactive and learn to solve problems themselves. However, there is a relatively low level of formal training undertaken. This is likely to be because of the high opportunity and financial cost of most training, as well as a sense among many of the low paid self-employed that none of the training available would actually help them.

Figure 1. Satisfaction with different aspects of working life as a self-employed person.



Drawing on all the lessons of this research, we put together a set of 10 overarching principles which in our view define what it means to be in good self-employment. These principles can be seen in full near the end of our report.

We also put forward a set of recommendations for the Government to better promote good quality self-employment:

- **Clarify client obligations and promote good practice** to ensure clients know to properly respect the autonomy of the self-employed.
- **Provide more flexible pension options**, including the sidecar model, to reduce the number of self-employed not saving for a pension.
- **Ensure fair access to financial services** by encouraging financial providers to offer services tailored to people with variable incomes.
- **Change the rules of Universal Credit and New Enterprise Allowance** to make sure the low paid self-employed are being properly assessed and supported.
- **Tackle late and non-payment of invoices** through enshrining the prompt payment code in law and giving the Small Business Commissioner new powers.
- **Promoting co-working and co-operatives** to help self-employed people support each other.
- **Make more funds available for training** through adult education vouchers and ensuring the self-employed benefit from the Apprenticeship Levy and the Flexible Learning Fund.

## Introduction

In the UK, more and more policymakers and members of the public have started thinking not just about the quantity of work available, but the quality too. There have been a number of public debates and publications on the issue of “good work”, including the IPA’s “Working Well” paper earlier this year<sup>1</sup>, as well as the government’s recent set of consultations. What is often missing from this debate, however, is a genuine understanding of the distinctive nature of one particular kind of work: self-employment.

Matthew Taylor’s Review of Modern Employment Practices, published in July last year, was the trigger for a great deal of the interest in “good work”. It concluded with the overarching goal of ensuring that “*all work in the UK economy should be fair and decent*”. It is an ambition that both IPA and IPSE share. In particular, we are keen to explore in more detail what good work looks like for the UK’s broad and varied self-employed population.

To do this, we spoke to self-employed people themselves.

This report is informed both by a survey and focus groups with self-employed people across the UK. We also gathered the expert opinions of Professor Martin Binder (author of “The Way To Wellbeing”, a recent study of wellbeing among the self-employed), and Ben Willmott of CIPD, who published “More Selfies: A picture of self-employment in the UK” in January 2018.

## Understanding self-employment

In the past decade and a half, self-employment has increased to record highs in the UK – from 3.3 million people (12.0% of the workforce) in 2001 to 4.8 million (15.1% of the workforce) in 2017.<sup>2</sup> The most recent rise in self-employment, since 2008, has made a disproportionate contribution to the recovery of total UK employment figures since the recession. Despite this, self-employment remains poorly understood in much of the public debate in the UK.

The reasons people become self-employed are varied. In our focus groups, few people said they had started their careers intending to become self-employed. Most had ended up in self-employment through a set of “*accidental*” circumstances. One woman described having to leave her employed job when she became a single mother and needed a more flexible working pattern. For others, it was simply the default employment status in their chosen profession.

The most important point to note, however, is that for the vast majority of the self-employed this is their preferred working status. Very few of the self-employed we spoke to were interested in permanent employment as an alternative, and research earlier this year suggests 70 per cent are content to stay in self-employment for the foreseeable future<sup>3</sup>. Even those who had originally been made redundant from permanent jobs said that, having experienced self-employment, they would not choose to return to contracted employment. People enjoyed many aspects of being self-employed: in particular flexibility, independence and, in a few cases, higher earning potential (though with an acknowledgment that there was a price to be paid in terms of having to fund their own pensions, sick pay, holiday pay and training).

<sup>1</sup> IPA ‘Working Well: Perspectives on Good Work and why it matters’, 2018

<sup>2</sup> ONS, ‘Trends in self-employment in the UK’ 2018 - <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07>

<sup>3</sup> CIPD, ‘More Selfies? A picture of self-employment in the UK’ 2018



## Self-employment and wellbeing

Overall, work-related satisfaction levels among the self-employed are high. The CIPD's Employee Outlook survey in 2015 found that job satisfaction among the self-employed was 81% – higher than the 61% among full-time employees. In our own survey of self-employed workers, we also found a mean work satisfaction rating of 7.3/10. However, Professor Martin Binder, an expert in wellbeing and the self-employed, cautions us that *"increased job satisfaction only sometimes translates into higher life satisfaction"*. He also says that – particularly for those on low incomes or entering self-employment from unemployment – life satisfaction ratings could be quite poor.<sup>4</sup>

As well as concerns that some workers treated as self-employed may in fact be in a form of 'false self-employment' (see sidebar), there are also broader concerns about the quality of some jobs. In particular, there appears to be both an occupational and a generational divide: in our survey younger self-employed people in lower earning professions scored worse on almost all measures of wellbeing at work, including non-financial ones. However, even those who are unhappy were clear to us that what they want is not employment over self-employment, but *better* self-employment. What that better self-employment looks like is the focus of this report.

## The chapters in this report

The question we seek to answer is 'What makes for good self-employment' as opposed to bad. Some of this, as with regular employment, is obviously down to having an adequately paid job, and we devote the first chapter to pay.

However, while ensuring a minimum decent level of pay is an essential prerequisite for good self-employment, *"we often underestimate the importance of non-pay factors for self-employed people's satisfaction with life."*<sup>6</sup> Autonomy, meaningful work, flexibility and work-life balance are things which can be equally important, particularly once incomes rise above a certain level.

The remainder of the report is therefore devoted to the three other main factors our research identified as important to the self-employed experience. These are: the quality of the relationships self-employed people have with their clients, their work-life balance and the degree to which they can improve their skills and enjoy a sense of progression and purpose through their work. We believe each of these to be just as important as pay – if not more so – in determining overall wellbeing.

In fact, our survey shows that the final category – progression and purpose – was the most important determinant of overall work satisfaction. Meanwhile the amount and the regularity of pay were the least important – at least for those who were earning above £10,000 per year and had enough to get by each month. This is a key point for policymakers to note, because all too often the debate about self-employment overlooks the importance of these less tangible factors.

## Methodology

To produce this report, we conducted focus groups with self-employed workers from a range of professions in three UK cities: London, Manchester and Glasgow. We also conducted a survey among over 800 self-employed workers all across the UK. For both the qualitative and quantitative aspects of this research, we drew on both IPSE members and non-IPSE members and included representatives from some of the higher paid consultancy professions, as well as some much lower paid and less secure self-employed workers. We also conducted interviews with Professor Martin Binder, Professor of Economics at Bard College Berlin, and Ben Willmott, Head of Public Policy at CIPD.

## The gig economy debate

One of the major debates at present is about the legal adjudication of what counts as self-employment – and whether some firms, including in the emerging 'gig economy', are falsely categorising workers as self-employed. Rather than getting into legal questions like this – which are currently being ruled on by UK courts – this report looks not just at the quality of work in the gig economy, but for all UK workers considered to be self-employed. Research suggests that only around 4% of the UK workforce are in the gig economy, and the majority of these have a regular job alongside their gig work.<sup>5</sup> There is a concern that the public perception of self-employment is being distorted by a disproportionate focus on this minority of gig economy workers. We do, however, recognise the need for the government to offer better guidance to firms on the definition of self-employment and how they should treat self-employed contractors. This is included in our recommendations.

<sup>4</sup>Martin Binder, 'Entrepreneurial success and subjective wellbeing: Worries about the business explain one's wellbeing loss from self-employment' 2017

<sup>5</sup>Muñoz de Bustillo, R. et al. 'Measuring More than Money: the social economics of job quality, 2011

<sup>6</sup>Interview of Professor Martin Binder for this research



## Chapter 1 - Pay

One of the most obvious determinants of work quality for any worker is their pay. In this chapter we consider the various ways in which pay relates to quality of work for the self-employed. Absolute levels of pay are obviously an important factor, but evidence suggests low pay is more of a contributor to poor satisfaction than high pay is a contributor to good satisfaction. Variability of income, something more particular to self-employment, is a more pressing concern to many and has a knock-on effect on access to other services and benefits. Finally, we look at payment culture including late and non-payment, where bad behaviour by a minority of client organisations can exacerbate the problems the self-employed face.

