

Confidence Index

Q3
2019



In association with:

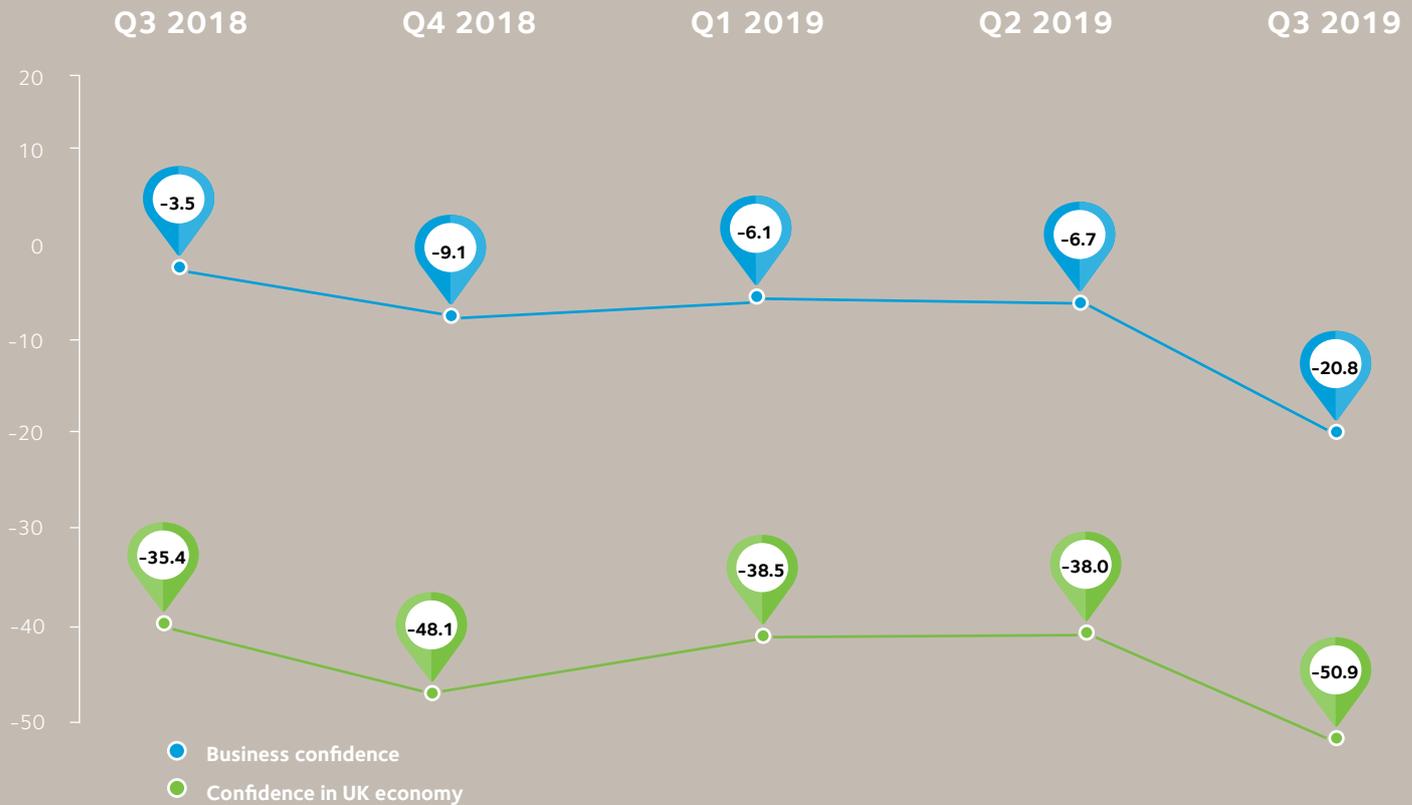


Freelancers deliver a high performing quarter but think the economy is in seriously poor health

Freelancer Confidence Index:

-20.8

(From -100 to +100)



