



What makes a freelancer?

Understanding the rise of self-employment

ipse
The Association of
Independent Professionals
and the Self-Employed

Executive summary

About IPSE

IPSE – the Association of Independent Professionals and the Self-Employed – is the representative body for the UK’s self-employed community, including freelancers, contractors, consultants and independent professionals. With more than 78,000 members and representing the views, concerns and skills of some 4.9 million of the UK’s self-employed, IPSE is the largest organisation of its kind in Europe.

Our 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. We endeavour to be the most appreciated source of protection and information for independent professionals in the UK. We also work to provide legislators, regulators and businesses with authoritative and comprehensive policies to enhance the ability of self-employed people to deliver economic impact.

We work with leading academic institutions and research agencies to provide empirical evidence about evolving market trends. This research supports our work with government and industry and delivers key market intelligence to help our members with business planning.

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This report was written by Chloe Jepps, Head of Research at IPSE.

- People are moving into freelancing for overwhelmingly positive reasons: more flexibility (88%), the freedom to choose where they work (83%), when they work (84%) and for improved work-life balance (73%).
- When people go freelance, however, they are faced by many challenges and 53 per cent say they worry a lot.
- Younger freelancers and women are worse affected than the rest of the sector with 72 per cent of 16–29-year-olds and 60 per cent of women saying they worry a lot.
- Freelancers’ biggest worries are irregularity of income (60%), not being financially prepared for retirement (56%) and late payment by clients (46%).

More people than ever are going freelance and their motivations are overwhelmingly positive. When people become freelancers, however, they are faced by challenges that cause severe worry among many. These are most serious for two groups: the younger self-employed and women. This report finds the government should do more to support freelancers in the face of these challenges.

Over four in five freelancers say that freedom to choose where and when they work were key factors in them becoming self-employed. This figure rose for women with nine out of ten saying that one reason they started working for themselves was to get more flexibility. Three quarters (73%) of all freelancers also went into self-employment to have a better work-life balance.

By contrast, just one in five (19%) said that losing their job was a factor in them becoming self-employed. This rose to 25 per cent among over-50s. Overall, however, people were mostly attracted to freelancing for positive reasons.

Three out of four (77%) freelancers said they were happy working for themselves: just five per cent said they were unhappy. Although they are generally happy, however, freelancers face many challenges. 53 per cent say they worry a lot and two groups in particular seem to be more stressed than the rest: women and younger freelancers.

Among 16–29-year-olds, 72 per cent said they worry a lot. Nearly two-thirds of them (60%) also find freelancing more challenging than expected compared to 43 per cent of the wider sector. Nearly half (44%) also said freelancing made it more difficult to find time for social and leisure activities – compared to 29 per cent of the rest of the sector.

Younger freelancers are more concerned about all the main challenges facing the sector. Almost three quarters (72%) of 16–29-year-olds said they worried about irregularity of income compared to 60 per cent of the wider sector. Half (50%) are worried about not being paid on time, compared to 46 per cent of the wider sector. Almost two out of three (62%) are also concerned about not having access to employment rights, compared to an average of 46 per cent across all age groups.

Two other key worries for younger freelancers are isolation and finding work. Nearly two thirds (58%) of 16–29-year-olds said they worried about not being able to find work – much higher than the 45 per cent average. Four in ten (39%) also said they struggled with feelings of isolation, compared to a third of the sector overall.

Female freelancers have many similar concerns. Two-thirds (65%) worry about irregularity of income, compared to 53 per cent of male freelancers. Half (52%) also worried about access to statutory benefits, compared to 39 per cent of men. This may be because female freelancers are not eligible for maternity pay – only the lower maternity allowance.

We have four key recommendations, explained in full at the end of the report, that can help to alleviate the challenges facing the growing freelance workforce:

Recommendations:

1. **End the culture of late payment.** Late payment is one of freelancers’ biggest concerns and exacerbates many of their other financial challenges. IPSE recommends giving more powers to the Small Business Commissioner to tackle it – including fining the worst offenders.
2. **Undertake a full review of the tax system.** 34 per cent of all freelancers are worried about taxes and dealing with HMRC. IPSE recommends a full review of the tax system to make it work effectively for the self-employed and employees alike.
3. **Support the self-employed to save for later life.** Over half of the freelance sector are worried about not being financially prepared for later life. Government and the pensions industry should develop and promote more flexible pension schemes suitable for freelancers.
4. **Provide support and advice to help people navigate the challenges of self-employment.** Government and organisations like IPSE should work together to produce accessible guidance and training to tackle all the challenges facing freelancers.

