



Exploring the rise of self-employment in the modern economy

A guide to demographics and other trends in the
UK's self-employed workforce in 2017

Small Business
Research Centre

Kingston University London

ipse The Association of
Independent Professionals
and the Self Employed

About IPSE

IPSE is the largest association of independent professionals in the EU, representing over 68,000 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.

IPSE

Heron House, 10 Dean Farrar St, London SW1H 0DX

T: +44 (0) 20 8897 9970

W: www.ipse.co.uk

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Today, more people than ever before are choosing solo self-employment for reasons such as the freedom and flexibility it provides.¹ As a result, self-employment has grown enormously in the last decade, and the trend shows no signs of slowing. Much of the recent growth has been driven by the expansion of the highly skilled freelance sector. This group has grown by 46 per cent since 2008, and now accounts for almost half (46%) of all solo self-employed.

As the number of people working in the self-employed sector has grown, so too has its importance to the UK economy. The solo self-employed – meaning businesses working on their own account, without employees – contributed £271bn to the UK economy in 2017: enough to fund the NHS twice over.

However, just as self-employment is booming in the UK, the country has also experienced a fundamental and threatening shift in its political climate. Tensions caused by the snap General Election, Brexit-driven uncertainty and reforms to the public sector all contributed to the threats ranged against the self-employed in 2017.

There are signs of better things to come in 2018, however, not least because of the Government's Good Work plan.

This detailed programme came as a response to the independent Taylor Review, which investigated the impact of modern working practices across the UK. With self-employment at the centre of the Government's review – and numerous political debates – it's more important than ever that we have a clear idea about the size and make-up of this vital sector.

IPSE's series of reports with Kingston University is designed to provide exactly that level of detail on the UK's flexible workforce. Drawing on the Office for National Statistics (ONS) Labour Force Survey (LFS), the reports have always focused on developing a contemporary picture of the most highly skilled self-employed people: freelancers.

This year's report, however, has a broader focus. It offers both an occupational and a demographic snapshot of the entire solo self-employed sector, as well as shedding further light on the make-up of the crucial freelance workforce.

Showing noticeable growth across all demographics, the report aims to help further understanding of the structural, long-term trends underpinning the evolution of the self-employment sector.



The UK's self-employed workforce at a glance

Between **2008** and **2017** the number of the solo self-employed increased by

34%

£271bn

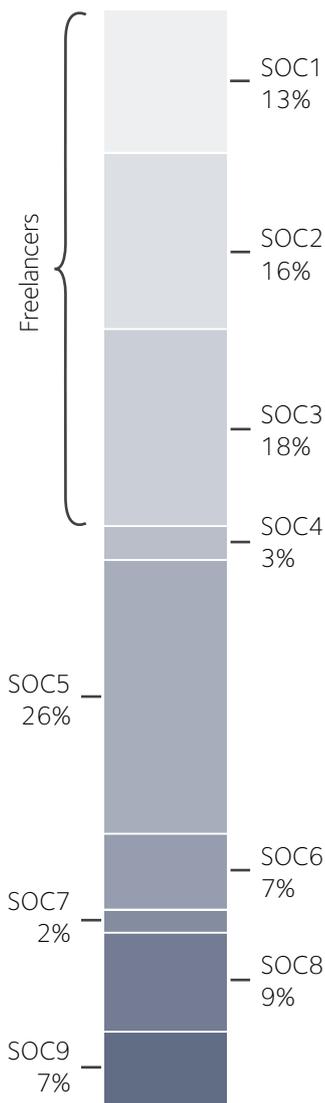
Solo self-employed contribution to the UK economy