Business cost

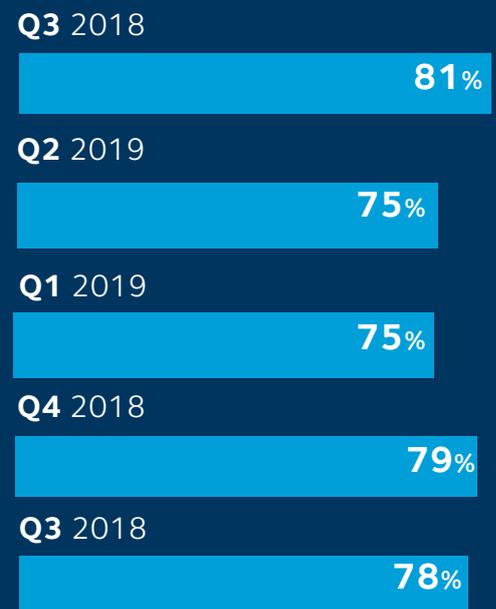
71%

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



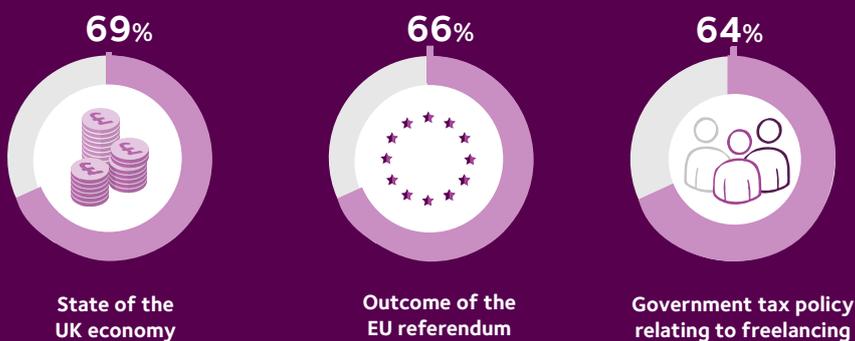
Demand for freelance work

Amount of time freelancers have been on assignment



Over the last **12 months** freelancers have been on assignment for, on average, **78%** of the time

Top factors lowering business performance in Q3 2019



Executive Summary

- Freelancers' confidence in the economy is at an all-time low – for the next 3 months and the next 12 months.
- Confidence in freelancers' own business performance over the next three months is at a record low.
- Freelancers are working more and raising their day rates to prepare for a difficult year.

Freelancers' confidence in the economy has dropped to the lowest on record – for the next three months and the next twelve months. Their confidence in their own business performance over the next three months has also dropped to the lowest-ever level.

The biggest shift was in freelancers' confidence in the performance of the economy over the next three months. Their confidence over the next three months fell from -27.4 to -45.0. This was driven most of all by SOC1 (senior executives), among whom confidence fell from -20.3 to -44.8.

Freelancers' confidence in their own business performance dipped both in terms of the next three months and the next 12 months, but it was the three-month outlook that fell to the lowest level since the Index began. This score dropped from 3.5 last quarter to -14.2. This was driven most of all by SOC3 (technical professions such as design, media and the sciences), among whom confidence fell from 12.7 to -13.0.

Freelancers seem to lay the blame for these poor confidence scores on general economic instability (69.0%), Brexit (65.9%) and government tax policy relating to freelancers (63.5%) – most likely referring to the upcoming changes to IR35 in the private sector.

Most freelancers also believe their business input costs will rise in the coming year. 71 per cent of all freelancers surveyed said they believe their costs will rise, compared to just 10 per cent who believe their business costs will fall.

Perhaps in response to these concerns and anxieties about the year ahead, freelancers have raised their day rates and are working more. Freelancers' average day rate has risen from £407 last quarter to £447. This was predominantly driven by freelancers in SOC1 and SOC2, freelancers in SOC3 lowered their day rates this quarter.

Freelancers across all SOC groups also worked more this quarter. Their average spare capacity dropped from 3.3 weeks to 2.5 weeks. The biggest jump was in SOC1, among whom spare capacity dropped from 3.6 weeks to 2.1 weeks. Working more and with higher day rates, freelancers' average quarterly income increased from £20,480 to £24,139.

There seems to be deep-seated anxiety among freelancers about the performance of the economy and their own businesses in the coming year. They are working hard now to prepare for these difficult times ahead. As in previous quarters, however, they also say that innovation, collaboration, diversification of services and strategies to build brand and reputation are helping to boost their businesses. If they press ahead with these strategies, the year may prove less bad than they anticipate.

