

ipse

The Association of
Independent Professionals
and the Self Employed



Our six-point plan to make Brexit work

www.ipse.co.uk



Flexibility and global competitiveness

After the historic vote to leave the EU, the Government must now embark on the biggest political and economic transformation of recent times. The UK's 4.8 million¹ self-employed set us apart from our global counterparts by enabling business to grow, innovate and overcome uncertainty. Our 1.91 million² freelancers, a subset of the self-employed, contributed £109 billion to the economy in 2015 – an almost 25 per cent increase from £88 billion in 2010.³ The flexibility of our labour market provides a real comparative advantage over European competitors, and the self-employed are vital in making our economy flourish. They must be central to the Government's agenda, and the UK economy must become more open than ever if we are to remain competitive on the world stage.

Making Britain 'a country that works for everyone'

The Prime Minister Theresa May has set out her vision of a country that works for everyone. One in seven of the workforce are now self-employed, with growth outstripping total employment by three to one in the last decade.¹ If Government wants to build an economy that works for the whole country, from the 287,000 freelancing mothers² to the record numbers of young people and pensioners setting up on their own, it is imperative the self-employed are supported. Only then can the UK labour market adapt and thrive in the post-Brexit landscape.

IPSE urges Government to embrace the talent and dynamism of the self-employed. We call on it to push ahead with reforms to ensure the flexibility of our labour market is encouraged. This approach will ensure we continue to attract investment, create jobs, and build an economy for everyone.

As a result of the referendum, there are clearly risks that will need to be managed. However there are also tremendous opportunities for the UK to engage with and compete in global markets. The self-employed are often overlooked. But by harnessing their skills, hard work and aspiration to leave the security of employment to branch out on their own, we can go further as one of the most flexible economies in the developed world, and the UK can achieve its bold new vision.

Our six-point plan to make Brexit work



1. Ensure continued access to the single market and embrace global free trade



2. Remove the burden of regulation on small business



3. Build infrastructure to support growth



4. Reform taxation for a more flexible economy



5. Champion self-employment as a career choice



6. Respect views across the United Kingdom

1. Ensure continued access to the single market and embrace global free trade

The success of UK freelancers can be seen across the world, with one in ten IPSE members working overseas, including in the EU.⁴ Many more will be engaged in projects along the supply chain, or as a result of Foreign Direct Investment. This is mutually beneficial to the UK and EU and, although there will be years of negotiations, IPSE hopes it will remain central to our new relationship. The UK will also have to negotiate trade deals with over 50 countries across the world. This will take time, but Government should prioritise securing deals with major economies and growth markets so freelancers can operate globally.

- **Secure tariff free trade with the EU** so UK businesses can benefit from selling goods and services to 500 million people and 26 million businesses in a market worth more than £9 trillion
- **Guarantee freedom of movement for skilled workers** so British freelancers can continue working in the EU and British businesses can benefit from hiring skilled EU citizens
- **Immediately assure UK nationals** residing in the EU that their status is protected and vice versa
- **Maintain close UK-EU relations** on cross-border issues that cannot be addressed in isolation, such as ensuring multinationals pay the right amount of tax
- **Agree equal limited liability company status** bilaterally so contractors across the UK and EU can do business on a level playing field
- **Protect the City of London** as the continent's dominant financial centre, which benefits from the expertise and flexibility of freelancers, by maintaining bank 'passport' rights
- **Forge Free Trade Agreements** with key markets to ensure freelancers can work freely across major economies and UK businesses can secure Foreign Direct Investment

2. Remove the burden of regulation on small business

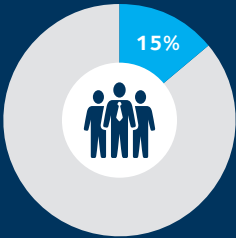
Leaving the EU signals a fresh start for UK business. UK law derived from European legislation, such as the Agency Workers Regulations, should be reviewed in full and unnecessary red tape should be discarded to improve labour market flexibility. This would help close the productivity gap between the UK and G7 counterparts. Personal Service Companies (PSCs), for example, make an average direct contribution to GDP 30 per cent higher than the UK average contribution per worker.⁵

