



The risks and rewards of independence

ipse

About IPSE

IPSE is the largest association of independent professionals in the EU, representing over 74,000 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. That's why we are dedicated to improving the business and political landscape for freelance working – through our active voice in both Government and industry.

IPSE aims to be the principal and definitive source of knowledge about freelancing and self-employment in the UK. We work with leading academic institutions and research agencies to deliver relevant, detailed empirical evidence about evolving market trends. This research supports our work with Government and industry, as well as providing key market intelligence to help our members with business planning.

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More and more people are following their dreams and going freelance, braving the risks to pursue the rewards. With more people than ever before breaking out of the nine-to-five grind to become masters of their own destiny, the big question is: are the rewards actually worth the risks? Our research found that most freelancers seem to think so. And even though freelancing doesn't come without its challenges, take comfort in knowing that there is help available when there are bumps in the road.

Becoming a freelancer can be both exciting and scary. Exciting because of the prospect of freedom and control. But scary because of the risks you inevitably open yourself up to as a freelancer.

The risks are great enough that if you're a freelancer already, you've probably asked yourself countless times by now whether it's actually worth it. But if you're just starting out or thinking of making the leap into self-employment, it's important to be aware of the possible rewards, but also the potential risks in advance.

To help guide budding freelancers, this report draws on IPSE's research with its members to find out about their biggest concerns and whether the rewards really do outweigh the risks of working for yourself.

Why take the risk?

So, why do people take risks in the first place? Experts aren't entirely clear on this, and there are many different theories. One popular view is that, by and large, people are willing to take risks because they anticipate significant rewards.

Starting and running your own freelancer business can certainly be extremely rewarding. It is well documented that many people decide to go freelance out of a desire for greater control over their careers, and past research by IPSE has shown that working for yourself can have a very positive impact on personal wellbeing.¹

This report set out to discover what exactly it is about freelancing that makes it so rewarding. Four out of five respondents said the most satisfying elements were not having to deal with office politics (82%) and having the freedom to choose projects they actually want to work on (81%).

As well as giving people the freedom to pick and choose their projects, freelancing also significantly increases earning potential. In fact, 79 per cent of IPSE's respondents said this was another of the most rewarding aspects of freelancing.

The research also showed that not having to deal with company bureaucracy and having greater variety of work are two more of the most rewarding aspects of being a freelancer.

Looked at from this perspective – as a career free from bureaucracy and filled with professional freedom and financial prosperity – it's hardly surprising some people just dive straight into freelancing without worrying about risks and potential challenges.

But freelancing isn't just easy rewards: there are risks and challenges too, which you need to consider and prepare for.

What should you prepare for?

One of the biggest risks freelancers fear is that they will not be financially prepared for their retirement. In fact, 69 per cent of IPSE's respondents said this was among their biggest concerns about working independently.

The state of the current pension system and how it works for the self-employed was also a significant concern for almost half of those surveyed (46%). Many of the pension options on offer at the moment just don't work for the self-employed because they don't take into account key factors such as fluctuating incomes and periods without work. As a result, many self-employed people find themselves struggling to save for later life.

Another of the main risks for freelancers is being investigated by HMRC (65%). Not only do HMRC investigations cause considerable anxiety for freelancers; they are also a significant financial burden.

Many freelancers (60%) also fear not being able to work as a result of illness or injury. As a freelancer, you aren't entitled to either holiday or sick pay, so it will pay – literally – to factor in downtime and non-working periods when you negotiate your rates.

IPSE's survey also showed that for many freelancers (60%), the availability of work is another major concern. The promising news, however, is that IPSE's Confidence Index has consistently shown high activity in the freelance sector, so perhaps this is more of a perception than a reality.²

Comparing these results to another study conducted by ComRes among the wider UK's self-employed illustrates that the risk factors troubling the minds of the self-employed are largely similar.³

Saving for later life and not being able to work due to illness or injury are the two factors that are unanimously shared by the UK's self-employed workforce. Irregularity of income and unpredictable finances, as well as not being paid on time by a client are other major causes of concern according to the UK's self-employed.

The results, therefore, show that despite the diversity within the self-employed workforce, there is a commonality in the fears they face.

Is it all worth it?

Most freelancers seem to think so. The vast majority (83%) of those surveyed said they felt the rewards they get from self-employment outweigh the risks. Clearly, even fears about retirement savings and HMRC investigations can't overshadow the advantages of having full control of your career. Freelancing will always involve a degree of risk, but based on these results, perhaps the biggest risk of all is not taking one.