Currently, the solo self-employed constitute

14%

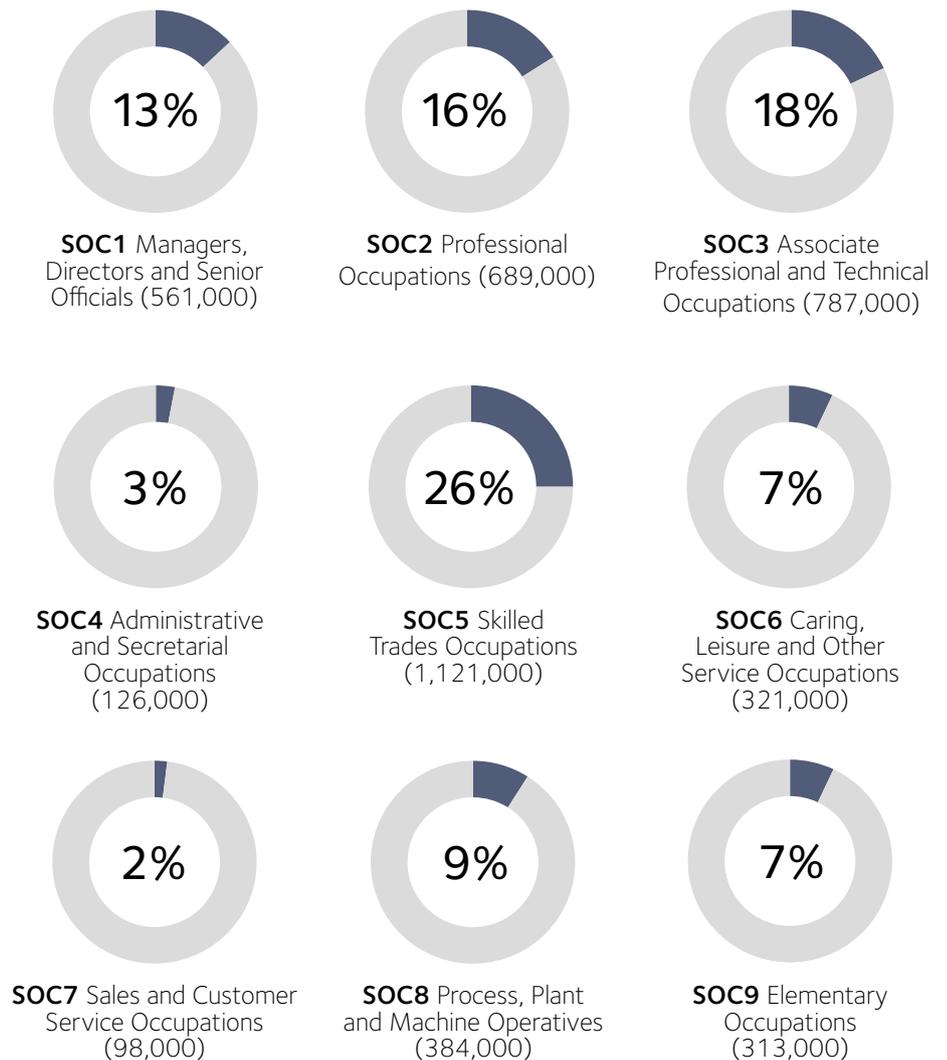
of the UK workforce

Skill distribution of the solo self-employed



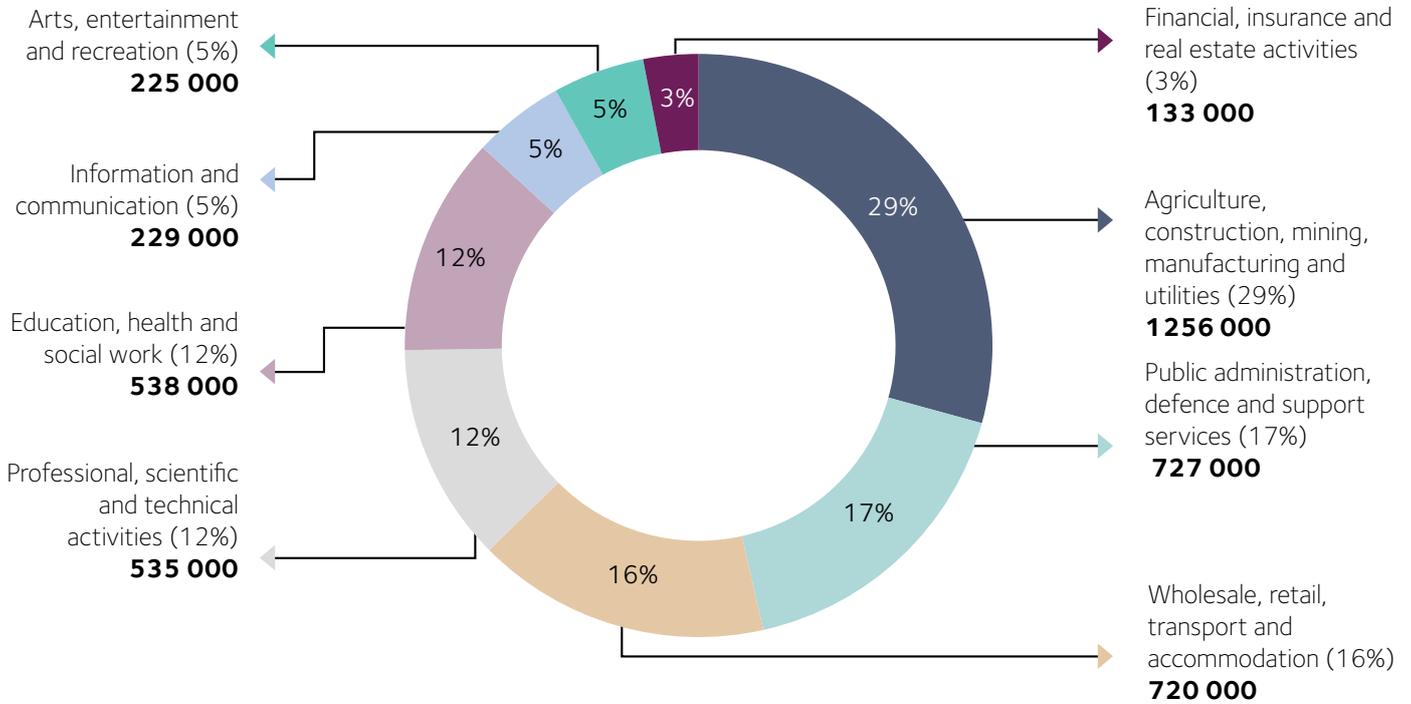
All solo self-employed occupations: **4.4m**