Introduction

There are now almost five million self-employed, accounting for 15 per cent of the UK workforce. Their numbers have grown by over 35 per cent in the last ten years.¹

Freelancers are a subset of the overall self-employed population. There are approximately two million solo self-employed people (without employees) working in the top three highest skilled Standard Occupational Groups (SOCs 1-3) – as defined by the Office for National Statistics (ONS).

Motivations for self-employment

There has been much discussion about why people become self-employed, and whether for most people it is a positive choice, or driven by more negative reasons, such as a lack of alternatives.

Analysing the ONS Labour Force Survey, only 14 per cent of people said they became self-employed because they could not find other work or because they had been made redundant. The main reasons they became self-employed were to 'maintain or increase income' (23%) or for 'better work conditions/job satisfaction' (21%).³

Previous research has explored freelancers' motivations by examining a range of push factors, such as lack of opportunity and redundancy, and pull factors, such as better work conditions or higher income. They have generally found that people are being pulled into self-employment for positive reasons such as freedom and flexibility.^{4 5}

These include managers and directors, professionals and associate professionals, as well as technical occupations. This group has grown by 47 per cent² in the last ten years, driving the expansion of the self-employed sector.

The self-employed sector is hugely diverse, in terms of both demographics and attitudes. People also have many and varied motivations for going into self-employment – as well as different challenges and support needs.

Challenges in self-employment

Although research reveals that most people go into self-employment for positive reasons, working for yourself is not without its challenges. Previous IPSE research showed several areas where the self-employed face challenges, notably: not being financially prepared for the future⁶, irregularity of income and a lack of statutory benefits for them.⁷

Late payment is one of a number of serious problems for the self-employed because it can make financial planning difficult. It can be time-consuming for some and crippling for others, who may not have the reserves to cope when their cashflow is under pressure. IPSE research found that 63 per cent of self-employed people had experienced problems with late payments and 43 per cent had completed work that they had never been paid for.⁸

This report focuses on the group of highly skilled freelancers in SOC 1-3, which is rapidly growing and now makes up 46 per cent of the UK's solo self-employed. It explores in-depth why freelancers choose to become self-employed and re-examines the push and pull factors. It also looks at how happy self-employed people are with their working lives. The report goes on to highlight the challenges and concerns of freelancers, as well as their key support needs. It concludes by setting out a number of recommendations for how government, industry and organisations like IPSE can work to better cater for and support this growing sector.



Motivations for self-employment

Previous research has described that people enter self-employment due to either push or pull factors.⁹ Push factors are those where the individual had limited choice in their decision to become self-employed for reasons including redundancy or a lack of suitable alternative employment opportunities. Pull factors, on the other hand, are reasons that have drawn people to self-employment such as the freedom and flexibility

it offers and the fact it allows people to pursue new business opportunities.

This new data revealed that self-employment is a positive choice for the majority of freelancers and pull factors dominate the reasons why people choose this way of work: notably flexibility, control and freedom.



Flexibility and freedom

As reported by other publications¹⁰, flexibility, autonomy and freedom are the top motivating factors for people entering self-employment. Over 80 per cent said each of these was a key factor influencing their decision.

Having more freedom to choose where (83%) and when (84%) to work are some of the most attractive elements of self-employment. Improved work-life balance was also cited by almost three quarters of freelancers (73%) as a key influencing factor.

And the freedom that self-employment provides is not confined to just the time and place of work but also the type of work. Almost two thirds of freelancers (65%) were motivated to become self-employed because of the opportunity to do a greater variety of work.

Having more flexibility was a key influencing factor across all demographics but was especially important for women, with 91 per cent of the sample stating that this was a motivator for them becoming self-employed.