### Earning enough

It has often been recognised that the self-employed fall into several categories. The most in-depth recent categorisation comes from the CRSE report "The True Diversity of Self-Employment" which broke down the solo self-employed into nine categories based on factors such as independence from clients, security and low, medium or high pay.<sup>7</sup> Across most of these segments, particularly in the low paid segments, the CRSE research found self-employed workers earn less on average than their employee counterparts in similar professions. However, at the same time they often reported equal or higher job satisfaction, something which was only moderately correlated with pay. In fact, the CRSE found the highest satisfaction among 'mid pay, dependent, insecure' workers such as childminders, carers or building labourers, rather than legal and business professionals at the top end.

From our own survey of self-employed workers, which included representatives from both ends of the income spectrum, we found that pay was only a moderate determinant of overall work satisfaction. For those at the bottom end, particularly those struggling to get by with an income from self-employment of under £10,000 per year, low pay was a significant concern and their satisfaction with levels of pay was only 4.8/10 on average. Above £30,000, however, most self-employed workers were fairly happy with their pay; there was only a much more modest further increase in their satisfaction with additional pay rises after this point, from 7.2/10 for those earning £30,000 - £80,000 to 8.0 for those earning £80,000 or more. We also found that satisfaction with pay levels was less important in determining overall work satisfaction than most of the other factors such as work-life balance or sense of progression. This tallies well with existing research into relationships between income and happiness, such as a major academic study earlier this year which found that people became no happier after earning around £45,000 - £55,000.<sup>8</sup>

Nonetheless, there was a sense that the opportunity for higher earning potential was one of the things that many of the self-employed found quite attractive about their work status, at least at the higher end. Many people commented with some variation of "when I do freelance work and I get paid, the money is better on a day-to-day basis than part-time employment". Average satisfaction with pay levels in our survey was fairly high. On the other hand, the early years of self-employment often seem to prove financially difficult as people struggle to establish themselves. Over half of those earning £10,000 or less in our survey had been in self-employment for four years or less, compared with only 17% of those earning over £80,000.

Part of the reason for this is that longer standing self-employed workers also felt more confident in their bargaining power than those new to the sector. For the first few years, workers often lacked the self-confidence to charge the rates they really needed to, but then learned over time that "if you don't ask, you don't get". The best advice they had to fellow contractors was to "go in high" rather than starting low, because it was hard to increase a rate with a client once it had started low. This took a lot of experience and self-confidence to pull off, however. Lots of start-ups were felt to be "scared to charge anything at all – it's a real learning curve that often you can under-sell yourself and that people will judge you on the rate that you're charging and go 'oh, well you can't be that good then!'"

<sup>7</sup>CRSE 'True Diversity of Self-Employment' [http://www.crse.co.uk/sites/default/files/The%20true%20diversity%20of%20self-employment\\_0.pdf](http://www.crse.co.uk/sites/default/files/The%20true%20diversity%20of%20self-employment_0.pdf)

<sup>8</sup>Jebb et al. 'Happiness, income satiation and turning points around the world', *Nature Human Behaviour* 2018

## Coping with a volatile income

However, the *variability* of income was a concern to a much wider group, including a majority at both ends of the income spectrum. *"You're not sure how long the money you've got has got to last"* was a common refrain. Coupled with the lack of pensions or guaranteed sick pay, the result was that most self-employed workers did not feel their work provided them with much sense of financial security – indeed the question provoked laughter among most focus group participants. Young people in particular were less satisfied with the regularity of their income, rating it at 6.3/10 on average. Those on lower incomes (<£30,000) were also much less satisfied with the regularity of their pay, at only 5.7/10, compared with 7.6/10 for those earning over £30,000.

In our survey of self-employed workers, over 50% had undertaken between one and four contracts in the last two years, something which was particularly true for higher earners: only 12% of those earning over £80,000 per year had over 10 contracts over the past two years. While some of these individual contracts could be very lucrative, that often left significant periods of time with little to no work at all, which could make financial planning very difficult and was a source of stress and anxiety for many of the self-employed workers we spoke to. Even for mid-high earners (£30k-£80k), 26% reported struggling at least once a year with work-related costs. Even more alarmingly, over half (53%) of young (18-34) people said they struggled to cover basic living expenses at least once a year.

Invoicing and payment arrangements vary a lot for the self-employed depending on sector, but there was a suggestion that this could make a big difference to people's ability to cope with financial variability. The most common situation was summed up as *"I have to invoice my clients after projects... and they pay me when they want to pay me."* This was less problematic for those with many smaller clients, but for those with a single large client at a time doing projects which could go on for several months this was very hard unless they could persuade the client to pay in monthly instalments.

Although a monthly payment schedule suited most workers best, these could still be problematic if clients did not pay regularly. One worker described how the date they got paid by their main client was impossible to predict each month: *"we have a bit of paper between us that says it will be in the first two weeks of the month; it rarely is"* meaning that ... *"any regular payments that come out of your account... they say 'when's the best day to set up the direct debit for your gas bill' and I'm like [shrugs]."* Juggling all the regular utility bills, council tax, rent, mortgage, credit card and other payments that are a regular feature of modern life is made particularly difficult by a lack of financial regularity. When setting up direct debit payments it's important to have the confidence that money will be in the account in time to pay them.

Income fluctuations in turn lead to significant problems with paying bills and accessing financial services and government support such as Universal Credit. One person described the difficulty of trying to get a mortgage and proving their income to the bank, whose systems did not seem designed to deal with the self-employed: *"you're just not seen as a normal person."* Others described this process as a *"nightmare."* Of those

## Recommendation: Encourage Pension Saving

The Government should give serious consideration to pensions reform in order to reduce the number of self-employed workers due to retire with no private pensions. It must work to reform the lack of incentives for self-employed workers to save for a pension compared with employees. Tax incentives could be increased and more flexible pensions options explored, such as the 'sidecar' or 'rainy day fund' model.

## Recommendation: Reform Welfare Payments

The Government should ensure that eligibility rules for government support are fair for the self-employed and those with variable incomes. Assessing income on an annualised rather than month-by-month basis for Universal Credit should be considered. Jobcentre Plus staff should also receive more training on promoting the New Enterprise Allowance Scheme, which could be reformed to better support new self-employed workers through a more gradual phasing out of payments.

who had tried to obtain a mortgage, around half (47%) had found the experience fairly or very difficult. Of those who had tried to obtain state benefits, 57% had found it fairly or very difficult. One person explained that they had only managed to get through difficult periods of self-employment because *“I managed to get access to a lot of credit cards, including ones where I could take out large sums of cash.”*

Many self-employed rely on partners’ incomes or second jobs to smooth their own income, *“when I first started out my wife was earning enough that we could just about get by on her salary... so if things went bad we knew we wouldn’t be destitute”* as one consultant put it. Several more maintained multiple lines of self-employed work to spread their risks; one person interviewed was a co-working space director, fundraising consultant, massage therapist and ran a circus company all at the same time, explaining how *“three of my four businesses are doing well so I’ve been able to pay myself a set monthly payment for 9 months... If I was only running one of those then I don’t think any of the businesses would have survived because when there was a dip they would have closed.”*

There was a general acknowledgement that the pay variability inherent to self-employment could be something of an *“emotional rollercoaster”*. Some self-employed workers had personalities that very much thrived on this – *“you win a big contract and you feel invincible”* – while others found it caused them a lot of anxiety.

However, another person summed it up by saying the variability *“gives you drive, keeps you active, looking for new things... there’s a downside which is the panic or the dread – the uncertainty. But when I see what permanent employees have to put up with... I think I’d choose this, even though it’s unpleasant sometimes.”* Given the number of self-employed workers we interviewed who had been employees at one time or another and had lost their jobs through redundancy, there was a general recognition that security was not something guaranteed by a permanent job either.

Generally self-employed workers who could afford it found ways to adapt to the variability in their income, either by saving enough to *“create a buffer”* or by engaging in income smoothing practices such as drawing a regular monthly salary out of a variable business income. Both of these practices, however, took time to develop. One IT consultant described how *“when I first started off it was terrifying... now having been around for enough years I’ve built up a bit of a fund there, which means if I am out for three months or six months, then it’s not stressful for me.”*

## Recommendation: Improve Access to Financial Services

The Government should work with the FCA to explore ways to improve access to financial products for the self-employed and ensure they are treated fairly by financial institutions. In particular, mortgage providers could be encouraged to offer more flexible repayment terms for the self-employed and ensure they have a means to fairly assess irregular self-employed incomes.

