Education and Training for the self-employed

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Introduction

About IPSE
IPSE, the Association of Independent Professionals and Self Employed, has 22,000 members and represents the estimated 4.6 million¹ individuals working independently in the UK. Independent professionals are highly skilled specialists supplying their expertise on a flexible basis to a variety of businesses – from large companies to SMEs. We campaign on behalf of independent professionals and the self-employed, while providing advice, support, insurance products and networking opportunities.

About the self-employed and independent professionals
One in seven UK workers is self-employed². This is up almost 40% since 2000³, and we expect that by 2017 the self-employed will outnumber public sector workers⁴. The self-employed are found across all industries working at all levels, from the boardroom down. What unites them is the way they work and the choice they have made to go it alone. They are neither employees nor employers, and they have their own unique set of needs.

A subset of the self-employed are independent professionals. These work in higher level professional and technical occupations, and primarily in a business-to-business way. Also known as consultants, contractors or freelancers, they are a key feature of the UK workforce. Businesses rely on these 1.7m⁵ workers to provide expertise at short notice on a flexible basis – they play a vital role in encouraging innovation and entrepreneurship.

Our Proposals:
This document outlines our proposals on how to better prepare and support the next generation of independent professionals and small business owners, encompassing time spent in school through to when a business is up and running. It is vital to better integrate and embed enterprise and entrepreneurialism into the national curriculum in schools, while improving the visibility and quality of enterprise and self-employment content within careers advice in Further Education institutions.

Currently, enterprise features inconsistently in primary and secondary education institutions. Careers advice across the board also contains little enterprise content – changing this that would be invaluable to the many students wanting to start their own business.

The self-employed and the small businesses they operate are key to the UK’s flexible economy and workforce. Support and guidance should be offered throughout the lifespan of a self-employed individual, from school when their business is still an idea to the time when their business is up and running. We therefore propose three key policies.

• Integrate enterprise and entrepreneurialism throughout the entire school curriculum at secondary and sixth form level.

• Ensure that Further Education institutions and universities recognise and promote self-
employment in careers advice and offer enterprise modules on courses that typically produce large numbers of self-employed graduates.

- Provide sufficient support and mentoring for the self-employed once their business is off the ground, with training for new skills made tax deductible in the same way it is for employees.

**Why is this an issue?**

**Self-employment is seldom presented as a real option for students.** Research conducted by IPSE in collaboration with ComRes in 2014 showed that out of 1,143 freelancers surveyed just 1% found out about self-employment through information provided at school or college and just 2% found out about it through information provided at university. This is particularly worrying, especially since there has been a surge in the number of young people becoming self-employed; 191,806 people aged 18–29 were self-employed in 2013 compared with 139,031 in 2008, a 38% increase. With enterprise skills and advice not effectively taught in schools, colleges and universities, young people are entering the world of business under-skilled.

**Students are not exposed to the workings of small businesses and self-employment.** Currently, the national curriculum and work experience schemes offer insufficient opportunity for young people to gain practical experience within enterprise education. This is particularly worrying, as research conducted by the Department of Business, Innovation and Skills (BIS) found that learning by doing, through placements or projects, increases the outcome and impact for students in enterprise and entrepreneurialism education courses. Consequently, young people entering self-employment are at a huge disadvantage and lack simple skills such as filling their tax returns correctly.

**Transferable, life and personal skills are seldom covered on the traditional curriculum.** Enterprise modules comprise many transferable skills, such as teamwork, critical thinking and communication skills.

**The quality of careers advice varies massively between schools.** Schools are now expected to supply their own careers service, but are not given extra funding to do this. As such, the quality of careers advice varies massively between schools. A 2012 Ofsted study found just 1 in 5 schools offer pupils sufficient careers advice. A new government body that will establish links between employers and schools is a positive step, but without an accountable body to ensure consistency, quality of careers advice will vary disproportionately between rich and poorer areas.