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

Whereas the results from quarter two (Q2 2019) showed a freelance sector that was in a kind of stasis, with both wages and economic confidence remaining close to Q1, it is all change this quarter.

This quarter saw the worst economic and business confidence on record – particularly among SOC3 freelancers (including technical freelancers working in design, media and the sciences). Despite this, however, there was an 18 per cent spike in earnings.

There was a similar rise in earnings last winter. Commenting then, I suggested this might be because, amid all the uncertainty, firms were reluctant to take on permanent hires and instead were using freelancers more. It is likely that is still a factor, with a similar state of affairs being seen across other indexes from Deloitte and the Confederation of British Industries (CBI) to the Recruitment and Employment Confederation (REC).

Another key factor to consider is the general state of the global economy. A “technical” two-quarter recession has been announced in Hong Kong and Italy, while there has been almost no growth in the UK and several big firms have seen major losses. The recent collapse of Thomas Cook has also added to the gloom.

Throughout Europe, there is a constant murmur about the risk of recession. Now, however, as the US-China trade war escalates, the talk is no longer about if a recession might happen, but when. In fact, Google searches for the term “recession” peaked in late summer. The problem, of course, is that talk of recession in itself affects confidence and arguably makes one more likely.

Add to the growing global economic gloom the ever-looming prospect of Brexit and it is no surprise the Confidence Index is returning such poor economic confidence scores. There are also the impending changes to IR35 in the private sector, which are a serious concern for many freelancers.

Worries about approaching Brexit and IR35-related problems seem to have led to many freelancers to work more and charge higher day rates. They appear to be saving money for a time when they expect less work.

The spike in work is even more remarkable because these results are from the end of the summer period, when you might otherwise expect freelancers to be working less. This suggests very serious anxieties among freelancers about the coming year.



Freelancer Business Confidence Index

The latest report records a sharp fall in freelancers' business confidence. The 3-month business confidence index has fallen to its lowest level on record with a score of -14.2, showing that freelancers expect their businesses to underperform current levels over the next three months (Table 1).

However, it is important to provide some background to this negative forecast because, as observed later in the report, it occurs on the back of a high performing quarter. In fact, this quarter freelancers' earnings grew by an impressive 18 per cent.

So, if some of these gains were due to exceptional events, then the sector's performance can be expected to moderate after such a high performance. This prompts a negative confidence index score, indicating that the business performance in the next quarter will underperform the current quarter.

The fall in the 3-month business confidence index score occurs across all three Standard Occupational Categories (SOCs) - SOC1 senior executives, SOC2 professional freelancers, and SOC3 technical freelancers.

SOC2 professional freelancers were already recording a negative 3-month score last quarter and this quarter they were joined by both SOC1 and SOC3 freelancers whose 3-month business confidence index scores moved from positive to negative values. Notably, all three freelancer groups have negative scores in the teens which indicates a significant majority of freelancers anticipating a decline in business performance.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------------|-------|-------|-------|-------------------------|
| Quarter 3: 2019 | -12.5 | -17.1 | -13.0 | -14.2 |
| Quarter 2: 2019 | 7.5 | -10.3 | 12.7 | 3.5 |
| Quarter 1: 2019 | 5.4 | -8.2 | 1.7 | -0.7 |
| Quarter 4: 2018 | 3.8 | -11.4 | 2.7 | -1.8 |
| Quarter 3: 2018 | 13.5 | -6.4 | 9.1 | 5.1 |

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 records its lowest score since Q2 2017, reaching -20.8 (Table 2). Given that freelancers' earnings recorded in the last four quarters were higher than the average for the previous 12 months, the negative score could reflect some drop back to prior levels.

However, freelancers also have very low confidence in the UK economy for the next 12 months and this appears to be part of a wider concern about a very challenging economy-wide business environment.