## The need for a better payment culture

While a certain variability of income is to be expected, in many cases it was exacerbated by poor client behaviour. The payment culture itself could be very problematic: 43% of those surveyed said they had completed work they were never paid for. In some cases this was because they chose to work for free – something which previous research by IPSE and the Freelancers Club found could be for a variety of reasons, such as to gain exposure or promote their work.<sup>9</sup> In 53% of cases, however, this was because the client had simply failed to pay their invoices. Worryingly, it is young people who are bearing the brunt of poor payment culture, with 58% aged 18-34 having not been paid for work. Some amounts were very large: single payments of up to £60,000 were reported to not have been paid. Many of the self-employed felt they had little legal recourse due to reliance on informal verbal contracts, a lack of unionisation and limited legal knowledge. One exasperated worker despaired that *“I don’t really have a leg to stand on other than I’ve got written WhatsApp messages in terms of the contract, but I’m not going to pursue a legal case with somebody in*

<sup>9</sup>For more detail on this problem see IPSE and the Freelancer Club’s #NoFreeWork survey 2016

*the States or whatever.*” Those in specific professions with higher unionisation rates such as a journalists in the National Union of Journalists or a musician in the Musicians’ Union, they felt their unions were extremely helpful, even essential, in helping them get paid. Membership of organisations such as IPSE, could also be helpful in providing guidance and support in this area.

While non-payment was an occasional problem, late payment was a much more prevalent one, and chasing payments occupied a lot of people’s time. They were universally unhappy about this. *“I’m always chasing late payments”* was a common refrain and our survey suggested 63% of the self-employed had experienced problems with late payments while a majority of those aged 18-34 had experienced at least two late payments over the last two years. One survey respondent mentioned that they were pressured into *“continuing to work despite, for example, 3 months of invoices not having been paid.”* Someone, commenting on fellow self-employed creative workers, said that *“When a freelancer is on the edge and they need the money, the larger organisation holding onto it for just that bit longer has forced quite a few to just give up because they can’t wait that long.”* Someone who had done work for the NHS said *“they’ve told me my next payment date is a year down the line.”* Another said they’d heard that *“90 day invoicing terms are going to be the new standard rather than 30 days.”*

Agencies could play a very helpful role in both smoothing incomes and helping chase payments on workers’ behalf: *“agencies can help, though they take a cut of 8-12%. However, they often tell you what the client will accept in terms of rates, so you sometimes get higher rates... so it compensates quite a bit.”* Many recognised that this could be something of a double-edged sword, however, and were wary of becoming over-reliant on agencies in case they ended up maintaining less of a personal relationship with their clients. While many self-employed workers may find agencies are still right for them, the strongest complaints came from those who reported *“being forced to contract via an agency in order to win the project,”* even if it was not their preferred model.

A few of the workers we spoke with had experienced or knew others who had experiences of working together with other self-employed workers to form co-operatives or consortiums that could share costs and pool risks. This included paying into a fund that self-employed people could use to support one another through sick and holiday pay, sharing back office services and helping to smooth some of the irregularities of income. While this model is not very common in the UK, it was viewed favourably by those who discussed it and offers an alternative solution to some of the problems outlined above.

## Recommendation: Tackle Late Payment

The Government should take concrete actions to tackle the endemic culture of late and non-payment. It should empower the Small Business Commissioner to fine those who are guilty of persistently poor practice and consider making aspects of the prompt payment code mandatory for all client organisations. One such aspect could be outlawing very long payment terms.

## Recommendation: Promote Co-operatives

More co-operatives could be used by self-employed workers to pool funds and risks and support one another. This should be encouraged as an alternative to relying on external agencies and other third parties. The Government could look at other European practices such as in France, which legislated in January 2016 to better recognise this form of organisation among the self-employed.<sup>10</sup>

<sup>10</sup>Co-operatives UK, ‘Not Alone: Trade union and co-operative solutions for self-employed workers’ 2016

## In summary

Low pay can certainly be a problem for some segments of the self-employed workforce, as it can for employees. However, given that people are mostly making a voluntary choice to be self-employed, there is often a conscious trade-off being made. In the words of Ben Willmott of CIPD *“it might be that some self-employed have lower levels of income overall but the benefits might be worthwhile in terms of autonomy or other factors.”*

Irregularity of pay, however, is a far more pressing concern and the major source of stress and anxiety for most of the self-employed we interviewed for this research. Tackling this requires a twofold approach: firstly poor payment culture by firms must be addressed, including finding a way to impose penalties on the worst offenders that does not simply rely on individual self-employed workers going through the costly process of bringing a court case themselves.

Secondly, it must be recognised that even with improved payment culture, self-employed incomes will always necessarily vary more than employee incomes. There must therefore be an effort to tackle the problems this causes the self-employed at source – be that accessing financial products such as mortgages or pensions, or getting government support such as Universal Credit. In both cases, the focus should be on ensuring all such services are capable of fairly assessing the needs and incomes of the self-employed and not discriminating on the basis of month-to-month income variability as a result of one’s employment status.



## Chapter 2 – Client relationships

The second main aspect of work quality for the self-employed comes down to the kind of relationships they have with their clients – relationships which we found were on the whole very positive. In this chapter we look at how these relationships contributed to a sense of good work, the degree to which self-employed workers have genuine control over their own work, the reasons why disputes occasionally arise and the importance of clear contracts in preventing and resolving these situations.

### Positive client relationships contribute to wellbeing

The form of relationship self-employed workers have with their clients can be quite varied depending on the type of work. Some (e.g. hairdressers, therapists) work directly with individual members of the public, while others (e.g. IT consultants, engineers) only contract with larger companies, often having one single major client at a time. Across all types of professions, however, we found client relationships were on the whole very positive. The average score in our survey of self-employed professionals for satisfaction with client relationships was 7.8/10 and even among those in the bottom income bracket it was still 7.3/10.

For many of the self-employed their relationship with their clients was their main source of positive human interaction at work, something especially important given the isolation that can come with working independently (see next chapter). One therapist described how *"I have a very good relationship with all my patients and clients. It's a caring environment by its nature... you have quite a personal connection with them which is nice."* The type of relationship was also, to most of those we interviewed, one of the things they liked the most about being self-employed. They were able to interact in a friendly and mutually respectful way with clients, usually feeling they were treated more like equals than employees subordinate to a manager. The lack of involvement in *"office politics"* was also appreciated.

A positive client relationship was also central to finding and maintaining work for the self-employed. When looking for work, many stressed the need to speak to people face to face rather than applying by email. A significant degree of successful self-employment in many sectors comes down to reputation, personal relationships and a network of contacts. *"You have to be personable with people. I think you've got to spend a lot of time developing those relationships with people"* – otherwise, it was suggested, you wouldn't get work.

### Autonomy and control

Having control over your own work is perhaps the most defining feature of self-employment, and that level of control was absolutely vital to self-employed people's perception of what made for good work – *"For me it's control, it's the perception that you have control over what work you take on and when you do it. And the variety as well because I get bored quite easily – I really like working with different people on different projects."*

Most of the self-employed we interviewed had been employees themselves at one point or another in their lives and appreciated the difference when they moved into self-employment. One worker, who as an employee had hated the lack of control they had felt when working for bad managers, said: *"I was actually quite depressed in my last permanent job and when I went contracting it made a massive improvement to my mental health,"* as they found the increased autonomy and freedom very liberating.

Occasionally situations would arise in which this control would be undermined by a client – *"the most annoying thing"* for the self-employed worker, particularly when it violated the written letter of their agreements. Some self-employed people we spoke to found it frustrating that even when *"in the contract you make sure there's no supervision, direction and control... what they actually do might be quite different."* Given the degree to which recent court rulings on employment status have chosen to disregard written contracts and focus instead on the actuality of working relationships, it is extremely important for all client organisations to make sure they are avoiding excessive control in practice as well as on paper.

Thankfully, cases of clients attempting to assert excessive control were very much the exception rather than the rule. In our survey of the self-employed, 91% said they have 'some' or 'a lot' of control over setting their daily tasks, and 95% had similar control over how they performed them. In any case, for a lot of self-employed workers, a *complete* absence of supervision was not what they wanted, but rather a balanced working environment where they enjoyed freedom and control within a structured framework that made clear what they needed to deliver. *"I want a certain amount of flexibility and autonomy, but I do my best work when I have a certain amount of structure and support,"* as one person described it.

Deadlines for work given by clients could sometimes be demanding, but the perception was that as long as this was made clear up front it was fine, and could even allow contractors to get paid a premium if they knew the work was at short notice. *"What I want from a client is 'here's a deadline, here's what I want you to do'"* and mostly that was their experience, though many contractors had experienced at least a couple of clients who would call them up late at night to ask for progress reports and change the requirements part-way through projects. The survey also bore this out with 92% having 'some' or 'a lot' of control over the time they start and finish each working day.