- **Conduct a full review of EU legislation** in partnership with the business community, to decide which Directives and Regulations should be kept as part of UK law
- **Seize the opportunity to review UK labour law** and further enhance the flexibility of our labour market
- **Ensure regulations are not inappropriately applied** to the self-employed, by securing a clear distinction between 'temporary worker' and 'independent professional'
- **Lay out a clear roadmap** for regulatory changes and the triggering of Article 50 so the self-employed can prepare for the impact on their business
- **Commit to conducting self-employment impact assessments** on future legislation
- **Better define independent professionals in regulation** by reviewing EU SME definitions and creating a new category, 'nanobusiness', with no employees, that would exempt them from inappropriate regulation

UK freelance workforce at a glance

4.8 million
self-employed
people in the UK

Which is
15%
of the whole
workforce



ONS, 2016

1.91 million
freelancers, a sub-set
of the self-employed,
in the UK



1.65 million
work freelance in main jobs



+



A further
255,000
work freelance in
second jobs

Between 2008 and 2015 the
number of freelancers in the UK
increased by 36%



£109 billion

Freelancers' contribution to
the UK economy in 2015



Kitching, 2016

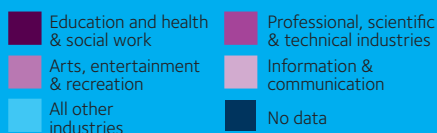
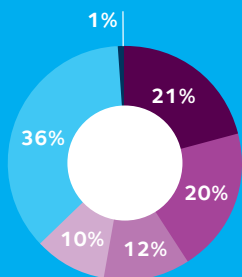


**9 out
of 10**

freelancers love what they do

IPSE, 2015

Freelance workers are present in all major industry groups



Fastest growing occupational groups between 2008 & 2015



Artistic, literary & media occupations increased

115%



Sports and fitness occupations increased

106%

The largest freelancer occupational groups:



328,000

Artistic, literary & media occupations



222,000

Managers & proprietors in other services



139,000

Teaching & education professionals



117,000

IT & telecommunications professionals

Gender split



40%

Female

60%

Male

Mothers working as freelancers

1 in 7
(287,000) of all freelancers are working mums



Between 2008 and 2015 the number of mothers working as freelancers increased by

70%



3. Build infrastructure to support growth

The self-employed often work around the country, from home, and while travelling. They need world class broadband and transport infrastructure, as well as dynamic working environments, if the UK is going to maintain its position as a leading global knowledge economy.

- **Deliver a Business, Energy and Industrial Strategy for the future** by building the self-employed into policy, for example by ensuring new housing developments have fibre-optic broadband as standard
- **Publish the Digital Strategy** and address concerns around digital skills and access to the Digital Single Market
- **Ensure Government Universal Service Obligation** of 10Mbps reaches all parts of the UK, so rural areas can benefit from increased productivity
- **Act quickly on airport capacity**, whether Heathrow or Gatwick, so the UK can capitalise on new global Free Trade Agreements and not fall behind to competition from Schiphol and Frankfurt
- **Exempt workhubs from business rates** so freelancers and entrepreneurs can work collaboratively and foster greater innovation
- **Review CITB training provision** so the self-employed can benefit by developing skills. This is vital if our construction industry is to deliver world class infrastructure such as HS2 and additional airport capacity
- **Issue Treasury backed project bonds** for new infrastructure projects to boost productivity

4. Reform taxation for a more flexible economy

Now is the time to radically reform our tax regime so the UK's 4.8 million¹ self-employed can continue to power growth in uncertain times. Government should encourage this sector with fairer fiscal policy that considers their contribution to the economy as a whole.

- **Strategically review the IR35 small business tax** and its detrimental impact on the flexibility of the UK economy
- **Immediately scrap proposals to shift tax liability from PSCs to the public sector or agency.** HMRC's own research demonstrates concerns over the impact that proposed new rules will have on flexibility. These rules will prevent the delivery of vital public services and hinder the Civil Service during Brexit negotiations
- **Adopt the Freelancer Limited Company (FLC),** a new corporate structure which will give clarity of status to freelancers and protect tax revenue. IPSE has discussed the FLC with Treasury officials and hopes for further progress
- **Review VAT** following full fiscal autonomy after Brexit to attract and support business
- **Cut corporation tax to 15 per cent** by 2020, showing the world the UK is 'open for business'
- **Make big business pay the right level of tax** in a fairer system that supports small business
- **Ensure digital micro-businesses can trade easily in Europe** by securing access to the VAT MOSS framework, and putting turnover exemption thresholds in place

Personal Service Companies in the public sector

PSC: "It is understood generally to mean a limited company, the sole or main shareholder of which is also its director, who, instead of working directly for clients, or taking up employment with other businesses, operates through his company."