**The notion of self-employment is changing.** Self-employed workers comprise workers across an increasing number of sectors. Alongside vocational courses which traditionally produce a number of self-employed graduates, there has been high growth in freelance artistic, media and literary occupations—from 152,205 in 2008 to 273,650 in 2013, an increase of 80%. This group includes the most freelancers and also has the highest percentage of freelancers relative to all those in employment (61%). These courses address
little if any enterprise content however, with graduates entering self-employment with no experience or knowledge of running their own business. Consequently, courses which produce the most self-employed or freelance workers currently have little or no enterprise content.

**Entrepreneurship is vital for economic growth.** Education of entrepreneurialism and enterprise will directly benefit the economy. Freelancers contributed £95 billion to the economy in 2013. This can best be achieved through educating people from a young age about enterprise and entrepreneurialism and supporting them whilst their businesses are in their infancy.

The self-employed have less access to support structures. Mentoring schemes, careers advice and business support advice is often targeted at larger businesses or is less readily available to the self-employed, making them much less likely to benefit from such advice.

The Solutions

a) Ensure self-employment, enterprise and entrepreneurialism are on the curriculum at secondary and sixth form level.

**Summary of proposal:**

Whilst enterprise is represented in some schools and sixth forms it is not on the curriculum and involvement with enterprise and entrepreneurialism activities in schools is in most cases not mandatory. Self-employment, enterprise and entrepreneurialism should be integrated in all relevant areas of the curriculum. This can be achieved through implementing a Life skills Module encompassing enterprise in Primary and Secondary education, along with embedding optional or mandatory enterprise modules in vocational subjects and other relevant areas.

Enterprise must be embedded throughout the curriculum, not just in stand-alone modules. Teachers are the first port of call for students to ask questions and gain advice around business and enterprise. Teachers should be equipped to answer and advise students on these issues adequately, which would be enabled through a mandatory course for all teachers which offered insight into business and enterprise development.

Within schools and colleges, students currently have little or no opportunity to gain practical experience in the skills involved in self-employment and running a business. A number of regional and national schemes that enable students to gain practical experience in enterprise already exist, such as the Tenner and Fiver schemes. The visibility of these schemes should be improved to reach all education institutions in the UK.

**How would this work?**

- A Life Skills module, encompassing self-employment should be embedded on the national curriculum at key stage 3 or 4. A model already exists in Northern Ireland where the national curriculum at key stage 4 contains a ‘Learning for Life and Work’ module, which
covers self-employment and the relevant sources of support, along with other aspects of employability, local and global citizenship and personal development.

- Since responsibility for the content of careers advice was passed to schools, the delivery and content of careers advice between schools is extremely inconsistent, with a majority of schools and colleges delivering insufficient quality and content in their careers service. It is unacceptable both for schools to not deliver appropriate careers advice and for some students to receive less or worse careers guidance than those in other schools. To prevent this, an accountability body administered by government should be established which would monitor and assess the quality and content of careers advice across each school and college and ensure it meets baseline criteria.

- We believe the Tenner and Fiver schemes should be more effectively promoted and extended to all schools in the UK. Tenner is a social enterprise scheme that offers young people the opportunity to get a taste of entrepreneurialism and turn their business ideas into reality. The scheme offers students aged 11–19 a £10 loan which they can use to turn their business idea into a reality. The loan is then repaid with an additional £1 on top. A sister scheme – Fiver – operates on the same principle to students aged 7–11, with a £5 loan. Improving the visibility of Tenner and Fiver within every school across the UK would ensure a scheme involving practical learning was available nationwide. Once initially funded, the project would be self-funding as all participants pay 10% interest on the original £10 loan.

- In line with suggestions made in Lord Young’s Enterprise for All report, vocational subjects should contain a core business and business start-up modules at level 3. However, business modules should not be confined to vocational courses. Journalism, languages and creative courses all produce large numbers of self-employed graduates. Enterprise should be made an elective or mandatory module on these and other relevant courses.