Female freelancers have largely been driving the rise in freelancing over the last ten years and have seen an increase of 63 per cent during this time. The number of freelance working mothers has also increased by 80 per cent over the last decade. The flexibility of self-employment is particularly important as it enables them to work around their childcare and family commitments.¹¹



Finances

Earning more money in self-employment than as an employee was not the key motivator for the majority of freelancers, with only 27 per cent agreeing that this had influenced their decision.

However, the higher an individual's earnings, the more likely that making more money was a pull factor to self-employment. For example, over half (55%) of those earning £70,000 a year or more stated that it had been a motivating factor compared to only 18 per cent of those earning £30,000 or less.

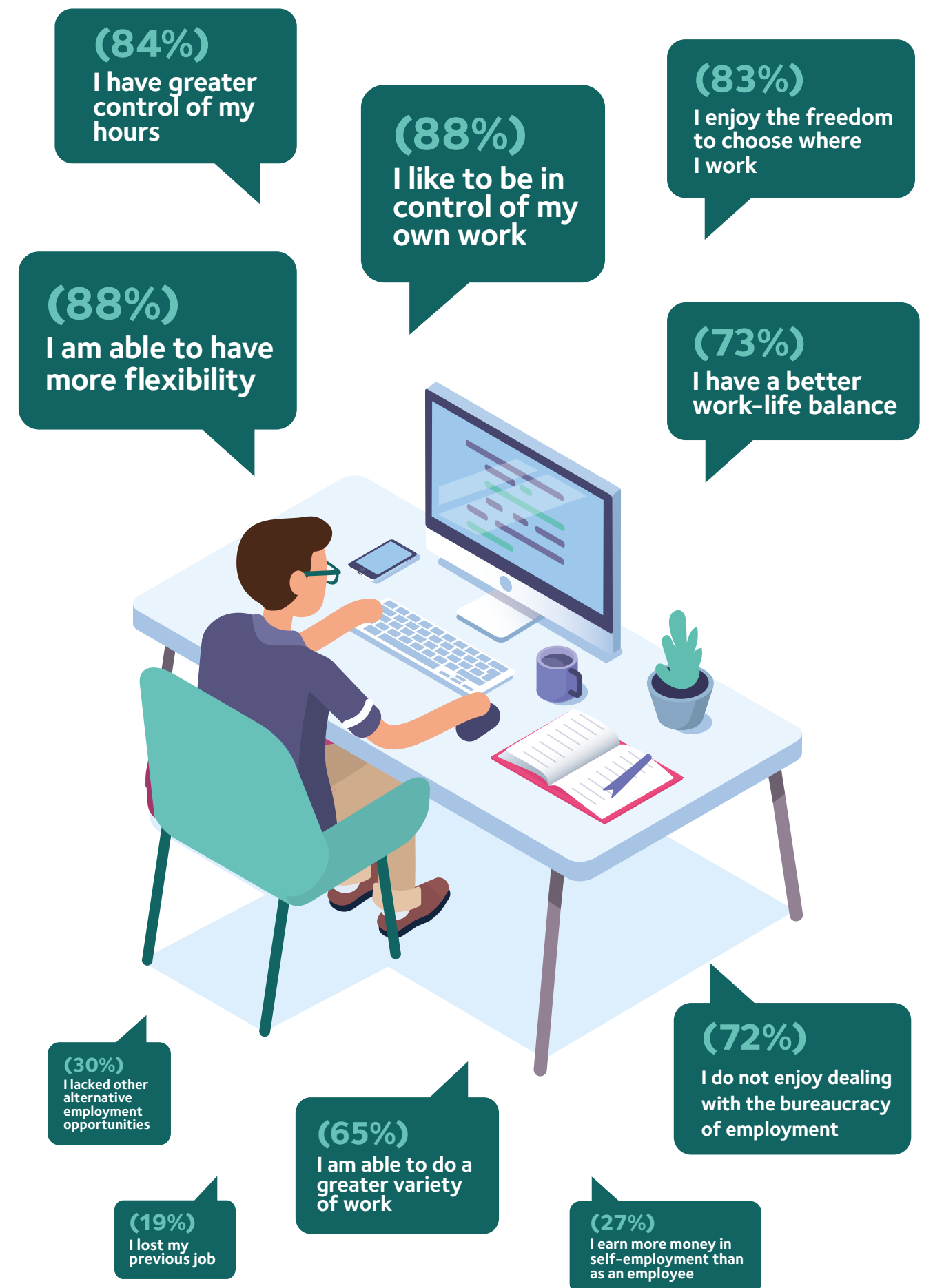


Not being able to find work

Push factors such as 'I lost my job' or 'I lacked alternative employment opportunities' were much lower rated than pull factors like flexibility, autonomy and freedom.