Biggest risks according to freelancers:

69%

Not being financially prepared for retirement

65%

Time and costs associated with being investigated by HMRC

60%

Not being able to work as a result of illness or injury

46%

The state of the current pension system

Four out of five respondents said that the most satisfying elements of freelancing are:

82%

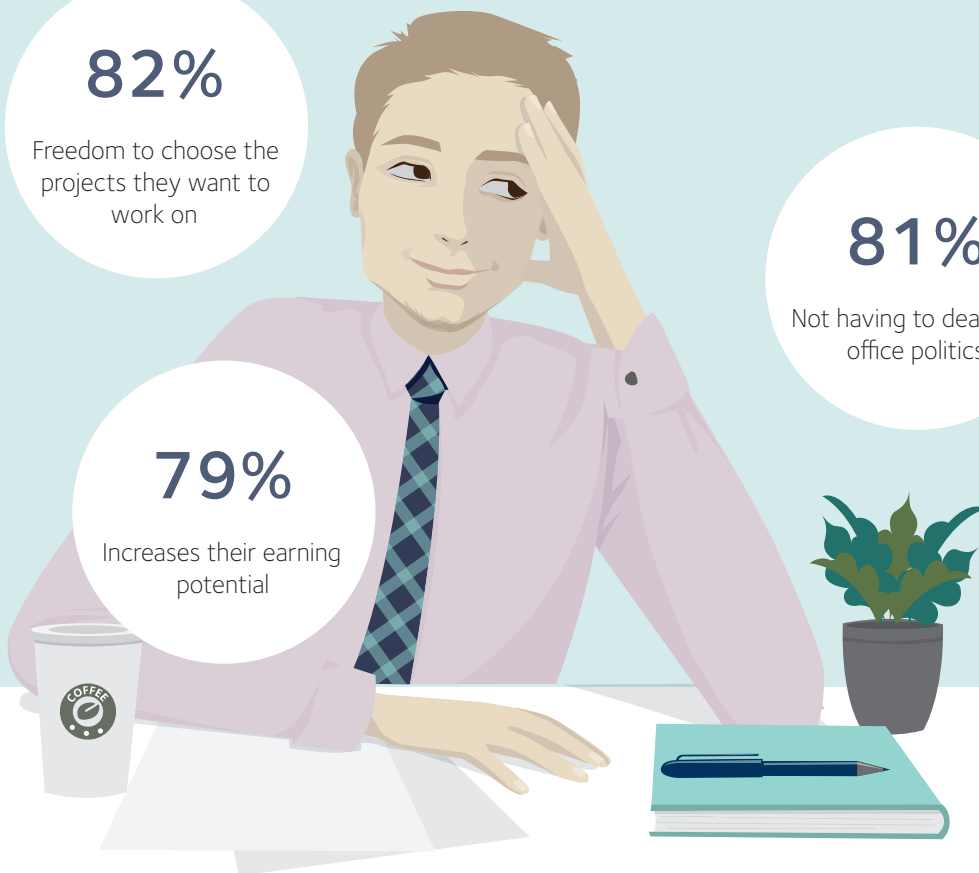
Freedom to choose the projects they want to work on

81%

Not having to deal with office politics

79%

Increases their earning potential





Stephen Sharp, 53, Aerospace Engineer

Stephen Sharp works in aerospace engineering and believes that the rewards of freelancing far outweigh the risks after being self-employed for 28 years. For him, the greatest risk associated with freelancing is related to managing and maintaining his cashflow. On the other hand, however, freedom and the flexibility to work when and where he wants are the key rewards, and are significant enough that they negate any concerns he experiences.

"The biggest challenge I face in my freelance work is related to my cashflow. What bothers me the most are the payment delays often associated with my freelance work meaning that managing my cashflow on a day-to-day basis can be problematic, especially when I have a big bill coming up.

"There are many rewards to freelancing – the greatest being the freedom associated with it, as well as flexibility in terms of working hours. Currently, I am working from home, where I can enjoy the comfortable nature of being in my garden, for example. In addition, I do not have to commute each morning which is very convenient when you consider it takes me a couple of seconds to get to my desk and start working, compared with people who may spend hours getting to work. The greatest advantage for me is being able to work from home, and that's something I wouldn't get if I was an employee."

How to combat the risk

The more you understand the challenges of freelancing, the less likely you are to be hit by nasty surprises. When it comes to mitigating the risks, there is help available.

Being a member of IPSE provides you with a safety net for periods when you cannot work due to illness and injury, as well as other compensations for unforeseen disruptions to your business.

With your financial wellbeing in mind, IPSE membership provides you with access to a pension scheme that gives you the opportunity to save securely at far lower rates than you would pay with similar schemes.

As well as these membership benefits, we continue to influence policymakers at the highest levels in order to make the UK a fairer place to be a freelancer or self-employed. Supported by our research-based evidence, we work with Government and partners right across the sector to advocate for better regulation, pension provision that takes into account the unique needs of the self-employed, as well as spearheading the introduction of the Small Business Commissioner designed to drive culture change in payment practices – among other things.

As a freelancer, there are bound to be bumps in the road. But by preparing for potential disruptions, you will put yourself in a much better position to overcome them and enjoy a genuinely rewarding freelance career.

Methodology

This report is based on the responses to a series of questions about the risks and rewards of freelancing, as part of a survey conducted by IPSE. The data was collected via an online questionnaire between 19 June and 03 July 2017. The survey results are based on the responses of 691 IPSE members.

End Notes

¹ The Association for Independent Professionals and the Self Employed (IPSE) (2017), To be or not to be a freelancer: Job satisfaction and wellbeing, London, available online: <https://www.ipse.co.uk/our-work/research/freelancing-trends>

² The Association for Independent Professionals and the Self Employed (IPSE), Freelancer Confidence Index, London, available online: <https://www.ipse.co.uk/our-work/research/freelancer-confidence-index>

³ ComRes Survey of the self-employed conducted on behalf of IPSE, London, Unpublished.



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