



# IPSE Confidence Index

# Q4 2018



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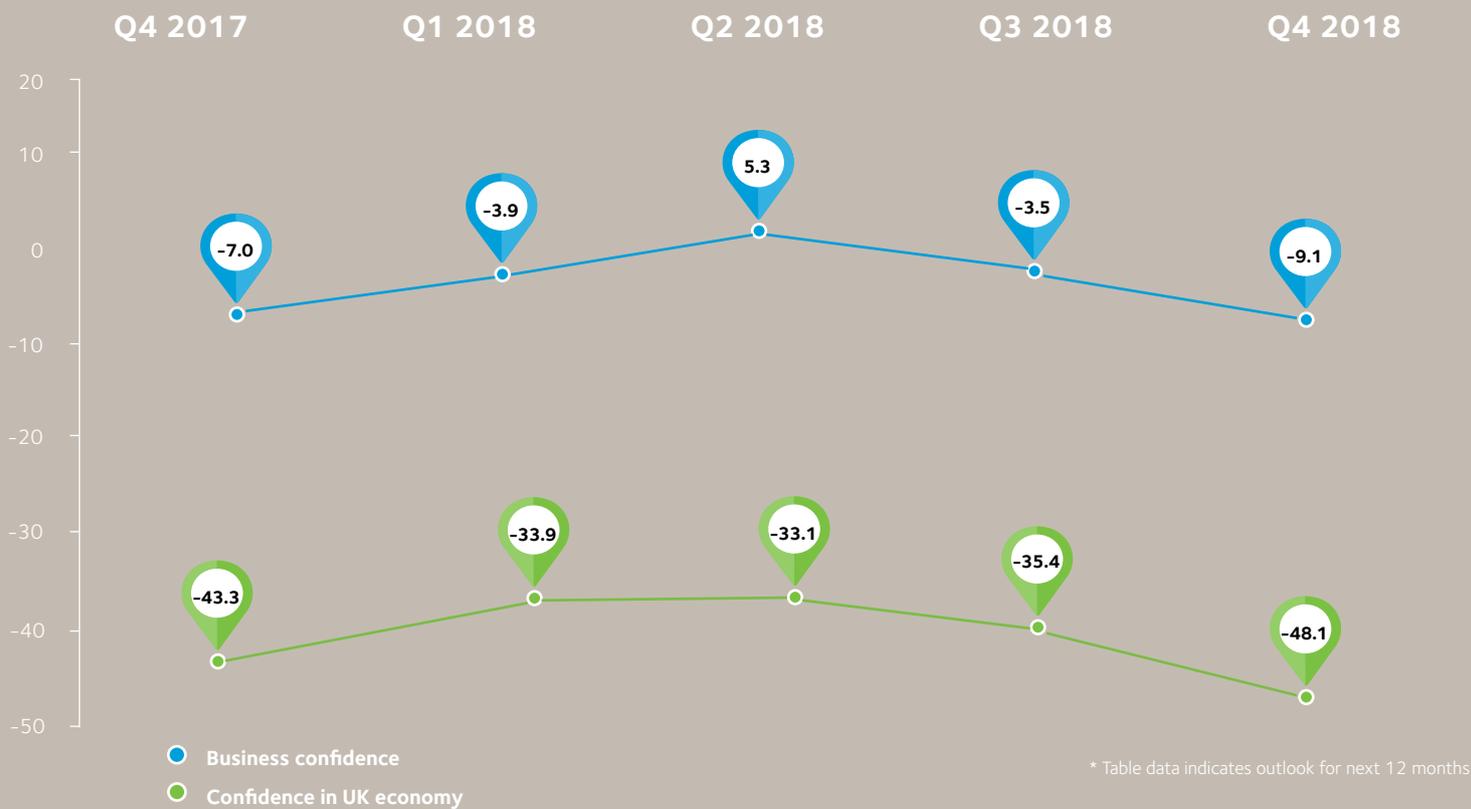


# Business strategies are key as the freelance sector bounces back out of recession

Freelancer Confidence Index:

# -9.1

(From -100 to +100)



## Business cost

# 78%

of freelancers believe their costs will **increase in the next 12 months**



## Demand for freelance work

Amount of time freelancers have been on assignment



## Top factors lowering business performance in Q3 2018



Over the last **12 months** freelancers have been on assignment for, on average, **79%** of the time

# Executive Summary

- Freelancer day rates increased by a remarkable 21 per cent in quarter four (Q4) 2018.
- Freelancers' quarterly earnings now stand at £24,776 – the highest level since Q3 2017.
- Their confidence in the economy, however, has fallen to a record low of -48.1.