It was encouraging that a significant majority of the self-employed feel they have a lot of control over key aspects of their work – in particular how they undertake their tasks. Given the importance the Taylor Review accorded to the principle of control in determining genuine self-employment, it is reassuring that most of the self-employed were so positive about this aspect of their work.

### **'Compromises' to meet client expectations**

One less positive feature of client relationships was where the self-employed would feel pressure to agree to 'compromises' that were in the interests of clients rather than themselves. In our survey, 63% of self-employed workers said they were asked to make 'compromises that are in the best interests of your client and not your own' at least 'occasionally', while 19% said 'all' or 'most' of the time. The self-employed workers we spoke with felt this could often be due to misunderstandings among companies about what the right way to treat self-employed contractors actually was. One worker said that in her experience, *"HR will make sure that all managers know what obligations they have to employees... but managers often haven't had any guidance in terms of managing freelancers."* This is clearly an area where companies need to improve their practice, making sure that any staff commissioning contractors know what kind of expectations are reasonable and what are unreasonable.

These 'compromises' could take a variety of forms. The most common compromises reported in our survey related to extra unpaid hours of work, in particular those spent travelling or attending meetings at the client's request but that were not invoiced for. Self-employed workers in several professions felt that these things were expected of them for free, even though it imposed financial and time costs on them. Another major area of compromise related to the quality of work, where contractors felt they were being asked to deliver sub-par work in order to meet deadlines or targets. For those who took particular pride in the quality of their work, this could be an uncomfortable process.

Other types of compromises included some self-employed workers who had experienced demands for exclusivity – a journalist, for example, reported some media organisations that *"don't allow you to have by-lines with other people."* In our survey, 18% of respondents reported having been asked not to take on work from other clients, rising to 29% of those aged 18-34. Others reported being asked to pretend to be employees in meetings with third parties or when winning awards in connection with their work for the client. Euphemisms were often used such as describing oneself 'of the' organisation, 'representing' or 'working for' the organisation. At other times requests had been made like asking a freelance therapist to wear a uniform or work on Saturdays, which they considered a step too far and refused to accept. Some of the more experienced self-employed stressed the need to remember that *"you can push back"* against unreasonable requests, but this was characterised as coming down to a contest of wills between the freelancer and the client, *"that is often reliant on your personality and the emotional and mental resources that you have to undergo those conflicts."*



Clearly if clients want to get the best out of the self-employed people they engage, they need to make an effort to avoid these kinds of situations. Although clients may see short term advantage in making more demands of the self-employed, in the longer term a lack of respect for them and their independence undermines the positive nature of the relationship and will leave both parties worse off. As well as being indicative of 'bad self-employment', in some edge cases it could also bring into question whether engagements are genuinely self-employed – for example, when workers are being told to wear uniforms, work particular days/hours or be present on-site unnecessarily.

## The importance of having clear contracts

Despite in practice having a significant degree of control and autonomy the vast majority of the time, many self-employed people felt the written contracts they received from clients were often poorly worded, in a way that didn't properly respect the genuinely independent relationship that should come with self-employment. One contractor explained how *"I definitely decide where and when, but sometimes you get a contract with hours in it... but at the end of the day I do what I want to when I want to... I see it and I'll comment, but they'll never change the contract."* Another agreed, saying *"There's a lot of companies where the 'contractor contract' is very similar to the 'permanent contract' and that's quite worrying, I've had to push back once on a contract that just read like a permanent contract."*

Particularly since the introduction of IR35, these poorly written contracts that fail to properly respect the autonomy of the self-employed and distinguish them from employees can be a major risk for both contractors and their client organisations. Companies should take care to educate their managers in the proper ways to behave towards the self-employed and to make sure that both the letter and spirit of the law are respected, both in their contracts and in practice.

## In summary

Reassuringly, our report found that client relationships were generally of a positive nature, characterised by genuine autonomy and a major source of work satisfaction for the self-employed. Having control over their own work is, as recognised by the Taylor Review, perhaps the most important, defining feature of self-employment and one of the main reasons why people choose to work this way. Where clients fail to respect this by making unreasonable demands of self-employed workers, they are not only undermining this vital relationship, contributing to poor quality work experiences for the self-employed, but also putting the legal basis of these self-employed relationships into doubt. It is clear that awareness and understanding of good practice, and even of legal responsibilities are poor among many client organisations – HR departments should as a matter of policy make sure they know how to engage with self-employed contractors, just as they know how to engage with employees, and take a proactive role in educating other managers about the right way to relate to the self-employed.

## Recommendation: Support your Contractors

This research found a strong sense that many clients don't understand their contractors' needs and problems well and are poorly placed to support them and improve the quality of their working lives. The Government should help to raise awareness of the issues outlined in this report and provide guidance for companies on what best practice looks like in this area.

## Chapter 3 – Work-life balance

Having a positive work-life balance is an increasingly recognised aspect of good work for all workers in the UK labour force, but perhaps particularly so for the self-employed who enjoy both the freedom and flexibility to choose their own hours, days off and places of work to a degree not possible for employees. This chapter looks at the importance self-employed workers place on work-life balance, the actual number of hours they work and the impact this has on their home lives, the shortage of holiday and sick days generally taken by the self-employed. Finally, it also considers the impact on wellbeing of remote and home working – for those self-employed to whom this applies.

### The importance and overall quality of work-life balance

The ability to set your own hours, work flexibly – including from home – and take time off whenever you feel like it are among the most stereotypical characteristics of self-employment and, to the general public, often sound like the biggest advantages of the self-employed lifestyle. And indeed, our research suggests that the self-employed do enjoy flexibility and see work-life balance as one of the most important contributors to their quality of life. For some, the ability to control their own hours was their number one reason for choosing self-employment: *“I think it’s my personality, I think I’d go crazy being in an office long-term, where you’ve got to be there at a set time and can’t come and go and do your own thing.”* Indeed, the Skills and Employment Survey 2012 found that ‘choice of hours’ was the thing that the self-employed valued the most compared with employees<sup>11</sup> – though conversely ‘convenient hours’ were valued much less by the self-employed than employees. Research by Demos earlier this year likewise found that the *“‘rigidity’ of the employee experience was the most commonly cited ‘push factor’ in choosing self-employment”* and having *“greater control of my hours”* was the second most selected reason in their survey of the self-employed, rated in the top 5 by 57%.<sup>12</sup>

There were, however, downsides as well as upsides to work-life balance: the average satisfaction with this aspect of work in our survey was 6.9, the lowest of the major aspects we measured. This distinction between freedom to choose one’s hours and actually working convenient hours also turns out to be quite significant for many of the self-employed.

As one self-employed worker described well, *“It’s a bit of a double-edged sword but the good thing is being able to work when you want, you know I can get up late in the day and do nothing and then if I need to work at three in the morning because I feel the work then I can do it.”* The flipside, of course, was something stated repeatedly by those in all our focus groups: *“Because you are self-employed, when the work comes to you, you cannot turn it away,”* and for many *“It does feel like work always arrives at exactly the wrong time!”*

### Working long hours?

Most of the self-employed seem to work longer hours than regular employees, particularly when taking into account all the additional time spent doing administrative work, looking for new clients, chasing invoices etc. For the majority, however, this had little negative impact on their work satisfaction. What mattered more to them was that they were free to choose their own hours, rather than the number of hours themselves.