House of Lords Select Committee

26,000
PSCs

The number of PSCs operating in the UK public sector in 2015



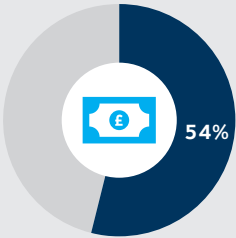
2.2 billion

The total turnover of public sector PSCs in 2015



£3.5 billion

The total economic impact of PSCs working in the public sector in 2015



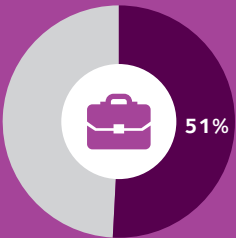
54% of this
(£1.9 billion)

was produced directly by PSCs' activities



52,900 jobs

Total employment supported by PSCs working in the public sector in 2015



51% of this (26,900 jobs)

is employment generated through their supply chain or induced consumer spending

5. Champion self-employment as a career choice

More and more people are moving into self-employment. There are now 4.8 million¹ self-employed and 1.91 million freelancers in the UK.² From 2008–2015 there was a 51 per cent increase in the number of freelancers aged 16–29, to 213,501, and a 63 per cent increase of those aged over 60, to 399,527.² One in seven freelancers are working mothers, an increase of 70 per cent from 2008–2015.² IPSE research has found nine out of ten freelancers love what they do.⁷ Government should push forward with reforms set out in the Deane review into self-employment to better support this growing phenomenon as an attractive, long-term career choice.

Implement the recommendations of the Deane review into self-employment, including:

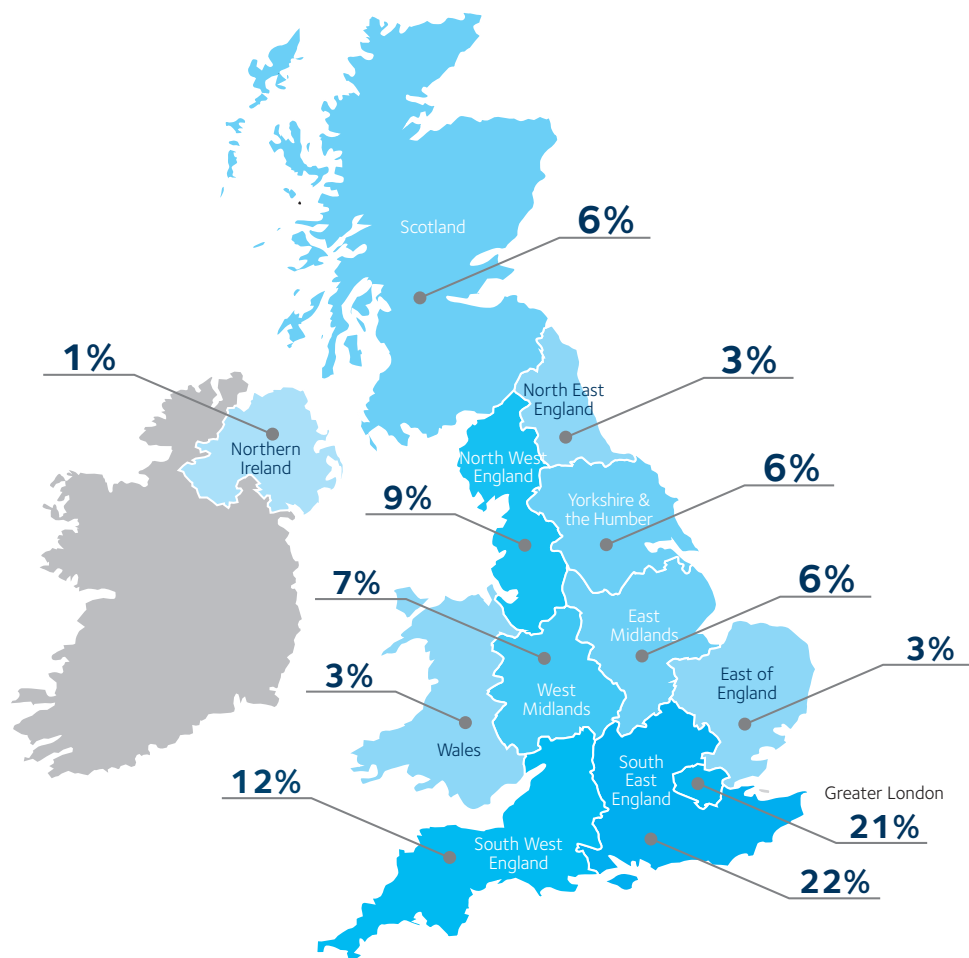
- **Better education for young people** in real-life business management, such as finance, cash flow, bookkeeping and taxation, to prepare them for the possibility of self-employment
- **Readily available advice and support** from Government through a central portal where impartial services can be accessed
- **More flexible pension solutions** to help the self-employed save for retirement. IPSE wants the Government's auto-enrolment provider, the National Employment Savings Trust (NEST), to create a pension that allows the self-employed to withdraw the last two years' of contributions without penalty, to account for income fluctuations and ultimately increase uptake
- **More flexible mortgages** that take into account how the self-employed are paid, making it easier for them to own a home
- **Equal treatment and recognition for parents** by bringing Maternity Allowance in line with Statutory Maternity Pay and introducing a new 'Adoption Allowance' for the self-employed