Despite turbulence in the wider economy, 2018 ended remarkably well for the freelance sector, with day rates increasing by 21 per cent and overall quarterly earnings rising by 21.5 per cent. Before that, there were two consecutive quarters of negative growth in the sector.

Freelancers' pay boost at the end of 2018 is even more remarkable because of their pessimism about the rest of the economy. This quarter, their confidence in the performance of the economy over the next 12 months dipped to the lowest level since the Confidence Index began: -48.1.

This is probably connected to their concerns about uncertainty in the political landscape harming their businesses. They believe the two factors most likely to have a negative impact on their businesses are fiscal policy relating to the freelance sector and the turbulence created by Brexit.

Freelancers believe their good performance in this climate is down to two major factors: the strength of their own reputation, as well as collaboration with other freelancers and businesses. The "talent gap" in the labour market at present and its impact on wages across the board may also be a factor.

A small majority of freelancers (54%) also expect their day rates to continue rising over the next 12 months. Across all freelancer groups, there is an average expected increase of 3.8 per cent.

However, while a small majority of freelancers expect a slight increase in their day rates over the coming year, they are generally pessimistic about their business performance. Both their three- and twelve-month outlooks are in firmly negative territory. Freelancers' business confidence for the next twelve months is particularly low, reaching -9.1 – its lowest level since Q2 2017.

Over three-quarters of all freelancers (78%) also believe their business input costs are going to increase over the coming year. The average expected increase is 12.4 per cent.

Overall, therefore, freelancers experienced a pay boom at the end of 2018 despite widespread concern about government fiscal policy and the economic turbulence in the run-up to Brexit. Looking to the year ahead, however, there are several warning signs suggesting the outlook may not stay so rosy for freelancers.

## Defining freelance status

Freelancers are a sub-section of the wider self-employed workforce. For the purposes of this report, the category 'freelancer' includes the groups with the highest skill levels, the Standard Occupational Classification (SOC) Major Groups 1 - 3:

- **SOC1 - Managers, directors and senior officials:** Individuals who have a significant amount of knowledge and experience of the production processes and service requirements associated with the efficient functioning of organisations and businesses (e.g., managers and proprietors in agriculture related services; transport and logistics; and health and care services).
- **SOC2 - Professional occupations:** Individuals who have a degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training (e.g. professionals in science, research, engineering and technology; health; teaching and education; business, media and public service).
- **SOC3 - Associate professional and technical occupations:** Individuals who have a high-level vocational qualification, often involving a substantial period of full-time training or further study. Some additional task-related training is usually provided through a formal period of induction (e.g. health and social care associate professionals; protective service occupations; culture, media and sports occupations).



## Economist's Perspective

In the last quarter of 2018 the freelance sector bounced back from a weak summer, with a boom in earnings and day rates despite widespread concern about both faltering Brexit negotiations and drastic changes to tax regulations.

In Q4, freelancer quarterly earnings rose by 21.5 per cent and day rates increased by almost the same proportion (21%). Freelancers even forecast a small further net increase of 3.8 per cent in their day rates over the course of the coming year. The rise in freelancer income was almost entirely caused by growth in their day rates, rather than a greater volume of business. Freelancers, on average, only worked for one extra day compared to the previous quarter.

The rise in freelancer income was all the more remarkable given the increasing global economic uncertainty of 2018, which could be observed particularly in the downbeat market reports at the end of the year. In the UK, the government's stumbling EU withdrawal negotiations also pushed a drop-off in investment. This, along with widespread concerns about government intervention in the sector, had a significantly negative impact on freelancers' confidence in the UK economy. Freelancers' economic confidence for the next 12 months now stands at -48.1 – its lowest level since the Confidence Index surveys began in 2014. So why, despite this, has the freelance sector bounced back from the summer?

Freelancers believe their business strategies and their brand and reputation are the most important factors boosting their business performance – and this is almost certainly part of the story. But there may be another important factor. As a recent Recruitment and Employment Confederation (REC) report showed, there seems to be a “talent gap” in the labour market as uncertainty and lack of confidence filter through the economy. This means not only are businesses withdrawing from long-term decisions, but so are workers. Therefore, there are many areas where work is available but workers are not, which has pushed up pay. And based on the sharp increase in day rates, it seems likely freelancers are benefitting from this trend too.

It is not all pay growth and positives in the self-employed sector, however. Freelancers have lost confidence in their business performance in the short- and long-term. The freelancer business confidence index for the coming 12 months dropped to -9.1 – the lowest level since Q2 2017.