A few of the self-employed were doing extremely long hours: our survey included 3% of respondents who claimed to work over 70 hours each week, and a larger group of 26% who were working 50 hours or more. In contrast, only 7% of respondents said they *preferred* to work 50 or more hours. This tail end of very high hours, specifically over 60 hours per week, was associated with significantly higher dissatisfaction with

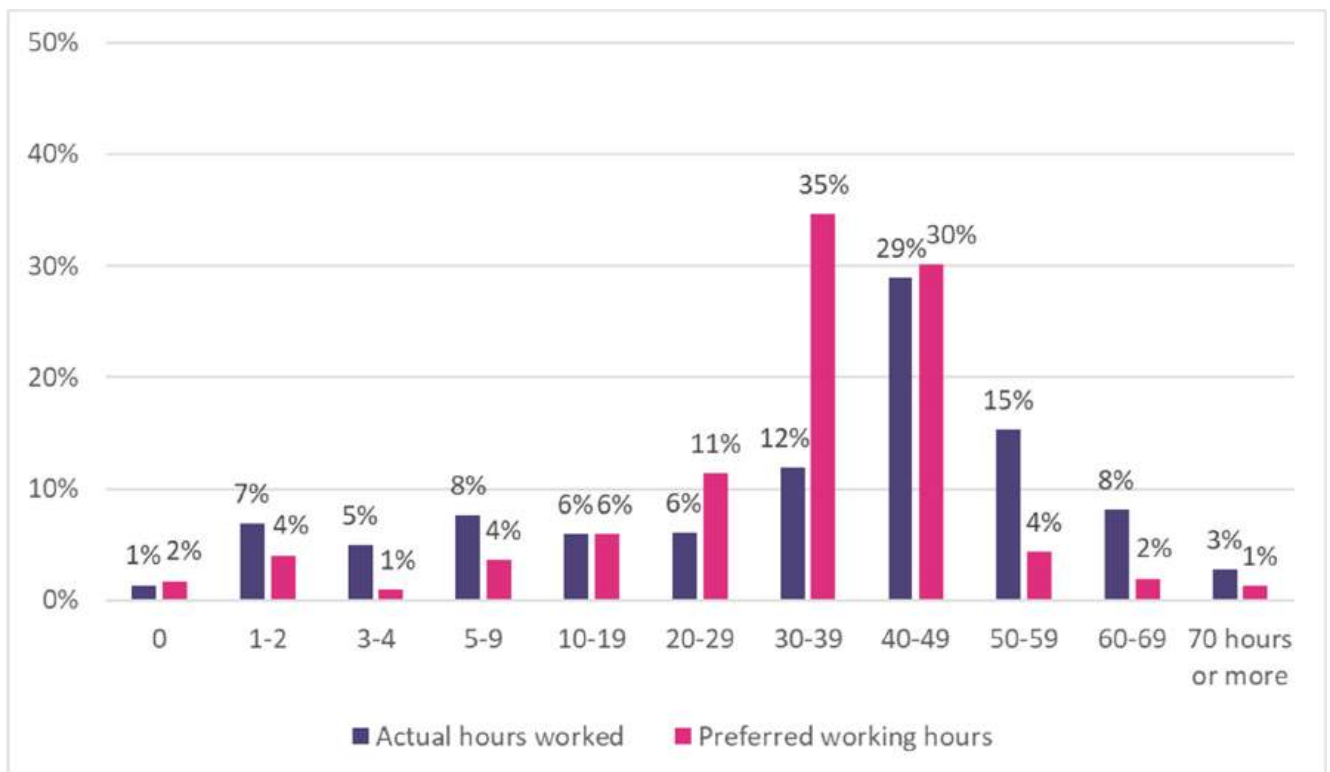
<sup>11</sup>Skills and Employment Survey 2012

<sup>12</sup>Demos, ‘Free Radicals’ 2018

working life, though for the bulk of people working a moderately long 40-49 hours a week this did not seem to negatively impact their reported overall work satisfaction.

When we compared survey respondents' actual number of hours worked to their preferred number of hours, we found that most would rather be working a bit less: the average preference was 30-39 hours/week rather than the 40-49 hours/week people were actually working on average. Again, this supports the argument that clients need to better respect the preferences of the self-employed when it comes to working hours. The unhappiest self-employed people tended to cluster in two groups: a small group who would like to be working far more hours – generally those currently struggling to find enough work, particularly older workers – and a larger group who would like to be working many fewer hours.

Figure 2. Actual and preferred hours spent on self-employed work (including unpaid admin time, looking for work, chasing invoices etc.) in a typical week.



We should not, however, assume that those working long hours would be happier in regular employment – as one woman succinctly put it, *“I’m happier working a 60 hour week for myself than a 35 hour 9 to 5 week for someone else.”* Similarly, those working the longer hours also tended to be the higher earners. In many cases this may simply reflect people willingly sacrificing more of their leisure time, or having a number of clients at any given time, in exchange for a higher income than they would get from regular employment.

Sometimes workers reported feeling pressured to prove themselves and justify their fee, often through working harder and longer hours than the regular employees, *“first in, last out was what I used to do, because I want to make sure they don’t feel they’re being short-changed.”* Occasionally this could also be the result of a workplace culture of presenteeism among regular employees, which then bled across to the contractors too. Sometimes this pressure would come direct from clients and could be hard to refuse (see previous chapter). Those on daily, rather than hourly rates were particularly at risk from this kind of pressure: *“if you’re on a day rate – that’s where the abuse comes in... how long is a day?”* More often, however, the pressure either came from the self-employed workers themselves or was just a necessity to earn enough money. *“I wouldn’t say the people I see pressure me to work certain hours or do a longer day... but you’ll take a booking when you get a booking, if that’s 8 in the morning or 9 at night.”*

## Impact on life outside work

Overall there was a fairly even mix of people reporting positive and negative impacts from self-employment on workers' ability to balance their work and family lives, as well as regular comments on the trade-offs inherent in self-employment: *"You're flexible – you can watch your son play football, but at the same time you have to work in the evening."* *"It gives you more freedom but with that there come sacrifices that you have to make."* Another described it as having *"more extremes of good and bad"* than regular employment.

These extremes would often manifest in the emotional highs and lows people described experiencing during the *"feast or famine"* work calendar that was particularly prevalent in some professions – the *"emotional rollercoaster"* often referred to. This seemed to suit the personalities of most of those in self-employment, who tended to live for the thrill of the next big contract and the satisfaction it brought them, though clearly some personality types coped with this better than others. As Ben Willmott commented to us, however, *"people who stay in self-employed are likely to be those people who it suits."*

Regardless of the reason, there were frequent complaints of feeling exhausted at work, and of impacts on family lives, which could be both positive and negative. On the downside, maintaining a family routine was more difficult: *"when you're a permanent employee, your partner and family habituate to a particular routine... as a contractor you can't really turn down work when it comes your way..."*, while one of the survey respondents listed a major challenge as *"achieving pre-agreed deadlines after a client is late in delivering the information required, to the detriment of social and family life."*

On the other hand, some people could plan their family lives and particularly childcare requirements around self-employment – especially if they could work from home and watch over children at the same time. For a few, self-employment had been absolutely essential for this: some in the focus groups had left full-time employment when they became single parents and found self-employment the only workable solution for them. Being able to better balance caring responsibilities was clearly one of the key advantages that self-employment offered for some workers.

## Taking time off

Another area where responses varied based on personality was the *"always on"* culture. One virtual assistant described how *"you can't switch off – on holiday you're checking your emails."* This sense of work bleeding into personal lives affected different workers in quite different ways. Psychology research points to some people being natural 'integrators' who prefer to blur the boundaries between work and personal time, and others being natural 'segmenters' who prefer to clearly separate personal from work time (see Chapter 4.2 of the IPA's 'Mind over Machines' 2017). For the first group, self-employment was particularly positive as they could easily manage overlapping work and family commitments at the same time. For the latter group, however, it was very challenging to achieve the desired level of separation between work and personal time, particularly if they were doing a lot of self-employed admin work at home.

Self-employed workers are very aware that their working status comes without the sick pay or holiday pay enjoyed by regular employees. It is still concerning, however, how many self-employed workers (80% in our survey) reported having worked when feeling sick and that the number of holiday days taken was so very low. This seemed often less about workers not having enough savings (or even private insurance) to cover themselves taking a few days off work sick; more often it was the result of feeling that they simply had to deliver ongoing projects for clients no matter what the cost – or risk losing out on future business. One woman recounted how *"Last year I hurt my back really badly and I was working for a client and I just kept going – it was agony. Because... you're paid to do a certain thing and people want it done and they don't really want to know about anything else... they wouldn't really engage you again if you didn't deliver."*

Planning holidays was another interesting case in point: one consultant described how *"I find it difficult taking holidays... I can do last minute arrangements when most people can't,"* but the downside was that they found it harder to plan holidays months in advance, in case a big piece of work turned up. The number of holiday days taken was also very variable, as found in both our focus groups and survey. In our survey, while

high earners generally took holidays at a rate roughly equal to employees, lower earning self-employed workers (earning up to £30,000) took far fewer: 17% of them had taken zero days of holiday in the past 12 months, and 39% had taken fewer than 10 days. One self-employed worker in Glasgow told us how *“up until two years ago, I hadn’t taken a holiday for probably 6-7 years plus... for a long period of that time I didn’t even have weekends, and I was burnt out.”*

One important contributor to quality of life was the ability to rearrange work times if something personal needed to be done at short notice: one consultant, for example, described how *“my father’s in hospital and I can go see him whenever I want, yes I can do that.”* However, for those with fewer, larger clients for whom they were working many hours each day, getting time off work for personal reasons could be hard – particularly when they felt clients ‘didn’t care’ about their personal problems and just wanted deadlines to be met no matter what. Generally this was felt to be *“client dependent.”* Half a day or so was normally fine to take, but longer periods could be tricky to take off, unless workers were both between contracts and had a buffer of savings to cover the time. 41% in our survey said they had felt unable to take time off for funerals, medical appointments or to care for sick relatives. This could add to workers’ stress at already difficult times in their lives. One woman in Manchester described the guilt they felt when they had to drop out of a planned contract in order to care for a very sick relative: *“I felt like I was letting people down... trying to find someone who could cover some of the stuff was really hard.”*

### Remote working and loneliness

One aspect that featured heavily in the work-life balance of some – but not all – self-employed was home working. The ability to work from home could be very helpful in balancing work and family lives – even for those working long hours it was less detrimental to their family relationships when they were at home during that time. However for those alone during the day, working at home on a daily basis could prove very lonely *“Especially when you’re on your own... you’ve got nobody to talk to... it’s tough.”* This could be a particular problem when business crises occurred and there was nobody to talk to for support.