Only one in five (19%) respondents stated that losing their job was a factor that pushed them into self-employment. Younger freelancers were less likely to state that they became self-employed because they lost their job than older freelancers. In fact, only 11 per cent of freelancers under the age of 40 said that losing their job had been a key factor in their decision compared to one quarter of those over the age of 50.

Freelancers who reported earning below £30,000 per annum were significantly more likely to say that they became self-employed because they lacked alternative employment opportunities (36%) compared to people earning more than £50,000 per annum (16%).



Percentages do not sum up to 100% as respondents could select multiple options.



Experiences of being self-employed

The majority of freelancers agreed that their experiences of self-employment matched their expectations of having more flexibility, freedom and autonomy.

Almost 90 per cent (89%) of freelancers agreed that self-employment gives them autonomy to make their own decisions and 82 per cent also stated that being self-employed gives them the flexibility they need for other aspects of their lives. Women were significantly more likely than men to state that self-employment allowed them to be more flexible around their other commitments (86% and 79% respectively).

88 per cent of the population agreed that self-employment suited their lifestyle, with only two per cent disagreeing. When looking at those over 60 years old, the percentage of those disagreeing with the statement dropped to zero per cent. Interestingly, 43 per cent of people said that being self-

employed had been more challenging than they had expected, and this figure rose to 60 per cent for freelancers aged 16-29. Those in the 60-plus age bracket were much less likely to say that self-employment had been more challenging than expected, with only a third (34%) agreeing with the statement.

29 per cent of freelancers said that being self-employed made it hard to find time for social and leisure activities. Younger freelancers (16-29-year-olds) were the most likely to say that this way of work made it hard to find time for social and leisure activities: 44 per cent said this was the case. Again, this reduced with age and only 23 per cent of those in the 60-plus age bracket felt that self-employment affected their ability to spend time on leisure activities.