The data suggest several potential reasons for the steep decline in confidence. From freelancers' responses, it seems they believe Brexit and government taxation are, understandably, doing the most harm to business performance in their sector. Brexit, in particular, has almost continuously dominated the headlines. It is also important for freelancers because a large proportion of them are integrated into the European economy through contracts with both continental and global firms.

Something else to consider is that inflation dipped by 0.2 per cent in the last two months of the year – the lowest level since late 2016. This meant an increase in real terms to the money in freelancers' pockets. This dip was driven in part by a fall in petrol prices, which also disproportionately benefitted freelancers, who rely more than most on independent transport to both find and complete work.

The Confidence Index report suggests that as far as the freelance sector is concerned, there is likely to be continued inflationary pressure throughout 2019. As a result, freelancers predict their input prices will increase by 12.4 per cent in the next 12 months.

Any economic shock or upheaval will, of course, affect all forms of employment. Because of the ease with which contracts can be issued and cancelled, however, as well as their proximity to decision-making and business change projects, freelancers are particularly sensitive to economic shockwaves. They feel the changes first and are the canaries down the mine of our economy. Of course, the warning lights on the dashboard may come to nothing. But if they do not, it is freelancers who will feel the effects first. Freelancers' day rates may have risen for the moment, but the best advice would be for freelancers to invest this boom in preparing for troubled times ahead.



## Freelancer Business Confidence Index

In Q3 2018, the UK freelance sector moved into recession characterised by two consecutive quarters of negative growth. Freelancers, however, expected a buoyant final quarter of the year, with their 3-month confidence index in positive territory.

Their prediction was fairly accurate as this report shows a significant rise in quarterly earnings that moves the sector out of recession. However, the results of both UK economy and freelancer business confidence indices in Q4 2018 indicate some challenging times ahead.

The 3-month freelancer business confidence index dropped from 5.1 in Q3 2018 to -1.8 in Q4 2018, indicating that a small majority of freelancers expect business conditions

to deteriorate as they move into the first quarter of 2019 (Table 1).

Although this drop occurs across all three Standard Occupational Groups (SOCs), SOC2 professional freelancers manifest the lowest confidence with their scores falling from -6.4 to -11.4.

While the 3-month confidence levels of the other two groups have also fallen, they still retain a marginal positive score: 3.8 and 2.7 for managers, directors and senior officials (SOC1) and associate professional and technical occupations (SOC3) respectively. Therefore, the overall net negative outlook for the whole freelance sector is entirely attributable to the negative scores of SOC2 freelancers.

**Table 1: Freelancer confidence indices for their businesses over the next three months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	3.8	-11.4	2.7	-1.8
Quarter 3: 2018	13.5	-6.4	9.1	5.1
Quarter 2: 2018	14.8	-0.8	12.0	8.4
Quarter 1: 2018	13.2	0.5	5.9	6.1
Quarter 4: 2017	10.0	-8.2	1.1	-0.1

*Freelancers were asked to identify their confidence levels for the future, relative to current performance in one of five categories: more confident, slightly more confident, as confident, slightly less confident, and a lot less confident. The confidence index was created by scoring each of the five answers with 100, 50, 0, -50 and -100 respectively, and then taking the weighted average score for the sample. The weighted average is based on the relative proportion of freelancers in the labour market in 2017.*

The 12-month freelancer business confidence index moved deeper into negative territory, falling from -3.5 in Q3 2018 to -9.1 in Q4 2018 (Table 2). In fact, freelancers had a negative 12-month outlook for all but two quarters since the outcome of the EU referendum.

Their forecasting proved to be fairly accurate, with two recessions occurring in the sector since Q3 2016 when the referendum took place. Last quarter only SOC2 freelancers were predicting a fall in their business performance over the next 12 months whereas in this quarter both SOC2 and SOC3 are making this prediction.