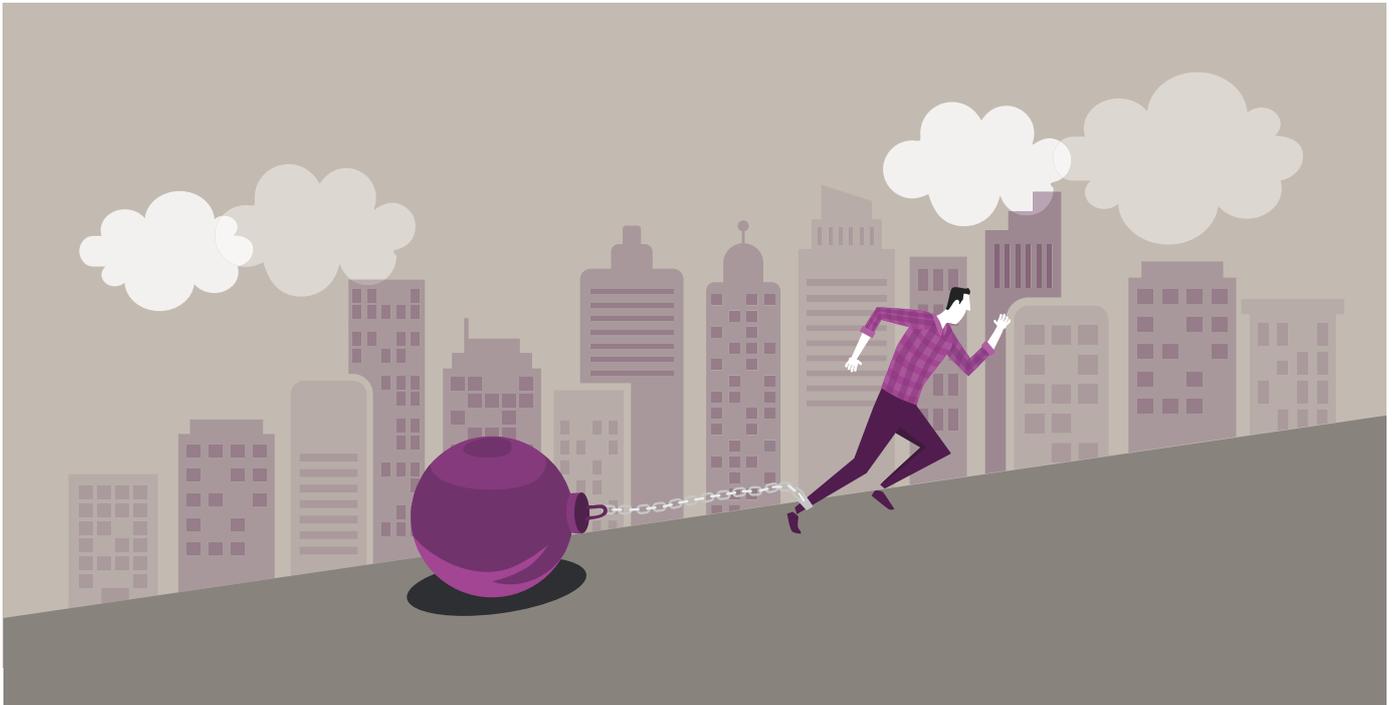
The lack of business confidence over the next 12 months is shared by all three SOC groups of freelancers, with SOC2 being the least confident, followed by SOC1 freelancers. SOC3 freelancers return the smallest absolute value among these negative scores.

According to the Office for National Statistics (ONS), each of these sectors are roughly of equal size in the workforce and combined, account for nearly half of all UK's self-employed. Therefore, the loss of confidence for all three SOC groups is a significant concern for the overall self-employed 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 3: 2019 | -16.7 | -37.1 | -9.5 | -20.8 |
| Quarter 2: 2019 | -6.3 | -28.9 | 12.4 | -6.7 |
| Quarter 1: 2019 | 1.8 | -18.0 | -1.4 | -6.1 |
| Quarter 4: 2018 | 2.4 | -25.8 | -2.7 | -9.1 |
| Quarter 3: 2018 | 4.2 | -24.9 | 9.8 | -3.5 |

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

Since last quarter there has been a big increase in the number of freelancers who identify macro level factors as constraining their business performance.

In Q2 2019, 57.4 per cent of freelancers identified the outcome of the EU referendum as the top negative influence on their business. In Q3 2019, this has risen to 65.9 per cent but remarkably is no longer cited as the top negative factor constraining business performance (Table 3).

This quarter the main detrimental factor to business performance is the 'state of the UK economy' which is identified by 69.0 per cent of freelancers.