Of course, it’s worth bearing in mind home working is not a feature unique to self-employment: the same considerations apply to employed home workers. This is also a good argument in favour of co-working spaces or other networking opportunities for the self-employed to get together. Many of the most positive stories in our research came from those who had the choice to vary their time between their homes, client offices and co-working spaces.

### Recommendation: Promote Co-working Spaces

Many of those we spoke to for our research emphasised the benefits of co-working spaces for supporting the self-employed with facilities, networking and ways of combating loneliness. The Government could take an increased interest in promoting the idea of co-working spaces in its communication with the self-employed to encourage their growth as hubs of good work and a psychological ‘safety net’ for the self-employed.



## In summary

Overall, our research painted a mixed picture of the work-life balance of the self-employed. We should not understate the advantages and flexibility that self-employed workers enjoy when it comes to managing their work-life balance, but nor should we ignore the pressures they face to work long hours and, particularly, the fact that so few feel comfortable taking time off work for holidays or when sick.

It is clear that the self-employed working lifestyle is not for everyone, but for those it does suit it can offer a huge improvement in their mental wellbeing compared to permanent employment. This is particularly the case for people with caring responsibilities, those who prefer to integrate their home and work lives rather than strictly segment them, and those who are particularly self-motivating and thrive on the emotional highs and lows self-employment can bring.

An interesting comparative statistic comes from the CIPD Employee Outlook survey<sup>13</sup>, which found that around two thirds (66%) of the self-employed felt they were able to achieve the right balance between home and work lives – higher than among full time employees (55%) but lower than part-time employees (73%).

Improving work-life balance requires more considerate and understanding behaviour from clients, who need to respect boundaries and judge contractors by results delivered rather than hours worked. They must also avoid a culture of presenteeism in their own employees that might influence the behaviour of contractors too. Self-employed workers should be free to set out clearly which hours they do and do not wish to be contacted during, and should be able to expect those guidelines to be respected by client organisations. This, after all, is a distinctive feature of self-employment and any firms engaging self-employed people should be fully prepared to accept the hours they do and do not wish to work in. Being able to make better use of their legal right to substitution would also enable self-employed workers to feel more confident taking holidays, sick days or other time away from work. This may be another area in which closer networks of self-employed workers, including through co-operatives, might be of help.

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<sup>13</sup>CIPD 'Employee Outlook', autumn 2015

## Chapter 4 – Skills, progression and purpose

This final chapter looks at how self-employed workers are able to achieve a sense of progression and achievement through their work – a vital element of good work and wellbeing. We look at the ambitions of the self-employed, what they hope to get out of their careers and what motivates them. We look at the alternative measures of progression that the self-employed turn to in the absence of a traditional career ladder and what this means for their wellbeing. Finally, we look at the acquisition of new skills through self-employment and rates of training, asking what could be done to improve the availability and take-up of training for the self-employed.

### Not everyone wants to be an entrepreneur

Despite the common association of self-employment with start-ups and entrepreneurs, relatively few self-employed workers in our research had originally set out with the intention of being entrepreneurs or setting up larger businesses, what Martin Binder describes as ‘growth-oriented self-employment’. In fact, only 16% of respondents to our survey listed ‘being able to employ/hire other people to work for me’ as one of their desired areas of career progression; the lowest of any responses to the question. This figure was higher among younger respondents (24% of those aged 18-34) who may fit the traditional ‘start up’ profile better, but much lower among older self-employed workers (only 11% for those aged 55+).

Instead, they tended to be people who enjoyed practicing their chosen profession – be it as an artist, writer, therapist, tutor or consultant – and wanted to progress with this rather than focusing on the ‘business’ aspects of self-employment, which were often seen as a necessary chore rather than the area they wanted to do more of. Instead of wanting to manage other people, some had actually left permanent employment precisely to *avoid* having to move into management as the only way to advance their career: *“In the company I was in, progression meant being a manager... I wanted to stay on the technical side.”*

It is encouraging that many self-employed workers found themselves doing work which they enjoyed and were passionate about, rather than simply something they did in order to get paid. A wealth of recent research points to finding a sense of meaning and purpose in one’s work as a key component of overall wellbeing.<sup>14</sup>

### What does ‘progression’ mean for the self-employed?

For the self-employed, progression at work means something quite different from regular employees. The lack of a straightforward career ladder – with steadily increasing pay grades and job titles means that the self-employed have to define for themselves what counts as success and achievement in their working lives. As one consultant put it, in his previous life as an employee he had been very career ladder focused, wanting to be a Director, but now *“I’ve got the title that I always wanted but I haven’t got anything to do with it, so it’s fairly meaningless.”* Realising that they didn’t have to be bound by this traditional structure of ambition and progression was actually quite liberating for a lot of people, but it did pose new questions about what they should be focusing on instead. As one freelancer described, *“You have to create and make those opportunities, it’s not going to be provided for you through a career development framework from your company.”*

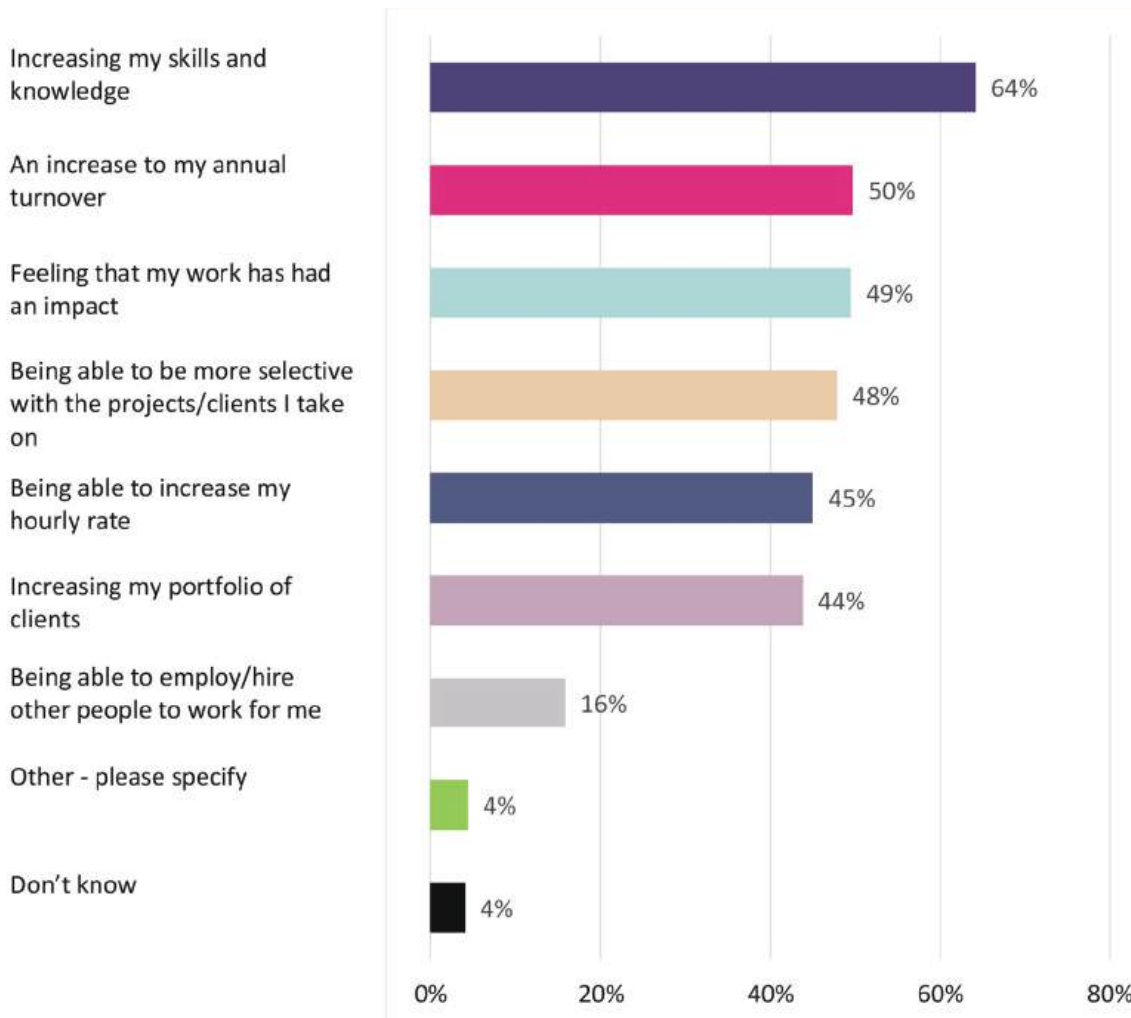
For those on lower incomes, or just starting out in self-employment, most of their hopes and plans were simply centred on ensuring the *“survival”* of their businesses (and for some this ‘survival’ period could be open-ended and continuous). For those who had established themselves, however, there were a range of options open to them for seeking a greater sense of purpose, achievement and fulfilment in their work. In a lot of ways, these could actually be a lot more meaningful and beneficial to life satisfaction than a narrow focus on corporate advancement. One consultant said *“It’s very much your own definition of progress. I’ve had the same job title for quarter of a century but I’m happy with that.”*