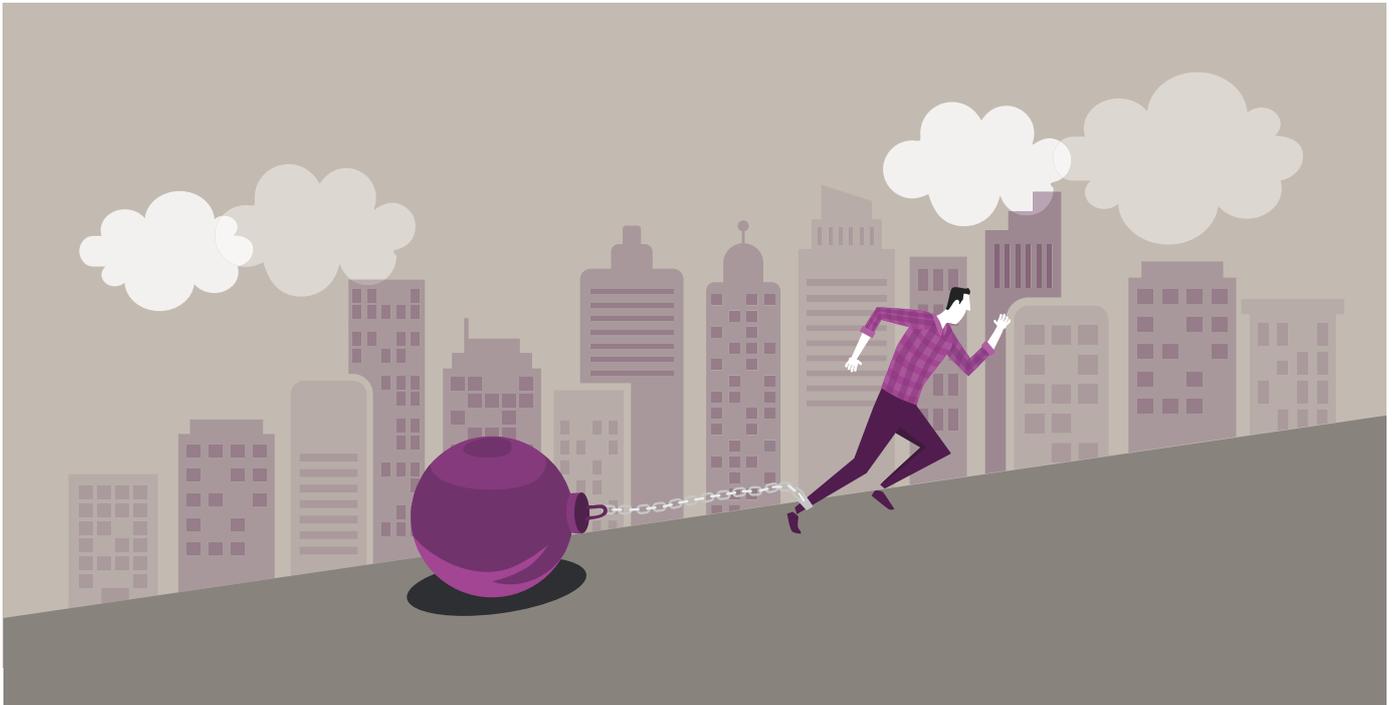
SOC1's 12-month business confidence is still marginally positive with a score of 2.4. Therefore, there is less diversity in this quarter than in the last, with all SOC1, SOC2 and SOC3 freelance sectors experiencing a fall in business confidence and two of them predicting a decline in business performance in 2019.

According to the Office of National Statistics (ONS) data, these three occupational groups combined account for nearly half of all of the UK's self-employed. Therefore, their loss of confidence is a significant concern for the overall self-employment sector and in turn the UK economy as a whole.

**Table 2: Freelancer confidence indices for their businesses over the next 12 months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	2.4	-25.8	-2.7	-9.1
Quarter 3: 2018	4.2	-24.9	9.8	-3.5
Quarter 2: 2018	17.6	-14.4	13.8	5.3
Quarter 1: 2018	-2.6	-13.7	3.7	-3.9
Quarter 4: 2017	3.8	-20.9	-0.8	-7.0

*Freelancers were asked to identify their confidence levels for future relative to current performance in one of five categories comprising: more confident, slightly more confident, as confident, slightly less confident, and a lot less confident. The confidence index is created by scoring each of five answers with 100, 50, 0, -50 and -100 respectively and then taking the weighted average score for the sample. The weighted average is based on the relative number of freelancers in the labour market in 2017.*



## Factors Affecting Business Performance

Freelancers have not changed their view regarding the top three factors negatively impacting their business performance. In the exact same order as last quarter, these are: Government taxation policy relating to freelancing, the outcome of the EU referendum and Government policy relating to the regulation of the freelance sector.

However, the notable difference this quarter is that there is a significant increase in the number of freelancers who indicate that their business performance has been constrained by these elements of public policy. For instance, those citing Government fiscal policy as detrimental increased from 58.6 per cent last quarter to 67.5 per cent this quarter (Table 3).

Similarly, the percentage of freelancers stating that the outcome of the EU referendum negatively impacted their businesses has risen from 53.6 per cent to 61.3 per cent, while Government regulation of the freelance sector has risen from 50.3 per cent to 57.5 per cent. Therefore, in very clear terms freelancers identify Government policy as having an increasingly negative impact on their business performance.