6. Respect views across the United Kingdom

The decision of the British electorate as a whole should be respected, as should the views of British people who voted in Scotland and Northern Ireland. The self-employed across the devolved nations, for example those so critical to the North Sea oil & gas industry, should be given long term assurances of their futures.

- **Review devolved powers** and ensure the economy grows strongly across the UK
- **Fully involve devolved nations** in negotiations with the EU
- **Assure the integrity of the Common Travel Area** and guarantee borders will not be reinstated between Northern Ireland and the Republic of Ireland

Location of freelancers



Percentages do not sum to 100 due to rounding

Kitching, 2016

References

- ¹ Office for National Statistics (ONS) (2016), 'Quarterly Labour Force Survey, March – May 2016', London, ONS, online at <http://www.ons.gov.uk/>.
- ² Kitching, J. (2016), 'Exploring the UK Freelance Workforce in 2015', London, IPSE, available online: <https://www.ipse.co.uk/sites/default/files/documents/research/Exploring-uk-freelance-workforce-2015-report-v1.pdf>.³ Kitching, J. and Smallbone, D. (2012) 'Exploring the UK Freelance Workforce, 2011', London, IPSE, online at: <https://www.ipse.co.uk/sites/default/files/documents/research/Kingston-Report-v1.pdf>
- ³ Kitching, J. and Smallbone, D. (2012), 'Exploring the UK Freelance Workforce, 2011', London, IPSE, available online: <https://www.ipse.co.uk/sites/default/files/documents/research/Kingston-Report-v1.pdf>.
- ⁴ The Association for Independent Professionals and the Self Employed (IPSE) (2015), 'IPSE Membership Survey', London, IPSE, unpublished.
- ⁵ Oxford Economics (2016a), 'The Economic Impact of Personal Services Companies', London, IPSE.
- ⁶ Oxford Economics (2016b), 'The Economic Impact of Personal Services Companies in the Public Sector', London, IPSE.
- ⁷ The Association for Independent Professionals and the Self Employed (IPSE) (12 November 2015) 'National Survey Finds Job Satisfaction Soaring Among UK Freelancers', IPSE website, available online: www.ipse.co.uk/news/national-survey-finds-job-satisfaction-soaring-amongstuk-freelancers.

About IPSE

IPSE is the largest association of independent professionals in the EU, representing over 67,000 freelancers, contractors and consultants from every sector of the economy. It's a not-for-profit organisation owned and run by its members.

We believe that flexibility in the labour market is crucial to Britain's economic success, and dedicate our work to improving the landscape for the freelance way of working through our active and influential voice in Government and industry.

IPSE

Heron House, 10 Dean Farrar St, London SW1H ODX

T +44 (0) 20 8897 9970

W www.ipse.co.uk

Copyright IPSE 2016

No part of this publication including any article, table or graphic, in whole or in part may be reproduced without IPSE's express permission. IPSE does not endorse or indemnify any product, organisation or service mentioned within this document unless specifically stated. Whilst reasonable efforts have been made to ensure accuracy, the author is responsible for any remaining errors and omissions.