- Teachers should be offered a course with local small business representatives or enterprise advisers, to offer insight into the skills and knowledge required in enterprise and entrepreneurialism. A five day scheme has been proposed by Lord Young which has the support of both the Confederation of British Industry (CBI) and the Institute of Directors (IoD).

**How would this help?**

Learning by doing has been identified as the best method of learning within enterprise. Expanding the Tenner and Fiver schemes is a perfect model to give young people practical experience of enterprise and entrepreneurialism. By integrating enterprise modules within vocational and higher education courses where a large number of graduates enter self-employment, future generations of entrepreneurs will be much better equipped with the required skills to succeed in running a small business. Up-skilling from a young age would allow people to transition smoothly into self-employment, improving the survival chances of small businesses in the UK, preventing business owners from unintentionally falling foul of taxation legislation and directly benefiting the economy.
b) Ensure careers advice recognises self-employment, enterprise and entrepreneurship as an option within further education and university level

Summary of proposal:
Enterprise and entrepreneurship programmes are often confined to students at business universities with only around 30% of Further and Higher Education Institutes teaching formal enterprise courses. These courses need to be accessible to more students. This can be achieved by making self-employment and enterprise programmes mandatory on all courses which produce a large number of self-employed graduates. In addition all students should have access to information on starting a business through advice provided at their university and through careers fairs. Best practice from courses successfully preparing students for working as a self-employed professional should be replicated across all institutions. In order to do this, data collection on school, college and university leavers’ destinations should be enhanced to include self-employment and early entrepreneurial activity.

How would this work?

• All universities should provide students with access to information and careers advice on becoming self-employed or starting a business. In addition, it should be mandatory that courses such as journalism, languages and media which all produce large numbers of self-employed graduates, contain enterprise modules to equip them with the necessary business skills needed to become self-employed. The University of Huddersfield offers enterprise modules across most university courses, with its journalism course challenging students to create a business plan, including design, marketing and costs, and is assessed by students pitching their plan to a panel of industry professionals. This model should be developed into a national framework that can be adapted and implemented by other universities.

• All university careers fairs should include careers advice to make students aware of the support available to them if they choose to become self-employed after they finish university. A dedicated stand on entrepreneurship and self-employment should be supported by BIS to provide students with information they need to start a business. This would ensure that support schemes are more visible and more likely to be taken up by students taking the step to start out on their own.

• In line with proposals made in BIS’s report on enterprise education impact, we believe that data collection on school, college and university leavers’ destinations should be enhanced to include self-employment and early entrepreneurial activity. The current system does not differentiate whether graduates go into traditional employment or self-employment. Enhancing this process of data collection would allow better insight into the outcomes of enterprise education in schools while barely increasing cost or effort. It would also provide a better understanding of which institutions are producing the most entrepreneurs, allowing for best practice in preparing students for working as a self-employed professional to be replicated in other institutions.
How would this help?

The BIS report on enterprise education impact concluded that enterprise and entrepreneurship education has positive benefits that leads to some students starting new businesses and making contributions to the growth of existing businesses. By integrating enterprise modules within higher and further education courses, future generations of entrepreneurs will be much better equipped with the required skills to succeed in running a small business which will improve the survival chances of small businesses in the UK. Enterprise modules comprise many transferable skills, such as teamwork, critical thinking and communication skills. These skills are vital to help to prepare anyone for the world of work, whichever form this might take.

c) Ensure ongoing support and advice for the self-employed once they choose this way of working

Summary of proposal:
The Government can act as the source for advice on, and the administrators of, mentoring schemes for the self-employed. These schemes and sources of information should be promoted in further and higher education institutes and through jobcentreplus and the DWP website. However, many of these schemes have restrictions and so are limited in their scope. These schemes need to be expanded so they are available to more people who want to start their own business or are already self-employed.