The impact of these negative influences has some variation across the different SOC groups. It has been noted in the past that SOC3 freelancers are operating in a significantly international market and this remains evident in their identification of negative influences this quarter.

The outcome of the EU referendum is the most cited negative influence (63.4%) among SOC3 associate professional and technical occupations, followed by the change in the value of Sterling (52.2%). In fact, SOC3 is the only SOC freelance cohort who cites this as a top negative influence.

A total of 51.1 per cent of SOC3 freelancers also believe they are negatively affected by the growth/state of the UK economy, as are 58.1 per cent of SOC1 managerial and senior freelancers, which indicates that the recent economic difficulties are being felt by the freelance sector.

As we observed earlier, SOC2 professional freelancers are the most downbeat among the freelance occupational groups and they directly blame the Government, with fiscal policy (85.2%) and regulatory policy (81.3%) being identified as having a detrimental effect on their business.

A smaller proportion but still a strong majority (65.3%) of SOC2 freelancers blame the outcome of the EU referendum which is also in the public policy domain. Only SOC1 freelancers don't place the outcome of the EU referendum among the top three negative influences on their businesses. Similarly to SOC2 freelancers, their top two negative influences are fiscal (76.7%) and regulatory (62.8%) policies respectively.

**Table 3: Top factors that lower freelancers' business performance**

Rank	SOC1	SOC2	SOC3	Weighted Average SOC1-3
1	Government's fiscal policy relating to freelancing (76.7%)	Government's fiscal policy relating to freelancing (85.2%)	Outcome of the EU referendum (63.4%)	Government's fiscal policy relating to freelancing (67.5%)
2	Government regulation relating to hiring freelancers (62.8%)	Government regulation relating to hiring freelancers (81.3%)	Change in the value of UK Sterling exchange rate (52.2%)	Outcome of the EU referendum (61.3%)
3	UK GDP growth/state of UK economy (58.1%)	Outcome of the EU referendum (65.3%)	UK GDP growth/state of UK economy (51.1%)	Government regulation relating to hiring freelancers (57.5%)

Freelancers were asked to rate the importance of 15 different factors affecting the performance of their business in categories ranging from significantly positive and slightly positive, to no impact, slightly negative and significantly negative.

Turning to the positive influences on business performance, the major change this quarter is the emergence of 'collaborating with other freelancers/businesses to secure more work' as a new entrant to the top three positive factors affecting business performance (Table 4).

This factor has displaced 'innovation of new services' which was the second most important positive factor driving business performance last quarter and has now dropped out of the top three. The importance of building a brand/reputation is still viewed as the most important business strategy and is even up slightly with 73.7 per cent citing this factor in the current quarter compared to 72.1 per cent last quarter.

Therefore, the top two positive factors driving the freelance sector are related to the success of their business strategies. The third most important factor is the growth of the sector in which freelancers' work which is cited by 56.6 per cent of respondents.

It is notable that the strategy of building one's own brand/reputation is the top positive influence for all three freelancer groups. Consequently, there is some clear business advice for any freelancer wondering how best to develop their business.

Collaborating with other freelancers/businesses is the second most important positive influence for both SOC2 and SOC3 freelancers and is the third most important influence for SOC1 freelancers. This perhaps suggests another useful strategy that freelancers in these sectors might consider in order to promote their business performance.

The remaining influences are quite variable. The third most important positive influence on business performance is 'targeting new markets' for SOC3 freelancers and 'innovation of new services for consumers' for SOC2 freelancers. SOC1 freelancers cite 'growth of the sector in which they work' as their second most important factor.

**Table 4: Top factors enhancing freelancers' business performance**

Rank	SOC1	SOC2	SOC3	Weighted Average SOC1-3
1	My brand value/reputation in the market (72.1%)	My brand value/reputation in the market (69.7%)	My brand value/reputation in the market (78.2%)	My brand value/reputation in the market (73.7%)
2	Growth of the sector in which I work (58.1%)	Collaboration with other freelancers/businesses to secure more work (54.4%)	Collaboration with other freelancers/businesses to secure more work (67.9%)	Collaboration with other freelancers/businesses to secure more work (60.0%)
3	Collaboration with other freelancers/businesses to secure more work (55.8%)	Innovation in terms of the services I offer clients (54.2%)	Targeting new markets (64.9%)	Growth of the sector in which I work (56.6%)

Freelancers were asked to rate the importance of 15 factors which can affect the performance of their business over the last three months in categories from significantly positive and slightly positive, to no impact, slightly negative and significantly negative.