Happiness in self-employment

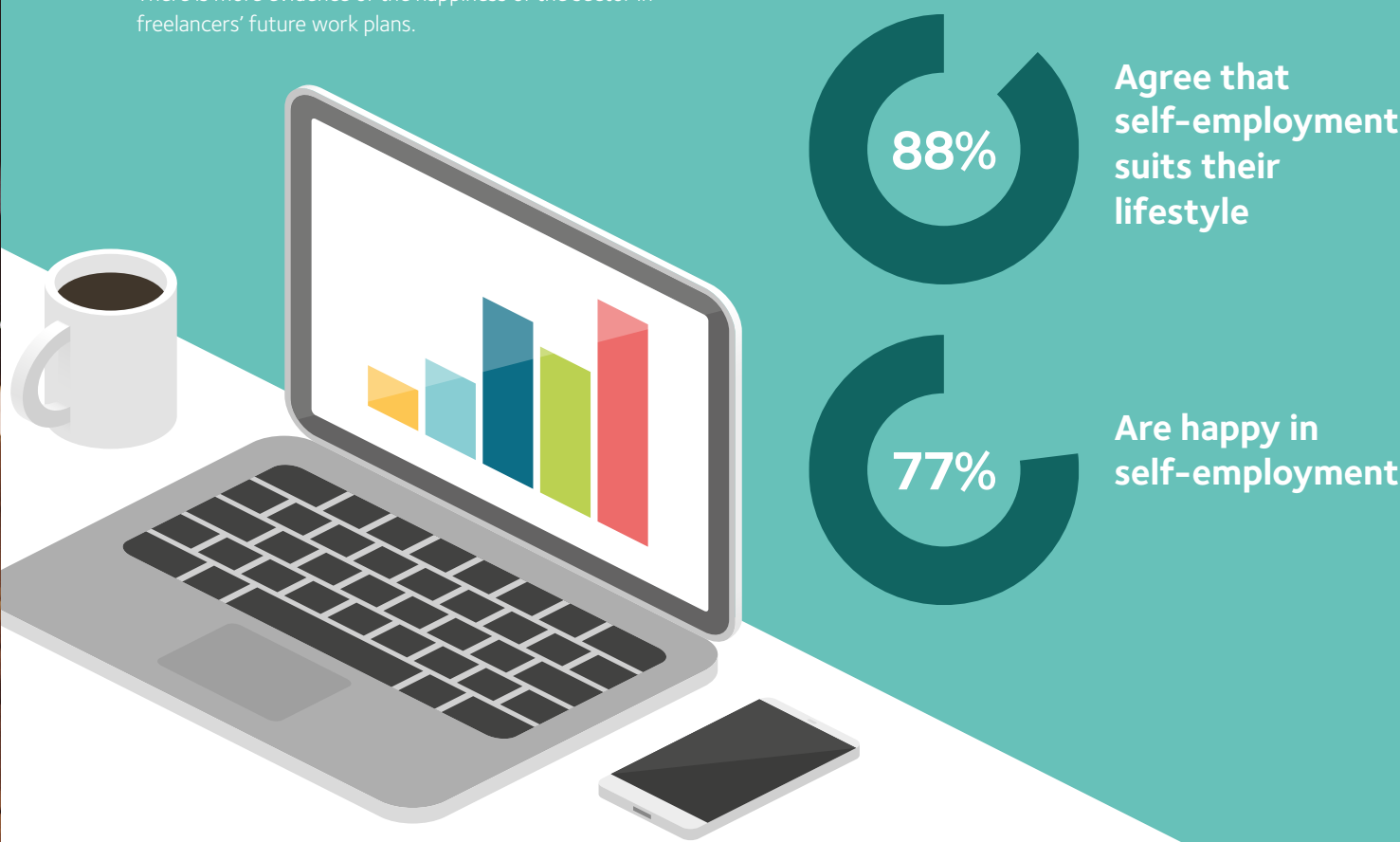
Happiness among freelancers was very high, with over three-quarters (77%) rating their happiness seven out of ten or higher. Net unhappiness (0-3 out of 10) was low, with only five per cent rating their happiness as such.

Happiness in self-employment increased with age, with 66 per cent of the 16-29 age group reporting high net happiness compared to 84 per cent of the 60-plus group. Those who had been in self-employment for longer periods of time were significantly happier than those who were newer to self-employment.

There is more evidence of the happiness of the sector in freelancers' future work plans.

When surveyed in April 2019, only four per cent of the sample were actively seeking an alternative to self-employment, with almost 60 per cent (57%) stating that they could imagine being self-employed forever. This figure increased significantly to 76 per cent for those who have been self-employed for ten or more years.

Younger freelancers, aged between 16 and 29, were the most likely to say that they were actively seeking an alternative to self-employment, with 10 per cent stating they were doing so.



Concerns and challenges

Despite high levels of happiness, over half of the sample (53%) said that they tend to worry a lot. The proportion increased to 60 per cent for women and almost three quarters (72%) for those aged 16–29.

Financial issues

The main things that concerned people in their self-employed work were to do with finances. This included the irregularity of income (60%), not being financially prepared for retirement (56%) and not being paid on time by a client (46%).

Younger freelancers were more concerned overall across almost all areas compared to older freelancers, as were those who were newer to self-employment. Their concerns were, however, in line with the rest of the freelance population, notably irregularity of income (72%), not being financially prepared for retirement (65%) and not being paid on time (50%).

Women were overall more concerned than men, especially in areas such as irregularity of income (65% versus 53%) and being financially prepared for retirement (61% versus 50%). People on incomes below £30,000 were more concerned about irregularity of income and not being paid on time by a client (67% and 48% respectively). However, these remained concerns for over a third of freelancers earning £70,000 or more (35% for both).

The financial issues mentioned are all very much interlinked: irregular income is exacerbated by late payments, which in turn make it more difficult to financially prepare for the future using traditional savings vehicles.