In addition to receiving support and learning new skills when starting their own business, the self-employed must update their skills throughout their career. However the current tax treatment of training provides a disincentive for the self-employed to engage in certain types of training. This disincentive should be removed so that the tax treatment of training for the self-employed is aligned with that for employees.

How would this work?

- The government funded start-up loan scheme which enables young entrepreneurs to receive funding for their business ideas should be promoted in higher and further education institutes. The start-up loan scheme which not only provides funding, but also offers advice and mentoring, is a valuable resource for people starting their own business and should be more visible to those choosing to become self-employed.

- A self-employment mentoring scheme that is available to people of all ages should be created. This scheme should be administered by BIS and could be implemented by expanding the scope of the start-up loan scheme so that mentoring aspect of the scheme is available to those under 18. The mentoring service that is provided as part of the start-up loan scheme is in many cases often more important than the loan itself (ref start up loan website). A central website should be created with details of the regional delivery partners that are affiliated with the scheme so that people can match themselves up with a mentor. Creating a mentoring scheme through an existing mechanism such as start-up loans would achieve the desired outcomes quickest and be more cost efficient.
• Schemes and benefits that are available to the unemployed who have a business idea should be expanded to include anyone who wants to start their own business. For example, the New Enterprise Allowance Scheme should be accessible to all those with a business idea not just the unemployed. In addition, the Prince's Trust Enterprise programme which supports those who are unemployed or working fewer than 16 hours per week with training and funding, could be expanded so it is available to anyone struggling to become self-employed or start a business.

• Targeted advice within jobcentreplus and on the DWP’s website should be provided to selected groups about self-employment such as recent graduates, working mothers and the recently retired. These groups can often struggle to find a route into the labour market which takes into account their needs. Self-employment could provide this route, but individuals are discouraged from considering it due to a lack of information.

• The tax treatment of training for the self-employed should be changed so that training for new skills is tax-deductible in the way that training for improving existing skills is. The tax system does not currently reward the self-employed for training in the same way as employees and provides a clear disincentive for the self-employed to branch into new areas of work. The Government should simplify the system by aligning the tax treatment of training for employees and the self-employed as ensuring that skills are updated throughout people’s careers is essential whether you are an employee or self-employed.

How would this help?

The self-employed do not have the support structures that traditional employment offers. It is important that we nurture and grow businesses started by the self-employed as they are vital to the economy and are the job creators of tomorrow. By expanding support schemes that already exist, we can ensure that the self-employed received the support and mentoring they need to ensure their businesses are a success. Changing the tax treatment for the self-employed would ensure that they are able to branch into new areas of work and provide even more benefit to the economy.
Conclusion

The way Britain works has changed almost beyond recognition in the last decade and economists now agree that the rise in self-employment is a structural, and not cyclical change to the economy. In other words, increased self-employment is here to stay and policymakers must respond to this dramatic shift in the labour market. In particular, changes to education, training and support provision will ensure that the next generation of self-employed workers and independent professionals are well equipped to play their part in ensuring the UK’s future economic success. The proposals provide a roadmap to making this happen. They are

- Easy to implement – with changes to the curriculum and improved promotion of existing enterprise schemes building on proven successes. Our proposals also do not require significant investment from the Government and rely on education providers working together with businesses.

- Innovative in their approach – by ensuring that those on courses which are likely to result in self-employment are prepared for this route into the labour market we ensure a much more innovative economy and a new way of ‘learning by doing’, as recommended by BIS.

- Beneficial to all of the economy – Our proposals do not focus on a particular sector and are instead targeted at a range of age groups and industries, ensuring that school age children, university and college students, and recent graduates all benefit.

These plans are just a small part of what the Government can do to support and encourage the self-employed. For more information on IPSE’s policies, please see our manifesto at www.ipse.co.uk/manifesto.
References


2. ibid


4. IPSE (2014), Unpublished analysis of ComRes survey data