## Freelancer UK Economy Confidence Index

Freelancers' confidence in the UK economy dropped significantly following the outcome of the EU referendum. The indices have been mostly negative since Q3 2016 when the results of the referendum were announced, and freelancers proved to be accurate in predicting a slowing down of the UK economy.

Considering that freelancers are often used on projects involving investment in business growth and innovation, they are in an advantageous position to observe contractionary business investment activity. Therefore, their predictions have been particularly accurate in relation to business investment - itself stalled due to the risks and uncertainty surrounding Brexit - which has been holding back the performance of the UK economy.

Therefore, it is concerning that both the freelancer UK economy confidence indices are now moving into deep negative territory. Furthermore, the freelancer business confidence indices also moved into negative territory which itself points towards a continued slump in business investment activity.

The 3-month freelancer confidence index in the UK economy fell from -21.2 last quarter to -37.6 this quarter which is its second lowest score on record (Table 5). The fall was observed across all three SOC occupational groups showing that freelancers are deeply downbeat about the prospects of the UK economy in the first quarter of 2019.

**Table 5: Freelancer confidence indices for the UK economy over the next three months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	-40.7	-40.9	-32.5	-37.6
Quarter 3: 2018	-9.4	-33.8	-18.5	-21.2
Quarter 2: 2018	-11.1	-21.4	-22.8	-19.1
Quarter 1: 2018	-9.0	-16.5	-19.3	-15.5
Quarter 4: 2017	-18.3	-30.9	-28.7	-27.0

*Freelancers were asked to rate their confidence for the future in one of five categories: more confident, slightly more confident, as confident, slightly less confident, and a lot less confident. The confidence index was created by scoring each of the five answers with 100, 50, 0, -50 and -100 respectively, and then taking the weighted average score for the sample. The weighted average is based on the relative number of freelancers in the labour market in 2017.*

Unfortunately, things do not get any better with regards to the longer 12-month perspective. The freelancer 12-month UK economy confidence index score fell from -35.4 to -48.1 which is its lowest score on record (Table 6).

Again, this lack of confidence in the UK economy over 2019 is felt by all three SOC groups of freelancers. Amongst these, SOC2 freelancers have the least confidence with an index score of -54.1 which is their lowest score on record.

The only positive that one might take from what are worrying forecasts for the UK economy is that the survey was conducted over a period which was mostly dominated by media stories of the UK heading towards a 'no deal' Brexit.

If this interpretation is true, either a Brexit deal with the EU that is more conducive to business, or a policy move to reconsider Brexit altogether could contribute to a more positive freelancer view on the prospects of the UK economy for 2019.

**Table 6: Freelancer confidence indices for the UK economy over the next 12 months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	-47.7	-54.1	-43.3	-48.1
Quarter 3: 2018	-15.6	-53.7	-33.5	-35.4
Quarter 2: 2018	-24.1	-37.2	-36.0	-33.1
Quarter 1: 2018	-39.7	-30.8	-32.5	-33.9
Quarter 4: 2017	-34.1	-46.0	-46.3	-43.3

*Freelancers were asked to rate their confidence in the future of the UK economy in one of five categories: more confident, slightly more confident, as confident, slightly less confident, and a lot less confident. The confidence index was created by scoring each of the five answers with 100, 50, 0, -50 and -100 respectively, then taking the weighted average score for the sample. The weighted average is based on the relative number of freelancers in the labour market in 2017.*



# Freelancer Day Rates

Freelancer day rates increased substantially by 21 per cent since Q3 2018, and the main cause of this increase is the SOC1 sector whose day rates rose by 42 per cent from £475 to £675 (Table 7).

In fact, day rates for SOC1 freelancers are now at their third highest rate since surveys began in 2014 and their highest rates since the downwards shift in day rates following the outcome of the EU referendum.

SOC2 professional freelancers experienced a more modest seven per cent increase in day rates while SOC3 had a sizeable increase of 17 per cent.

While all sectors have benefited from this sharp upswing in earnings (which has played the main role in taking the sector out of recession), SOC2 freelancers who were most pessimistic about future day rate increases last quarter do in fact underperform the double-digit percentage increases achieved by SOC1 and SOC3 freelancers.

**Table 7: Average day rates charged by freelancers over the last three months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	£675	£533	£280	£474
Quarter 3: 2018	£475	£500	£239	£392
Quarter 2: 2018	£508	£486	£232	£394
Quarter 1: 2018	£542	£490	£299	£430
Quarter 4: 2017	£516	£493	£261	£407

*The weighted average is based on the relative number of freelancers in the labour market in 2017.*

While last quarter freelancers predicted a net 7.9 per cent rise in day rates over the next 12 months, the current quarterly increases are already way ahead of this forecast. On this basis alone, some contraction of day rates over the first three quarters of 2019 can be expected.