It seems that these concerns are justified. Previous research has shown that 63 per cent of self-employed people have experienced problems with late payments.¹² Another report also revealed that only a third of self-employed people are actively saving into a pension and 39 per cent are not saving for later life at all.¹³

Dealing with taxes and HMRC

A third of freelancers (34%) had concerns about taxes and HMRC. This was consistent across demographics, suggesting this is an area that concerns people regardless of age, gender and length of time in self-employment.

Access to statutory benefits

Not having access to statutory benefits was a concern for almost half of the respondents (46%). This includes not having access to sick pay, holiday pay and maternity/ paternity benefits. Concern was highest among younger freelancers (62%), women (52%), those newest to freelancing (51%) and those earning under £30,000 (52%).

A new report by IPSE revealed that almost a quarter of freelancers (24%) feel unable to take time off when feeling sick or unwell and a similar proportion (25%) had missed or had to cancel a medical appointment because of their self-employed work.¹⁴

Not having access to statutory benefits was also a bigger concern for women compared to men (52% versus 39%). Self-employed women are not eligible for maternity pay after the birth or adoption of their child, which may explain the levels of concern about the lack of statutory employment benefits. IPSE research revealed that in fact, one out of six freelancers did not take any time off after the birth or adoption of their child/ren with the average time freelancers taking being just six weeks.¹⁵

Access to financial support

As well as not being able to access statutory benefits, freelancers were concerned that their status as self-employed meant they could not get financial support to access things such as loans, mortgages and benefits. There was a stark age difference in levels of concern, with almost two thirds of 16–29-year-olds stating that they were concerned compared to just 18 per cent of over-60s. There was also a significant gender difference, with almost half of female freelancers (48%) concerned about access to financial support compared to 36 per cent of males.

This backs up previous research that revealed that many freelancers don't think mortgage providers would want them as customers, while almost two in five don't believe they could get a mortgage if they wanted.¹⁶

Finding work and upskilling

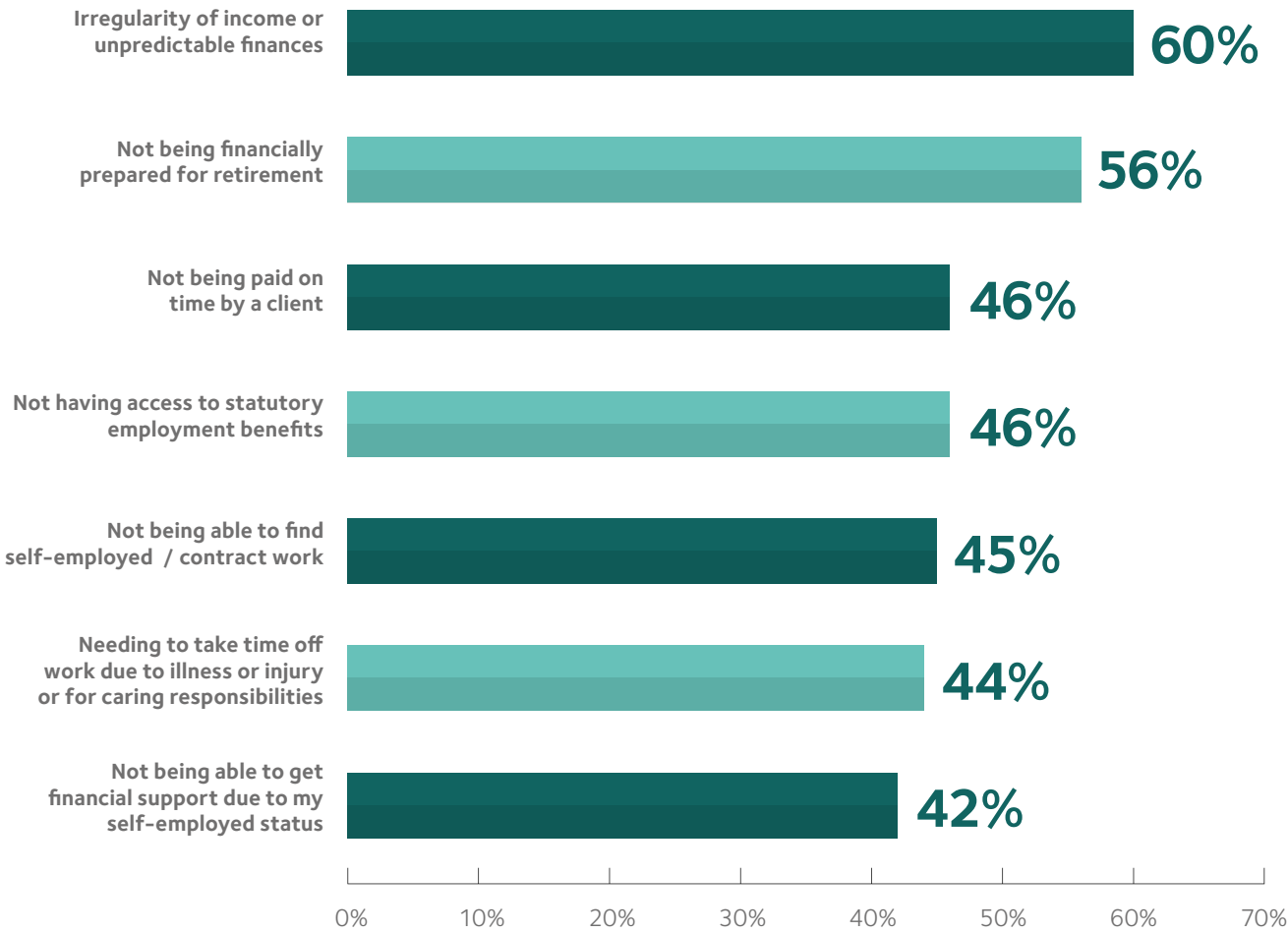
Finding work is essential to maintaining a regular income and a stable business. However, it was a concern for nearly half of all freelancers (45%) and was more of a concern for younger freelancers (58%), those newer to self-employment (49%) and those with lower incomes (49%).