Government taxation policies relating to freelancers are identified as a third most detrimental factor, cited by 63.5 per cent of freelancers, which is higher than the most cited negative factor last quarter.

Overall, there is a growing concern about the vulnerability of the freelance sector to the impact of negative influences on business performance. This is reflected in both the low confidence in business performance and the huge concern about the poor health of the UK economy.

In terms of the composition of these factors across SOCs 1-3, there appears to be a similarity between SOC1 and SOC2 freelancers as they both cite Government policies relating to taxation and regulation of freelancers as their top two negative influences respectively. This is the same ranking as last quarter, although the proportion of freelancers citing these factors has increased.

In Q2 2019, both SOC1 and SOC2 freelancers cited the outcome of the EU referendum as the third most negative factor impacting their businesses. In Q3 2019, this is still the case for SOC1 but SOC2 freelancers list the state of the UK economy as the third most detrimental effect on their business albeit the uncertainty surrounding Brexit.

SOC3 freelancers changed the rank of the negative influences on their business performance since Q2 2019. The outcome of the EU referendum moves from top to second position, but this is misleading as the percentage of freelancers who cite this increased from 57.4 per cent last quarter to 66.5 per cent this quarter.

SOC3 freelancers' top concern is now the state of the UK economy which is cited by 73.4 per cent of them. In third place is the value of the UK Sterling exchange rate, which displaces Government regulation relating to freelancers from last quarter.

Table 3: Top factors that lower freelancers' business performance

| Rank | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|------|--|--|--|---|
| 1 | Government tax policy relating to freelancing (72.3%) | Government tax policy relating to freelancing (78.6%) | State of the UK economy (73.4%) | State of the UK economy (69.0%) |
| 2 | Government regulation relating to hiring freelancers (66.0%) | Government regulation relating to hiring freelancers (76.4%) | Outcome of the EU referendum (66.5%) | Outcome of the EU referendum (65.9%) |
| 3 | Outcome of the EU referendum (66.0%) | State of the UK economy (69.9%) | Change in the value of UK Sterling exchange rate (55.1%) | Government tax policy relating to freelancing (63.5%) |

Freelancers were asked to rate the importance of 14 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. The list of factors was updated in Q3 2019.

Meanwhile the percentage of freelancers citing positive influences on their businesses has fallen. Clearly, freelancers' own assessment of the drivers of the economy and their businesses is identifying more grey stormy economic clouds than sunshine.

Brand and reputation building, which has consistently been quoted as a key positive factor in previous surveys, remains the top positive effect on freelancers' businesses, with 61.6 per cent of them selecting it in Q3 2019 (Table 4). The second most influential positive factor is innovation in terms of the services offered to clients, cited by 53.5 per cent of freelancers. In third place is collaboration with other businesses and freelancers and this is cited by 46.9 per cent of freelancers.

There is a lot of consistency in terms of the variety of factors selected by the different occupational groups. All three SOC groups select brand and reputation as the top positive effect on their business performance.

Innovation in terms of services offered to clients is consistently the second most important positive influence on business performance for all three groups. Targeting new markets is the third most important factor for SOC1 and SOC3 freelancers, while SOC2 freelancers cite collaboration with other businesses and freelancers.

As in previous surveys, the main negative influences on freelancer business performance are macro factors while the main positive influences are micro factors, indicating that the latest highly impressive earnings performance of freelancers is generated by them taking their own initiative to overcome the negative effects emanating from a very challenging external business environment.

Table 4: Top factors enhancing freelancers' business performance

| Rank | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|------|---|---|---|---|
| 1 | My brand value/reputation in the market (64.4%) | My brand value/reputation in the market (58.3%) | My brand value/reputation in the market (62.5%) | My brand value/reputation in the market (61.6%) |
| 2 | Innovation in terms of the services I offer clients (56.8%) | Innovation in terms of the services I offer clients (51.1%) | Innovation in terms of the services I offer clients (53.3%) | Innovation in terms of the services I offer clients (53.5%) |
| 3 | Targeting new markets (45.5%) | Collaboration with other freelancers/businesses to secure more work (46.5%) | Targeting new markets (52.0%) | Collaboration with other freelancers/businesses to secure more work (46.9%) |

Freelancers were asked to rate the importance of 14 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. The list of factors was updated in Q3 2019.