<sup>14</sup>For a summary of recent research publications on this topic, see <https://meaningful-work.co.uk/meaningful-work-reference-list/>



For many, the key indicator of progression was ‘increasing skills and knowledge’ - the top answer in our survey, listed by 64% as one of their key ways to gauge their progress, and showing the importance of a greater focus on the availability of training for the self-employed (see below).

Figure 3. Measurements of career progression of the self-employed.



Many also sought a sense of achievement and purpose through the impact their work was having (49%) – about the same proportion as measured themselves against increasing their hourly rate or annual turnover. An IT consultant in Manchester summed up this style of thinking, saying *“I don’t need to have a grandiose role; what I want to do is make a difference. So for me it’s the ability to work on projects that are interesting to me but also will leave a legacy”*.

As Professor Martin Binder put it, *“most people do self-employment not to create jobs or become massively filthy rich but because they have a good idea, want to have flexible, meaningful work etc. This is underappreciated by policymakers and these non-money/non-job reasons are what really drives wellbeing.”* He added that *“social entrepreneurship should be given more attention in our societies”* alongside the usual focus on for-profit entrepreneurship. For the majority of the self-employed, their work does seem to be genuinely meaningful in a way that matters to them. In fact this was one of the areas where self-employment was felt to have a particular advantage over regular employment – by not being tied into the traditional corporate structure of promotion and career advancement, self-employed workers seemed freer to pursue more personally

meaningful goals. In some cases that was through growth and business development: *“I’ve been able to do bigger things and new things as my clients have grown.”* In other cases, it was through seeing a social impact, *“being able to see the direct impact of what I’ve done.”* In others it was simply through the satisfaction of a job well done: *“I think feedback from clients is incredibly important... when somebody comes back and says ‘thank you for that job, it’s really made a difference to our company’; that is the motivation for me, that you know you’re doing things well.”*

Most of all, despite all the difficulties discussed above that the self-employed can face, there was a considerable sense of pride and satisfaction that came from knowing that they had managed to accomplish something while working entirely independently: *“With all the challenges, the fact that you’ve done it yourself gives you a sense of achievement.”*

### Gaining new skills

One of the best things about self-employment for most is the great opportunity it represents to learn new skills across a very wide variety of different areas. Given the need for the self-employed to be self-reliant, there was a very proactive, can-do attitude when it came to learning: *“As a self-employed person you cannot say ‘I don’t know how to do this’... you just say ‘yes, sure’ and you go find out how to do it – you have to.”* Much of this learning was done ‘on the job’, rather than through any formal training, learning or professional development programmes. The simple fact of being self-employed was felt to naturally lead people to pick up a broad range of skills – from accountancy and reading contracts, to sales, marketing, website design and all the other activities self-employed workers usually have to undertake themselves rather than relying on corporate support functions for.

The effect of this is twofold. For those who had been self-employed for quite a few years, they generally felt they had learned and accomplished a great deal, and to that they had acquired far more varied skills than they ever would have in permanent employment – something that was generally a source of considerable satisfaction. As one person put it, *“becoming freelance almost was a bit of a promotion but it was a progression for me, and learning new skills... it definitely feels like I’ve learned more in the last three months than I had in the previous five years.”* However, for those just starting out in self-employment, the sheer list of new skills they needed to learn could prove daunting – especially in the absence of much external support to help them.

### Low formal training rates

Rates of formal training for the self-employed were found to be very low in all but a few specialist professions where professional accreditation was essential to practice their line of work. Training rates were especially low for the lower earners in our survey – only 29% of low-earners had undertaken any formal training in the past 12 months. This was particularly concerning as lower earners are also likely to have fewer existing skills compared to high earning self-employed workers, and so might be those who would benefit most from training to increase their future earning potential. The most common reason given was that self-employed workers simply didn’t feel they needed much training – perhaps because they felt there were already ample opportunities to learn on the job. This reason was particularly commonly given by lower earners: 47% of those on incomes under £10,000 said they didn’t need much training. This may reflect the types of jobs low earners tend to be doing (e.g. courier work) or the fact that they were doing work only on a short-term basis to help make ends meet and weren’t planning for a long-term career in self-employment. However, this shortage of skills may well pose a barrier to those in low paid self-employment to transition to either higher paid self-employment or better quality work. Backing training as a route out of low pay was the number one recommendation of an IPSE and Community report earlier this year into the vulnerable self-employed<sup>15</sup>, while research by the SMF suggested that 30% of the self-employed who undertake a training programme had escaped from the low pay trap 12 months later.<sup>16</sup>

<sup>15</sup> IPSE and Community, 2018, ‘Under Pressure: Enabling the Vulnerable self-employed to break free’

<sup>16</sup> SMF, 2017, ‘Tough gig: Tackling low paid self-employment in London and the UK’

For those who were interested in training, however, a common reason given for not taking any was that the *“cost is prohibitive”* – both the financial and the opportunity cost of the time spent. One consultant summed up the paradox they often felt when it came to training: *“I’m always in the Catch 22; if I’ve got work I don’t have time to do training, and then if I’m out of work I’m in a situation of belt-tightening and thinking ‘should I be paying for this?’”* In our survey, 27% of respondents who hadn’t undergone training said part of the reason was the financial cost, while 31% said they didn’t want to spend time training when they could be earning instead. As an alternative, many freelancers described how they had to *“do my own development”* and would do things like *“buy a lot of books”* rather than go on formal training courses. There are increasing numbers of free digital resources available for those who choose this route, including Massive Open Online Courses (MOOCs), which could hugely benefit the self-employed and should be better promoted.

Those who did undertake formal training were often those who had found ways to reduce the cost. A virtual assistant described how *“I belong to an association of virtual assistants. They help with webinars and so on... there are ways to do it cost-effectively”*. Sometimes, however, there was a sense that there weren’t the same discounts and levels of access available to contractors as there might be to regular employees, and that *“as a one-man band you don’t have bargaining power.”* A contractor who worked mostly with the NHS in Scotland commented that: *“If I were to go on a course it would say, ‘if you’re an NHS employee it’s £400, but if you’re [self-employed] this is £2,000”* and so they generally wouldn’t take it up.

Several self-employed workers called on the Government to do more to support the upskilling of the self-employed: *“They should make grants available in order for professional skills and development to happen.”* There was also a definite sense that too much of the existing training and support on offer from the Government was tightly focused on supporting *“start-ups”* and entrepreneurs who wanted to grow a business, rather than helping independent workers who just wanted to progress in their own line of work. As described above, this was not the case for the majority of the self-employed.

## Recommendation: Improve Access to Lifelong Learning

The Government should expand the training funds available to self-employed workers beyond its narrow focus on start-ups. It should look at reinvesting in lifelong learning, introducing a form of Adult Education Vouchers for the low paid self-employed. One key way to push this would be changing the tax-treatment of training to make training for new skills tax-deductible for the self-employed.