Not having the time or money to undergo training and professional development was a concern for almost a third of freelancers (29%). Previous research has found that freelancers are at a disadvantage compared to employees when it comes to training because not only do they have to source and pay for training themselves, the time they spend

in training is also time they are not earning through work. This goes a long way to explain why freelancers are doing less training than their employed counterparts.¹⁷

Isolation

Isolation and the lack of camaraderie that comes with freelancing was a worry for a third of respondents. Supporting previous IPSE research¹⁸, isolation was more of a concern for women than men (33% versus 27%) and affected younger freelancers aged 16–29 (39%) more than older freelancers aged 60 and above (22%).



Percentages do not sum up to 100% as respondents could select multiple options.



Support needs

Freelancers revealed the areas where they had the most concerns, but they were also asked to identify the areas that they wanted more support with. The top five areas that freelancers wanted more support with were:



There were very few differences between demographics, although the need for support decreased with age, with more older freelancers (38%) stating they did not need support with any of the areas compared to younger freelancers (7%).

The only difference between men and women was that women wanted more support with saving for later life (38%) compared to men (29%). This is perhaps unsurprising as previous research has shown that 45 per cent of self-employed women are not currently saving in any way for later life compared to 36 per cent of men.¹⁹

Case study

James Cadby
Graphic Designer

I have been a self-employed Graphic Designer for 13 months now. Before I decided to become self-employed, I was a Senior Designer at a media company. Self-employment is something I had always thought I wanted to try. I like the excitement of not knowing what's next.

I had got to a stage at my previous job where I didn't see much progression – so there was a natural opportunity to give self-employment a go. My employer was also being inflexible about me taking time off for my best friend's stag-do, so that accelerated my decision and I took the leap into self-employment.

I have been quite lucky so far with work, I have been busy around 90 per cent of the time, but there is a small bit of anxiety and worry about where the next placement will come from. I also lacked confidence when I started out and was worried about not having a routine and coping with the tax and legal side of things.



My confidence started to grow once I had a few clients under my belt and I employed an accountant to help with the financial aspects. It is however often hard to find work, as in my experience some recruiters are quite unhelpful.

Overall, I really like self-employment, and to be honest, it has been better than I expected. I am earning more and I get to travel and explore new places. That said, I could definitely do with some more support around finding work and planning to be able to take more time off.