Skill profile



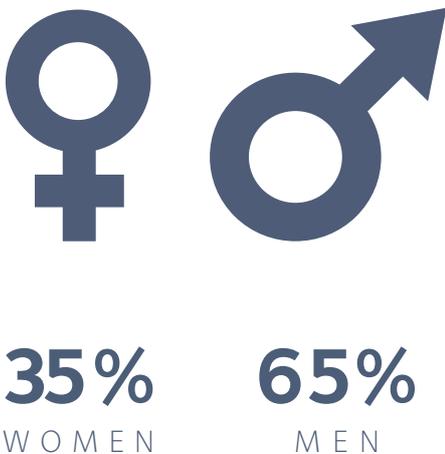
Percentages do not sum to 100% due to rounding

The solo self-employed are present in all major industry groups

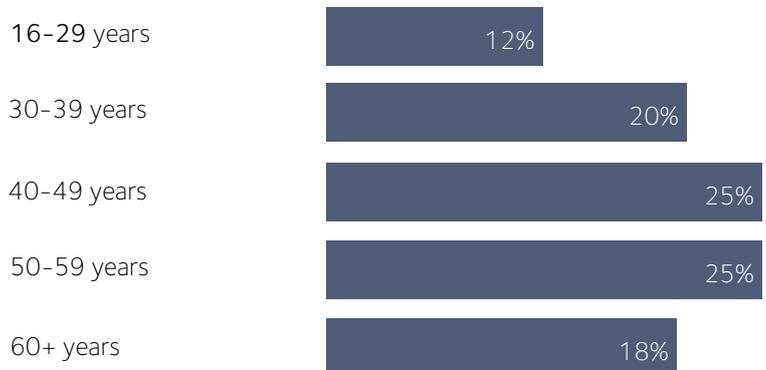


Percentages do not sum to 100% due to rounding

Gender split



Age distribution of the solo self-employed



Average age: **46**

Who are the UK's solo self-employed?

The self-employed are essentially people in business on their own account, whether running their own limited company, operating as a sole trader or working through a partnership. And while self-employment as a whole may include people working both with and without employees, this report focuses just on those working on their own account, without workers: the solo self-employed.

The UK's solo self-employed population has grown significantly since 2008, and they now amount to approximately 4.4 million. Much of the rise in solo self-employment has come from the expansion of the freelance sector. Freelancers are a sub-section of the UK's wider self-employed sector, generally working in highly-skilled managerial, professional and technical occupations.

Skill profile

The skill profile of the UK's self-employed population is based on the Standard Occupational Classifications (SOC), an internationally accepted system for classifying occupations according to the skill level required for performing the tasks and duties in any given job. While the self-employed are present in all nine major SOC groups, their numbers vary significantly.

Almost half of the UK's solo self-employed (46%) are working in the top three occupational categories (SOC1-3), meaning they are skilled, well-qualified and have higher educational qualifications. These include occupations from managers and proprietors to science, engineering and production technicians.

The highest proportion of solo self-employed people – 26 per cent – can be found working in skilled trades occupations (SOC 5). This diverse group includes skilled agricultural and related trades, skilled metal and related trades, skilled construction and building trades, textile and printing trades, as well as a range of other skilled trades.