However, this is not borne out in the results, with freelancers forecasting that their day rates will further increase (Tables 8a,b). Over half of freelancers expect that their day rates will increase over the next 12 months while 28 per cent expect them to decrease (Table 8a).

All SOC groups show a significantly higher proportion of freelancers expecting an increase over those anticipating a decrease in day rates over the next 12 months.

Amongst these, the most optimistic are SOC3 freelancers from associate professional and technical occupations, with 70 per cent expecting increase in day rates throughout 2019. SOC3 freelancers are also the most upbeat in predicting a net 10.5 per cent increase in day rates by the end of 2019.

SOC1 managers, directors and senior officials predict that they will secure a very modest 1.4 per cent increase in day rates and do not anticipate losing their recent 42 per cent quarterly increase in day rates over the next year. By contrast, the least optimistic SOC2 freelancers are expecting their day rates to decline by 2.1 per cent over the next 12 months. The overall weighted expected increase in day rates across all three occupational groups is 3.8 per cent.

**Table 8a: Expected change to freelancer day rates over the next 12 months**

	SOC 1	SOC 2	SOC 3	Weighted Average SOC1-3
Increase	44%	45%	70%	54%
No change	22%	18%	14%	18%
Decrease	33%	37%	16%	28%

The weighted average is based on the relative number of freelancers in the labour market in 2017.

**Table 8b: Average freelancer day rate expected change over the next 12 months**

	SOC 1	SOC 2	SOC 3	Weighted Average SOC1-3
Expected Change	1.4%	-2.1%	10.5%	3.8%

The weighted average is based on the relative number of freelancers in the labour market in 2017.



## Capacity Utilisation

While freelancer capacity utilisation has been falling since Q1 2018, this trend has ended in Q4 2018, with a marked increase in the number of weeks freelancers worked this quarter.

Freelancer spare capacity is measured by the number of weeks without work per quarter out of a maximum of 13 weeks. This measure is used because freelancers may or may not choose to take holidays in any quarter depending on: the demand for projects in which they are engaged, the expected likelihood to secure future work and their own personal preferences to take time off work.

Last quarter freelancers spent 2.9 weeks without work whereas this quarter the number fell to 2.7 weeks which equates to 21 per cent of spare capacity – which could be even less, if time is allowed for holiday in the Q4 festive season (Table 9).

The fall in spare capacity is driven by SOC2 and SOC3 freelancers for whom weeks without work fell from 2.5 to 2.2 weeks and from 3.6 to 3.1 weeks respectively. SOC1 freelancers, however, experienced a modest increase in spare capacity from 2.5 to 2.7 weeks since last quarter.

**Table 9: Freelancers’ spare capacity: Number of weeks not working per quarter**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	2.7	2.2	3.1	2.7
Quarter 3: 2018	2.5	2.5	3.6	2.9
Quarter 2: 2018	2.5	2.5	3.4	2.8
Quarter 1: 2018	2.1	2.3	3.5	2.7
Quarter 4: 2017	3.3	2.5	2.7	2.8

*The weighted average is based on the relative number of freelancers in the labour market in 2017.*



## Quarterly Earnings

Just after entering a recession in Q3 2018, the freelance sector bounced straight back out of it in the final quarter of 2018. Driven by a sizeable increase in day rates and a modest increase in capacity utilisation, freelancer quarterly earnings rose by 21.5 per cent overall.

This rise was enough to reverse all of the recessionary losses in 2019, with Q4 2018 reaching the highest level of quarterly earnings for the year. This exceptionally high rise in quarterly earnings is mainly driven by SOC1 and SOC3 freelancers who witnessed a 32.4 per cent and a 27.5 per cent increase respectively.

It is also notable that the substantial rise in freelancer earnings is not a seasonal effect. This can be illustrated, for example, by freelancer earnings in Q4 2017 which were the lowest for that year.

SOC2 professional freelancers who had a much more modest increase in day rates had a lower but still substantial 9.6 per cent increase in quarterly earnings in Q4 2018.

Freelancers are now earning nearly two and half (2.45) times the earnings of equivalent employees, highlighting that freelancers from all three occupational groups are premium earners when compared to employees.