Freelancer UK Economy Confidence Index

Freelancers' confidence in the UK economy sharply decreased following the outcome of the EU referendum. Freelancers were ahead of others in forecasting the slowdown in the UK economy over this period which is perhaps unsurprising given that over 70 per cent of them work in the project-based economy, which involves investment in business expansion, innovation and entrepreneurship.

Therefore, the deterioration in the freelancer economy confidence index in Q3 2019 is particularly concerning. Freelancers' confidence in the UK economy for the next three months has declined sharply from -27.4 to -45.0 which is the lowest score on record (Table 5).

Brexit, and the uncertainty associated with it, are major concerns for freelancers. The survey was conducted in a roller coaster period, with a high likelihood of a hard Brexit. Therefore, freelancers' forecast on the economy may change in the final quarter of 2019, depending on how things unfold.

There is a remarkable level of conformity among SOC groups in terms of the lack of confidence in the UK economy for the next three months. All three freelancer groups nearly converge on an index score of -45.0, which is very low by any measure.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------------|-------|-------|-------|-------------------------|
| Quarter 3: 2019 | -44.8 | -45.9 | -44.4 | -45.0 |
| Quarter 2: 2019 | -20.3 | -31.5 | -28.9 | -27.4 |
| Quarter 1: 2019 | -27.7 | -40.2 | -38.9 | -36.3 |
| Quarter 4: 2018 | -40.7 | -40.9 | -32.5 | -37.6 |
| Quarter 3: 2018 | -9.4 | -33.8 | -18.5 | -21.2 |

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.

The 12-month outlook does not provide any reprieve from freelancers' downbeat mood about the economy.

The 12-month freelancer UK economy confidence index score is -50.9, which just like the 3-month UK economy outlook is at its lowest level since records began.

In sum, there is a record all-time low as far as freelancers' confidence in the UK economy is concerned. This appears to be a uniform view with freelancers from all three occupational groups, recording negative index scores in the range from -44.8 for SOC1 to -54.8 for SOC2 freelancers.

Therefore, freelancers who have been adept at forecasting economic performance in the past and have a privileged view of firms' plans for growth or contraction, expect very challenging times for the UK economy over the next 12 months.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------------|-------|-------|-------|-------------------------|
| Quarter 3: 2019 | -44.8 | -54.8 | -51.8 | -50.9 |
| Quarter 2: 2019 | -31.8 | -43.2 | -37.8 | -38.0 |
| Quarter 1: 2019 | -28.2 | -43.3 | -41.7 | -38.5 |
| Quarter 4: 2018 | -47.7 | -54.1 | -43.3 | -48.1 |
| Quarter 3: 2018 | -15.6 | -53.7 | -33.5 | -35.4 |

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

The day rates secured by freelancers increased by 10 per cent, from £407 last quarter to £447 in the current quarter (Table 7).

On an annual basis, freelancer day rates increased by 14 per cent from £392 in Q3 2018, meaning that overall the sector is performing strongly in adverse times. However, not all freelancer occupational groups managed to secure these gains.

SOC1 freelancers generated a 32 per cent increase in day rates since last quarter, while SOC2 secured a five per cent increase. By contrast, SOC3 freelancers experienced a 13 per cent fall in their day rates from £267 last quarter to £232 this quarter.

In sum, there is a diverse performance in day rates within the highly skilled freelance sector this quarter.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------------|------|------|------|-------------------------|
| Quarter 3: 2019 | £683 | £500 | £232 | £447 |
| Quarter 2: 2019 | £517 | £476 | £267 | £407 |
| Quarter 1: 2019 | £489 | £494 | £266 | £405 |
| Quarter 4: 2018 | £675 | £533 | £280 | £474 |
| Quarter 3: 2018 | £475 | £500 | £239 | £392 |

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

Just over half (51%) of freelancers predict an increase in day rates over the next 12 months, compared to 38 per cent who expect a decline (Table 8a). However, there is a great deal of variation in the expectations of the three freelancer occupational groups.

A high percentage (61%) of SOC3 associate professional and technical freelancers – who underwent a fall in day rates in the current quarter – expect their day rates to increase over the next 12 months. They expect that this will lead to a 5.5 per cent net increase in day rates over the next year (Table 8b).