Top self-employed occupations

Within the one to nine major SOC groups there are 90 minor occupational groups. Looking closely at these can give a more specific, detailed view of the kinds of roles freelancers are working in.

Looking at these minor occupational groups, the highest proportion of the UK's solo self-employed work in the construction and building trades (487,000), followed by artistic, literary and media occupations (320,000); road

transport drivers (292,000); managers and proprietors in other services (236,000) and agricultural and related trades (210,000).

Industry profile

There are self-employed workers in all major industry groups covered by the Labour Force Survey, and they are particularly strongly represented in agriculture, construction, mining, manufacturing and utilities (29% or 1,256,000 people). High numbers are also found public administration, defence and support services (17%), as well as wholesale, retail, transport and accommodation (16%). Six out of ten self-employed people work in one of these industries.

Gender distribution

The gender breakdown for the UK's self-employed workforce is uneven. Almost two-thirds of all self-employed people are male (65%) while a third (35%) are female.

There are also more men in the two most highly skilled occupational categories, making it much more likely to find men than women working in the managerial (SOC1) or professional occupations (SOC2).

Proportionally, there are also many more men working in the two lower skilled occupational categories: process, plant and machine operatives (93%) and elementary occupations (61%). The distribution of men across the self-employed sector is essentially much more polarised than women. Males also overwhelmingly outnumber females in the most populated self-employed category, skilled trades occupations (91% to 9% respectively).

Women are more likely to work in medium-skilled occupational categories such as caring, leisure and other service occupations (83%), administrative and secretarial positions (77%) or sales and customer services (57%).

Overall, there is more even gender participation across the highly skilled professions (SOC1-3): 57 per cent males compared to 43 per cent females.

This more even gender distribution may be because of the significant growth in the number of women working in highly skilled freelance roles in recent years. In fact, the number has risen by 67 per cent since 2008, compared to 33 per cent increase in the number of men in the same period.

Self-employed working mothers

The number of women working for themselves has grown significantly, but there has been a particularly rapid rise in the number of self-employed working mothers. The figure reached 594,000 in 2017 – 14 per cent of the overall UK solo self-employed population.

The highest proportions of self-employed working mothers can be found in two of the three highest occupational categories: associate professional and technical occupations (137,000) and professional occupations (125,000). There are also approximately 123,000 self-employed mothers working in caring, leisure and other service occupations, for example in childcare, as well as leisure and travel services.

The total number of mothers working in highly skilled freelance occupations has almost doubled since 2008, amounting to an increase of 96 per cent. Since 2016, the proportion of the total number of highly skilled freelancers who are working mothers has also risen by ten per cent.

Only a fifth of all freelance working mothers are in managerial occupations (SOC1). Much higher proportions are working in associate professional and technical occupations (SOC3) and professional occupations (SOC2) – 42 and 38 per cent respectively.

This shows that, while the total number of freelance working mums is rising, they are not equally represented across all three high-skill occupational groups.



1 in 7 of all self-employed are working mums (594,000)



Between 2008 and 2017 the number of mothers working as freelancers doubled

Age

The largest proportion of the UK's solo self-employed are aged 40–49 (1,093,000) and 50–59 (1,079,000). Together, these account for half (50%) of the entire UK solo self-employed population. A further 18 per cent of all freelancers are 60 and over.

A significant proportion of the self-employed workforce is either approaching – or soon to be reaching – retirement age. This raises questions about the importance of finding better pension solutions and saving strategies that will accommodate the large number of self-employed workers who are about to enter retirement.

This might be cause for some concern because, according to recent research, a significant minority (39%) of the self-employed population do not use any tool to save for retirement while only a third (31%) are currently saving into a private/personal pension.²