Conclusion

The findings of this report suggest people are predominantly pulled into self-employment for positive reasons, notably the freedom and flexibility that it provides. Most enjoy the autonomy self-employment gives them to make their own decisions – as well as the flexibility it gives them around the rest of their lives. Over three quarters of freelancers rate their happiness in self-employment as high and very few are looking for an alternative to self-employment.

Despite the overwhelming benefits of self-employment, almost half said it had been more challenging than they had expected. Over half also said that they tend to worry a lot. The main things that concern people in their self-employed work are to do with

finances, including irregularity of income, not being financially prepared for retirement and late payments. Finding work and not having access to statutory benefits were also concerns for many.

Finding work was, in fact, the area that freelancers wanted the most support with, as well as saving for later life, expanding their business, dealing with late payments and tax and legal issues.

The next section sets out a range of recommendations to help industry and government support freelancers with their concerns and challenges – to ensure self-employment remains a rewarding way of working for all.

Recommendations

1. End late payment

Late payment is one of the biggest concerns facing freelancers and the self-employed, with almost half saying that they are worried about it (46%).

To tackle this issue, the government established the Office of the Small Business Commissioner in 2016. So far, however, it has not been successful in turning around the UK's poor payment culture. One way to improve the situation would be to give the Small Business Commissioner the power to fine those who are guilty of persistently poor practice.

Beyond government action, there must be a culture change across UK business to end late payment. This affects businesses of all sizes, but the self-employed are particularly vulnerable to late payment as they shoulder the full burden of credit control and are less likely to have other sources of income.

3. Support the self-employed to save for later life

Over half of freelancers are concerned about saving for later life and previous research has shown that only a third of self-employed people are paying into a pension.

Unlike employees, there is no one-size-fits-all solution for the self-employed. As the sector continues grow, the government and the pensions industry need to develop other innovative solutions to encourage self-employed people to save for later life.

2. Undertake a strategic review of the tax system

A third of freelancers are actively concerned about dealing with taxes and HMRC and want more support with issues relating to tax.

We need a more dynamic tax system that genuinely supports our smallest businesses. The current tax system is based on the outdated employer/employee principle. It is no longer fit for purpose in an age of growing self-employment and new forms of work.

The government, therefore, needs to take a more strategic approach to the relationship of the tax system to modern working practices. As a first step, the government should commission a comprehensive review of the tax system chaired by an independent expert.

4. Provide support and advice to help people navigate the challenges of self-employment

Freelancers want more support with finding work, expanding their business and tax and legal issues.

The government and organisations like IPSE should work together to provide more advice, support and training that is tailored to the self-employed. They should also make sure that this is clear and easily accessible to freelancers and the wider self-employed population.

Methodology

This report is based on the results of an online survey conducted in association with i2media and YouGov between 18 April and 3 May 2019. The respondents were a nationally representative sample of 2,091 freelancers working across a range of occupations in the top three highly skilled Standard Occupational Categories (SOC 1-3). The composition of the survey sample was: 51 per cent female and 49 per cent male, with an average age of 49 years old. They have been freelancing for an average of 11 years and work across a range of occupations.

References

- 1 IPSE, *Self-Employment in the Modern Economy*, 2018
- 2 See reference 1
- 3 ONS, *Quarterly Labour Force Survey*, April – June 2018
- 4 Dawson, CG, Henley, A & Latrielle, P, 'Why Do Individuals Choose Self-Employment?' *IZA Discussion Paper*, no. 3974, 2009
- 5 ComRes, *Survey of the self-employed conducted on behalf of IPSE*, Unpublished, November 2017
- 6 IPSE, *The Path to Prosperity*, 2018
- 7 See reference 5
- 8 IPA, *Working Well for Yourself*, July 2018
- 9 See reference 4
- 10 See reference 5
- 11 See reference 1
- 12 See reference 8
- 13 See reference 5
- 14 IPSE, *Taking Time off as a Freelancer*, 2019
- 15 See reference 14
- 16 Unpublished IPSE statistics
- 17 See reference 1
- 18 IPSE, *Remote Working*, 2019
- 19 See reference 5