## Recommendation: Ensure Existing Schemes Benefit the Self-Employed

The Government should make sure that the self-employed are benefiting from existing training funding, such as the Apprenticeship Levy and Flexible Learning Fund. Agencies paying the Apprenticeship Levy should be able to use levy funds to facilitate subsidised training for self-employed workers they represent. Projects bidding for grants from the Flexible Learning Fund should also be assessed on whether the self-employed will benefit from them.

### In summary

The IPA and IPSE share a strong belief that having a clear sense of purpose at work is a key component of being engaged and happy. This research makes clear that this is especially true for the self-employed, whose freedom to shape their own roles and direction is a key part of the meaning they derive from their work and how much they enjoy it. Many of the stories of self-employed workers who have made a difference to their clients, communities and wider society are truly inspiring.

In order for this to be possible, however, the self-employed have to be better supported in their professional development and acquisition of new skills. Ben Willmott of CIPD draws our attention to the fact that *“regardless of whether they’re in employment or self-employment, CPD is extremely important and for some people that is less easy to achieve within a self-employed context.”* While there should be no obligation on self-employed workers to take up formal training if they feel better able to teach themselves, more should be done to make sure that the financial and opportunity cost aren’t prohibitive for those who would genuinely benefit from it.

We have included several recommendations to do with financial incentives and support that the Government could offer to the self-employed to help in this area. There is also a growing wealth of free digital resources such as Massive Open Online Courses (MOOCs) that could be better promoted to self-employed workers as a way to support their own development.

## Principles of good self-employment

This report recognises that the self-employed are a diverse group and that what exactly makes a 'good' self-employed job might differ significantly from one worker to the next. 'Good self-employment' for a highly qualified 45-year-old IT consultant looking to save for retirement – and with family commitments to balance against their work – might be very different to 'good self-employment' for a 25-year-old single freelancer working in the creative sector and looking to develop their skills.

From this research, however, we have identified 10 factors which we think are near universally important for good quality self-employed work. In some cases, such as combatting social isolation, there may be several equally valid routes to the same end. In others, however – such as choice of working hours – different people might exercise their free choice to reach very different positions. Nevertheless, we believe that all of the following are important factors to bear in mind when trying to determine the quality of any self-employed job.

- 1. A reasonable income that is at least equivalent to the hourly living wage.**
- 2. A way of coping with the variability of income, through a savings buffer, income pooling, insurance or other means – as well as fair access to financial products and state benefits.**
- 3. Prompt payment by clients on payment terms that do not exceed 30 days from completion of work.**
- 4. Genuine control and autonomy over their work, without unreasonable client requests that impinge on their independence.**
- 5. A healthy and positive relationship with clients, based on mutual respect and clear understanding of rights and obligations on both sides.**
- 6. The absence of social isolation at work, be that through the use of co-working spaces, spending time with clients, or being home with family members.**
- 7. Genuine choice in working hours that suit the individual, without pressure from clients to work longer or unpaid hours.**
- 8. Ability and confidence to take time off work for holidays, sickness or other personal commitments when needed.**
- 9. Access to affordable training and professional development opportunities to improve their skills.**
- 10. The freedom and opportunity to undertake work they find meaningful and which gives them a sense of progression.**

## Summary of Recommendations

### Clarify client obligations and promote good practice

Any organisations that hire contractors need to make absolutely sure they are giving their contractors proper autonomy, to ensure it is genuine and not false self-employment. At present there seems to be confusion and uncertainty among some clients as to what kind of relationships are and aren't appropriate, both in terms of written contracts they are using and their behaviour in practice. A clear statutory definition of self-employment could help to resolve this, clarifying what the key aspects of a self-employed relationship look like. The use of tools like the IPSE Self-Employment Matrix should be promoted to ensure that all clients are following best practice in this area. The Government can also lead by example by making sure that relationships between self-employed workers and their public sector clients exemplify the principles of good work.

### Provide more flexible pension options

The Government should set a target to reduce the number of self-employed workers due to retire with no private pensions. At present, because there is no employer pension contribution for them, self-employed people have much less incentive than employees to set money aside for their pension. To resolve this, alternative tax incentives for the self-employed should be considered. One model that seems particularly appealing to the self-employed is the 'sidecar' model. This model allows tax incentivised saving into a pension fund twinned with a more liquid 'rainy day fund' that can be drawn down on to help cope with sudden costs. This flexibility is appealing to the self-employed because it would allow them to overcome many of the problems arising from income variability.

### Ensure fair access to financial services

The Government should work with the FCA to explore ways to improve access to financial products for the self-employed and ensure self-employed workers are treated fairly by financial institutions. There should be a requirement that any application forms or systems for financial products must not treat the self-employed as an afterthought, but include options applicable to the self-employed as well as permanent employees. Systems for assessing the incomes of the self-employed should be fair and take full account of the different asset classes they might have, including their pipeline of ongoing work and expected income from it. Mortgage providers in particular could be encouraged to offer more flexible repayment options for self-employed people who might have adequately high but variable incomes.

### Change the rules of Universal Credit and NEA

The Government should ensure that eligibility rules for government support are fair for the self-employed. The Minimum Income Floor (MIF) should be tapered so that it genuinely reflects self-employed earnings and reduces the "cliff-edge" effect. The MIF could be set at £665/month in year two, and then the current level (over £1,000/month) in year three.

Allowing for variability when assessing incomes for Universal Credit should also be considered. In a given twelve-month period (after the start-up period) a self-employed person could be allowed three separate months below the MIF without being penalised. The MIF could then be applied in the fourth month, as this would suggest a pattern of low earnings rather than simply volatility.

Jobcentre Plus staff should also receive more training on promoting the New Enterprise Allowance (NEA) scheme. Ways of using the NEA to support people on Universal Credit should also be reconsidered. At present, payments reduce from £65 to £33 per week after 13 weeks and then stop altogether after 26 weeks. This could be made to better support new self-employed workers by phasing out payments more gradually. Payments could decrease from £65 by £10 every four weeks after 13 weeks, down to £25 after 25 weeks. They could then be held at this level for an additional four weeks before the end of the scheme.



## **Tackle late and non-payment of invoices**

The Government should take concrete actions to tackle the endemic culture of late and non-payment. They should empower the Small Business Commissioner to fine those who are guilty of persistently poor practice. They should also consider making certain aspects of the prompt payment code mandatory, such as requiring that standard payment terms be no longer than 30 days and that no business should ever be paid more than 60 days after completion of work. Fines could then be levied against those who do not comply.

The October 2017 'Freelancing isn't Free Act' in New York City should be used as a model, where fines are levied for not having a written contract. In cases where freelancers are either not paid or paid late, there are also punitive damages that double the value of services. Both measures are imposed automatically by the authorities without self-employed people themselves having to take legal action against their clients.

If a legislative approach is not possible, the Government should at least ensure that the prompt payment code is incorporated into any sector deals that businesses sign up to as part of the Industrial Strategy.

## **Promote co-working and co-operatives**

One of the greatest untapped resources that could improve support for self-employed workers in the UK is other self-employed workers. Co-working spaces can be an extremely valuable resource to help combat social isolation and provide important moral and psychological support. They can also help reduce the risks that prolonged remote independent working can pose to mental health. They could form the basis for increased co-operation among the self-employed too, allowing them to share resources as well as back-office support functions.

Through worker co-operatives and consortia, the self-employed can also pool risk and help insure one another against financial uncertainty through sick and holiday pay. The Government should seek to promote these co-working and co-operative opportunities for the self-employed and should explore ways to incentivise the establishment of co-working spaces and worker co-operatives through the tax system, as in France and other countries.

## **Make more funds available for training**

The Government should look at several ways to help enable self-employed workers to take up training opportunities. Most importantly, as part of a wider strategy on lifelong learning for the entire workforce, the Government should introduce Adult Education Vouchers for targeted low-income groups including those in self-employment. Although Individual Learning Accounts are still available in Scotland, there is no replacement for them in England and Wales and this has left a major gap in adult learning support. Learning the lessons from ILAs, there should instead be targeted vouchers that can only be used with a range of pre-approved providers. This would do much to support low paid self-employed workers in improving their skills and advancing their careers.

Employment agencies could also be used to facilitate training for the self-employed people they represent. Agencies that pay the Apprenticeship Levy should be able and encouraged to use any available levy funding to subsidise training courses for the self-employed people they represent – as well as their regular employees.

Finally, the Government should ensure that the self-employed are able to benefit from the new Flexible Learning Fund. Any projects that are applying for grants from the Flexible Learning Fund should be assessed on how they will support the self-employed.









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