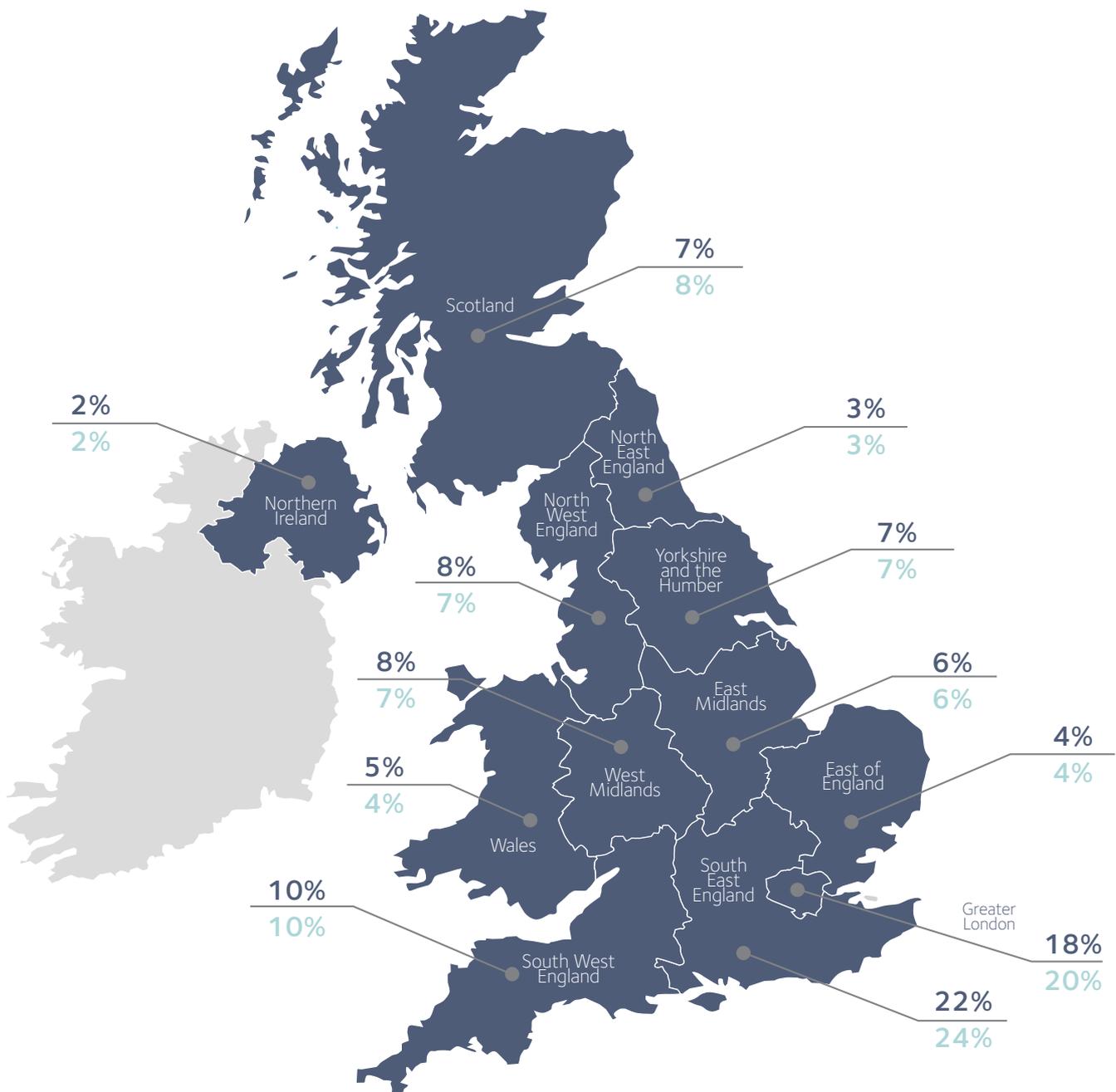
The lowest proportion of the UK's self-employed fall into the 16–29 age category, accounting for just 12 per cent of all in self-employment.

Location

While the solo self-employed can be found across all UK regions, the highest proportion work in South East England (22%). They are a lot more concentrated in this region compared to the proportion of all UK employees (14%) who work in this area.³ Similar proportions of employees (19%) and the solo self-employed (18%) can be found working in Greater London. It is also likely to find self-employed people in the South West (10%), West Midlands (8%) and North West England (8%). At the other end of the spectrum, only two per cent of the self-employed work in Northern Ireland (2%).

Location of the UK's solo self-employed and freelancers

● Proportion of all solo self-employed
 ● Proportion of all freelancers



Percentages do not sum to 100% due to rounding

The UK's freelance workforce

Freelance workers: driving the growth of UK self-employment

The second section of this report will focus specifically on freelance workers. Made up of self-employed people working in highly skilled occupational categories (SOC1-3), the UK's freelance workforce has been one of the key drivers behind the national growth in self-employment.

There are currently approximately two million freelancers in the UK, 1.77 million of whom say freelancing is their main job. A further 241,000 do freelance work as part of their second job.

Overall, freelancers account for 46 per cent of the 4.4 million-strong solo self-employed population, and represent just over six per cent of the entire UK workforce. Between 2008 and 2017 the number of freelancers in the UK increased by 46 per cent.



In this report, freelancers are defined as self-employed people without employees, working in a range of managerial, professional and technical occupations.