**Table 10: Freelancers' average quarterly earnings**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 4: 2018	£34,589	£28,715	£14,329	£24,776
Quarter 3: 2018	£26,119	£26,200	£11,239	£20,398
Quarter 2: 2018	£28,332	£25,325	£11,459	£20,797
Quarter 1: 2018	£33,509	£26,254	£14,471	£23,701
Quarter 4: 2017	£25,281	£25,854	£13,809	£20,970
Quarterly equivalent employee earnings 2018 (ONS estimates*)	£12,689	£9,793	£8,607	£10,133

\*Employee earnings are based on Office for National Statistics (ONS) data on gross weekly earnings by employees from the provisional 2018 Annual Survey of Hours and Earnings, October 2018.

The weighted average is based on the relative size of freelancers in the labour market in 2017.



## Freelancers' Business Costs

The proportion of freelancers who expect their input prices to decrease over the next 12 months has remained unchanged from last quarter and stands at a small minority of eight per cent (Table 11a). The percentage who expect prices to increase remains a large majority and has increased from 75 per cent in Q3 2018 to 78 per cent in Q4 2018.

This pattern does not vary a great deal when comparing the three SOC groups. SOC2 and SOC3 have 80 per cent or more freelancers expecting their input process to rise while a sizeable majority of SOC1 (66%) also expect an input price increase. There is more variation in anticipation of a price decrease with only four per cent of SOC2 professional freelancers expecting a decrease in comparison with 14 per cent of SOC1 managers, directors and senior officials.

In terms of the net percentage change in input prices anticipated across the three SOC groups, all freelancers are expecting a double-digit input price increase resulting in a weighted average input price inflation forecast of 12.4 per cent (Table 11b).

SOC3 freelancers predict a 14.7 per cent increase in input price inflation while SOC1 and SOC2 freelancers are anticipating input price inflation of 11.0 per cent and 10.8 per cent respectively. There is evidence in this latest report which indicates increasing inflationary pressure in the price of business inputs.

The 21 per cent increase in day rates in Q4 will raise costs for businesses in the wider economy whilst freelancers' own business costs are forecast to grow at 12.4 per cent in 2019. A proportion of this change can be expected to eventually be passed down to consumers through increased prices.

**Table 11a: Freelancers' input cost change over the next 12 months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Increased	66%	80%	85%	78%
No change	21%	15%	8%	14%
Decreased	14%	4%	7%	8%

*The weighted average is based on the relative number of freelancers in the labour market in 2017.*

**Table 11b: Freelancer input cost change over the next 12 months**

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Expected Change	11.0%	10.8%	14.7%	12.4%

*The weighted average is based on the relative number of freelancers in the labour market in 2017.*

## Summary

In the last quarterly report the freelance sector entered recession but freelancers predicted it would be short-lived expecting a modest improvement in business performance in the last quarter of 2018. The outcome had been far better, with the freelance sector literally bouncing out of recession as income grew by 21.5 per cent in Q4 2018.

Freelancers don't believe that they are entering a new boom period and expect that business performance over 2019 will underperform compared to the exceptional last quarter of 2018. However, underperformance does not mean a decline in earnings and in fact, freelancers expect their day rates to increase by 3.8 per cent over the next 12 months.

Freelancers continue to have grave concerns about the prospects for the economy with their confidence in the performance of the UK economy over the next 12 months plunging to its lowest level on record.

## The Sample

The quarterly Confidence Index report for Q4 2018 was compiled from 644 IPSE and PeoplePerHour members who replied to an online survey. The survey is conducted every quarter. In Q4 2018, the survey composition of respondents was: 28 per cent female and 69 per cent male, an average

age of 44, have been freelancing for an average of 9.4 years and are highly educated – 28 per cent have a highest qualification at the postgraduate degree level while 56 per cent have a highest qualification at the undergraduate degree level.

Against the backdrop of a tough economic environment and Government fiscal, Brexit and regulatory policies all being identified as holding back the performance of freelancers' businesses, it is remarkable that the freelance sector has performed so well in the last quarter of 2018. The credit mainly goes to the business strategies adopted by freelancers who through brand/reputation building and collaborating with other freelancers/businesses have managed to achieve exceptional quarterly growth in very adverse business conditions. Data from the freelance sector also indicates upward pressure within overall UK inflation, with freelance inputs forecast to increase by 12.4 per cent over 2019 alongside further growth in freelancers' own day rates over the same duration.

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## 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, 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 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 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.

## About PeoplePerHour

PeoplePerHour is the UK's premier enabler, providing an unparalleled platform for niche experts and potential employers to find each other.

Launched in 2007 by entrepreneur Xenios Thrasyvoulou, PeoplePerHour has experienced exponential growth and unprecedented success, with 1.5m users visiting the site every single month.

Originally launched in Athens, the company now has offices in London, New York and Berlin, and users based in 226 countries throughout the world.