Freelancers' contribution to business turnover

As the number of freelancers in the UK has grown, they have not only directly helped to boost economic output, but also added value to the economy by driving innovation, enhancing workforce flexibility and promoting efficiency – thus driving economic performance.

Although there are no official statistics precisely measuring freelancers' economic contribution, it is possible to provide a speculative estimate.

If freelancers' contribution to turnover is proportionate to their presence in the wider group of businesses without employees, their collective sales would be approximately £125bn. That equates to 46 per cent of the £271bn contributed by the UK's wider solo self-employed workforce.

Freelancer-owned businesses might be expected to generate greater revenues than other own-account businesses because of their more valuable knowledge and skills, and this would suggest a slightly higher turnover – perhaps between £135 and 140bn.

The rest of this report will offer insights into the current state of this vital segment of the UK labour force, as well as further trends in recent years.

Skill profile

What sets freelancers apart is their high level of skills. And in many ways this is not surprising because they are people working in SOC major groups 1 to 3: managers, directors and senior officials (SOC1); professional and associate professional occupations (SOC2); and technical occupations (SOC3).

This is partly for historical reasons, because some occupations have traditionally been much more freelance-based. More recently, however, there has also been a shift to freelancing in other professions because organisations are realising the benefits of flexibility and cost savings provided by the technical expertise of freelancers on fixed-term and project-based basis.

SOC1: Managers, directors and senior officials

This group includes, but is not limited to, managers, directors and senior officials working in areas such as manufacturing, finance, transport, health and others.

SOC2: Professional occupations

This group includes, but is not limited to, medical practitioners, teaching professionals, legal professionals, architects, social workers and others.

SOC3: Associate professional and technical occupations

This diverse group includes, but is not limited to, writers, artists, musicians, science and engineering technicians, sports and fitness professionals, protective service professionals and others.

Source: ONS (2010) SOC2010 Volume1: Structure and descriptions of unit groups

The UK freelance workforce at a glance

2m

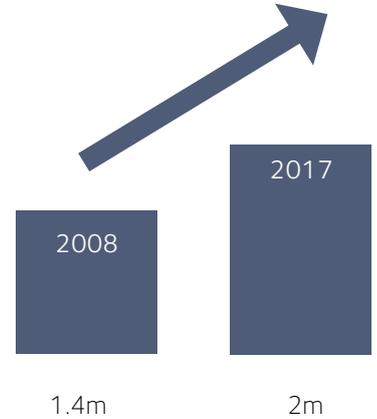
Freelancers in the UK

£125bn

Freelancers' contribution to the economy

Between 2008 and 2017
the number of freelancers in
the UK increased by

46%



Freelancers have a widespread presence across all occupations

Almost half of all freelancers work in:



Artistic, literary & media
occupations
320,000



Managers & proprietors
in other services
236,000



Functional managers
& directors
135,000



Teaching & education
professionals
134,000



Information technology &
telecommunications professionals
105,000

The highest proportion of freelancers work in associate professional and technical occupations (SOC3): approximately 790,000 (or 39% of the total UK freelance workforce). This diverse group includes writers, artists, musicians, science and engineering technicians, sports and fitness professionals, protective service professionals and others.

There are 690,000 freelance workers in professional occupations (SOC2) and a further 560,000 who work in managerial occupations (SOC1). This amounts to 34 per cent and 28 per cent of the UK freelance workforce respectively.

Even though the number of freelancers in the SOC3 group is the highest, it is the rise in the number of SOC1 and SOC2 freelancers that has driven the overall growth of the sector since 2008.

There has been a substantial increase in the number of freelancers in professional occupations (SOC2: 66%) and managerial occupations (SOC1: 57%) since 2008. There was also an increase of 16 per cent in the number of freelancers in managerial occupations (SOC1) just between 2016 and 2017.

Top roles for freelancers

Freelancers can be found working in a range of occupations. The largest freelancer occupational groups are artistic, literary and media occupations (16%), managers and proprietors in other services (12%), functional managers and directors (7%), teaching and education professionals (7%) and information technology and telecommunications professionals (5%). These five occupational groups remain the most important numerically, with almost half of all freelancers working in one of them.

The occupational group that has seen the most growth since 2008 is health associate professionals, which has almost tripled in size. The number of freelancers in sports and fitness occupations has also doubled during the same period. On the other hand, there was a decline in both the therapy professional (17%) and engineering professional (16%) groups since 2008.

There has also been a sharp rise in the number of freelance functional managers and directors (29%) and production managers and directors (21%) since 2016. This indicates that the demand for highly skilled freelancers in these areas has increased in just 12 months.

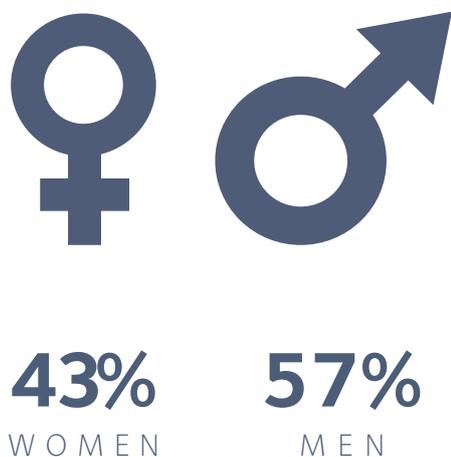
Industry profile

Much like the wider self-employed workforce, freelancers are present in all major industry groups. They are particularly strongly represented in the professional, scientific and technical activities industry (435,000 people or 21% of all freelancers). There are also large numbers in education, health and social work (20%) and wholesale, retail, transport and accommodation (12%). More than half of all freelancers work in these three industry groups.

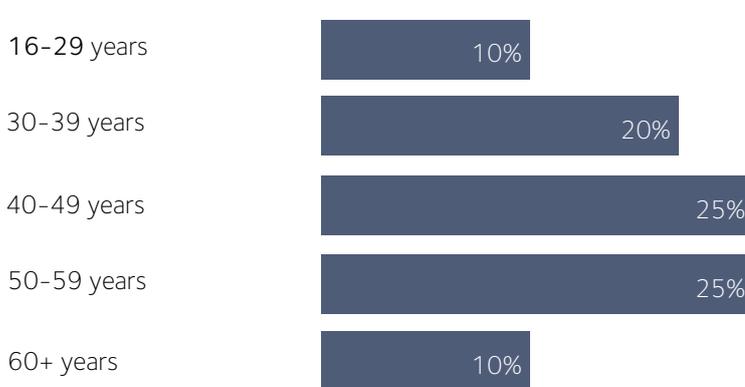
Freelance working and gender

Within the UK's freelance workforce, 57 per cent are males and 43 per cent are females. This proportion is a lot more even as opposed to the trend in the wider self-employed sector – where the ratio is 65 versus 35 per cent.

Gender split



Age distribution of freelancers



Average age: 47

Not only do freelancers' occupational profiles still vary substantially by gender: females are also less likely to be working in the two highest occupational categories.

Women are more highly represented in associate professional and technical occupations (SOC 3), and account for 46 per cent of the jobs in this category. They are therefore more likely to be working as writers, artists, musicians, science and engineering technicians, sports and fitness professionals and protective service professionals.

Men are more likely to be working in managerial (SOC 1) or professional occupations (SOC 2), and account for 60 and 57 per cent of the roles in these occupational categories respectively.

Despite the higher proportion of men in these occupational categories, there has been a surge in women entering freelancing. In fact, the number of male freelancers has dropped by three per cent since 2016, while the number of female freelancers has increased by over seven per cent. This has contributed to a 67 per cent overall increase in the number of female freelancers since 2008 – compared to 33 per cent for male freelancers.

Age

As with the overall self-employed population, the highest proportion of freelancers are aged 40-49 (508,000) and 50-59 (513,000). Half (50%) of all freelancers fall into these age groups.

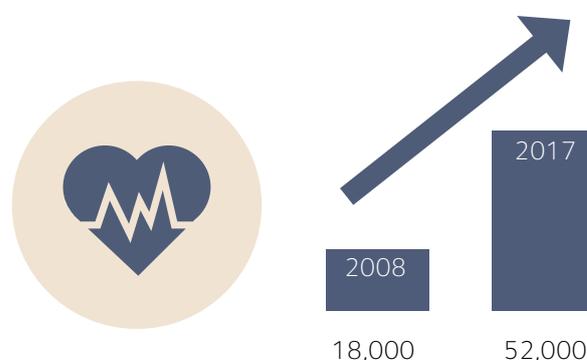
Of all the UK's self-employed who fall into these two age categories, half are freelancers, meaning that a significant proportion of all self-employed people approaching or soon to be approaching retirement work in highly skilled managerial, professional and technical roles.

The lowest proportion of freelancers are aged 16-29 (10%), which is similar to the proportion for the wider self-employed workforce (12%). A fifth (20%) of all freelancers are aged 60 or over. The number in this group has grown by 64 per cent since 2008.

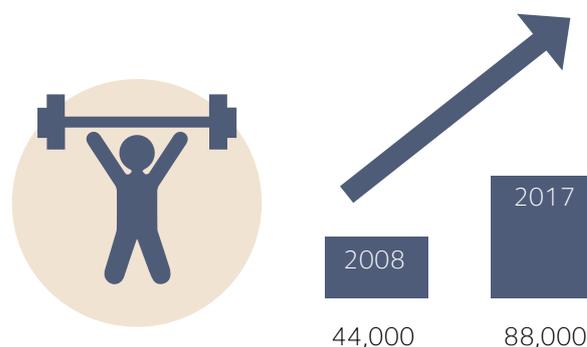
The number of young freelancers (16-29) has increased substantially (41%) since 2008. There has, however, been a decrease of 15 per cent over the last year. This might suggest that the uncertain economic circumstances of the past year have made young people less likely to take on the risks associated with self-employment.

Another factor behind this might be that only two per cent of the self-employed report finding out about self-employment at university. This suggests that there is either limited advice on self-employment available at universities or it is rather poorly promoted.⁴

Fastest growing occupational groups since 2008:



Health associate professionals increased **194%**



Sports and fitness occupations increased **100%**

Self-employment in the modern economy

The number of solo self-employed in the UK has grown significantly since 2008: by no less than 34 per cent. They currently account for 14 per cent of the entire UK workforce.

The rapid rise in self-employment has been driven by the UK's most skilled freelancers. This group is also the most economically active, contributing almost half (46%) of the total self-employed turnover.

The report also shows that there has been marked growth across all freelance demographics. And this growth throughout the freelance sector seems to have made a particularly large contribution to the rise in self-employment in recent years.

Females in particular are entering self-employment in large numbers, now moving into highly skilled occupations at a greater rate than men. A not insignificant factor behind the rapid rise in the number of women working for themselves is the growing number of self-employed working mums. Right now, one in seven of all self-employed people are working mums.

Both freelancers and the wider UK self-employed workforce are getting older, and the vast majority of this age increase can be attributed to the freelance sector.

While many are nearing or reaching retirement age, a new generation of freelancers is also emerging, as shown by fact that the number of young people freelancing has risen by 41 per cent since 2008.

Overall, the data leads us to expect that the self-employed workforce will get older, include a greater number of women and become more highly skilled.

Data sources and methodology

Building on the previous publication, Exploring the UK Freelance Workforce in 2016⁵, the principal data source used is the Office for National Statistics (ONS) Labour Force Survey (LFS). Data from the Department for Business, Energy & Industrial Strategy (BEIS) Business Population Estimates for the UK and the Regions 2017⁶ is also used. The data was extracted by Professor John Kitching from Kingston University's Small Business Research Centre in December 2017. All the LFS data refers to quarter two in the relevant years, unless otherwise stated. The analysis has been completed by IPSE.

Estimating self-employed contribution to business turnover

The self-employed numbers used to estimate the contribution to business turnover are reduced by the number of freelancers in finance and insurance activities (86,000). Therefore, businesses without employees (excluding finance and insurance activities) contributed an estimated £271 billion in sales in 2017. It is important to note that this number is a conservative estimate of the economic contribution of the 4.4 million solo self-employed, as the BPS data source used excludes employee-directors.

When estimating the economic contribution of freelancers, the report takes into account that approximately 46 per cent of businesses without employees are freelancer owned: 1.95m freelancers, of a wider group of 4.24m (excluding financial intermediation). Assuming freelance workers' contribution to turnover is proportionate to their presence in the wider group of businesses without employees, their collective sales would be approximately £125bn. Freelancer-owned businesses, however, might be expected to generate greater revenues than other own-account businesses because of their more valuable knowledge and skills, and this would suggest a slightly higher turnover – perhaps between £135 and 140bn.

End notes

1 ComRes (2017) Survey of the self-employed conducted on behalf of IPSE, London, Unpublished.

2 See reference 1.

3 Office for National Statistics (ONS) (2017) Inter Departmental Business Register (IDBR), March 2017.

4 See reference 1.

5 IPSE (2017) Exploring the UK Freelance Workforce in 2016, a report for IPSE. Online at: https://www.ipse.co.uk/resource/exploring_the_uk_freelance_workforce_in_2016.html

6 Department for Business, Energy & Industrial Strategy (BEIS) (2017) 'Business Population Estimates for the UK and Regions 2017'. Online at: <https://www.gov.uk/government/statistics/business-population-estimates-2017>



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IPSE

Heron House
10 Dean Farrar St
London SW1H 0DX

T: +44 (0) 20 8897 9970

W: ipse.co.uk