At the other end of the spectrum, SOC1 managerial and senior freelancers, who have just experienced a large rise in day rates, expect that some of these gains will now adjust back. Just over half (52%) of SOC1 freelancers expect their day rates to decline over the next year, predicting a net fall by 4.4 per cent in day rates over the same period (Table 8b).

SOC2 freelancers, who experienced a more modest five per cent increase in day rates in Q3 2019, now expect that most of these gains will be lost over the next 12 months, with a net expected decrease of 2.9 per cent. Across all SOCs1-3, the weighted net expected change in day rates over the next 12 months is a negative small marginal fall of 0.1 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% | 46% | 61% | 51% |
| No change | 4% | 11% | 15% | 11% |
| Decrease | 52% | 43% | 24% | 38% |

The weighted average is based on the relative number of freelancers in the labour market in 2017. Due to rounding percentages may not total to 100.

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 | -4.4% | -2.9% | 5.5% | -0.1% |

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



Capacity Utilisation

Freelancer capacity utilisation has been falling since Q1 2018, but this trend plateaued out in the first and second quarters of this year.

This could now be turning into an inflexion point as capacity utilisation has started to rise for the first time since the end of 2018. Freelancers had just 2.5 weeks or 19 per cent spare capacity in Q3 2019 (Table 9).

Notably, the measure for capacity utilisation does not factor in time for holidays so if a freelancer took a 2-week vacation during this period then they would have been working at near full capacity. Last quarter freelancers had 3.3 weeks of spare capacity, meaning that the figures for this quarter represent a 24 per cent decline in spare capacity or a six per cent change from 25 per cent to 19 per cent in spare capacity.

The fall in spare capacity occurred across all three SOC occupational groups. The largest fall is amongst SOC1 managerial and senior freelancers whose spare capacity fell from 28 per cent (3.6 weeks) last quarter to 16 per cent (2.1 weeks) in Q3 2019.

SOC2 professional freelancers experienced a much more modest fall in spare capacity, which decreased by just two percentage points from 22 per cent (2.8 weeks) to 20 per cent (2.6 weeks). Finally, SOC3 associate professional and technical freelancers' spare capacity falls by six percentage points from 27 per cent (3.5 weeks) to 21 per cent (2.7 weeks). Overall, in Q3 2019 the sector experienced a period of buoyant engagement of freelancers by their customer base.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------------|------|------|------|-------------------------|
| Quarter 3: 2019 | 2.1 | 2.6 | 2.7 | 2.5 |
| Quarter 2: 2019 | 3.6 | 2.8 | 3.5 | 3.3 |
| Quarter 1: 2019 | 3.3 | 2.9 | 3.7 | 3.3 |
| Quarter 4: 2018 | 2.7 | 2.2 | 3.1 | 2.7 |
| Quarter 3: 2018 | 2.5 | 2.5 | 3.6 | 2.9 |

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



Quarterly Earnings

With a rise in day rates and capacity utilisation, it follows that freelancers' earnings must increase. The weighted average quarterly earnings for all three freelancer occupational groups now stands at £24,139. This is well over twice that of employees in equivalent occupations, according to the latest (2018) available ONS employee earnings data.

In Q3 2019 freelancers' quarterly earnings increased by 18 per cent. The 12-month annual change from quarter Q3 2018 is also 18 per cent, showing that it has been a very impressive third quarter for the sector.

These recent gains recover the losses of the first two quarters of this year but are still slightly below the performance of Q4 2018. The main occupational groups driving the rise in quarterly earnings are SOC1 and SOC2 freelancers who underwent a 51 per cent and six per cent increase in earnings respectively since last quarter.

By contrast, SOC3 freelancers have experienced a seven per cent decline in quarterly earnings, falling from £13,194 in Q2 2019 to £12,268 in Q3 2019. This group of freelancers also earn a much smaller margin above equivalent employees than SOC1 and SOC2 freelancers, showing that it is a relatively more tough and competitive freelancer segment in terms of seeking work.

Table 10: Freelancers' average quarterly earnings

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|--|---------|---------|---------|-------------------------|
| Quarter 3: 2019 | £38,286 | £26,174 | £12,268 | £24,139 |
| Quarter 2: 2019 | £25,428 | £24,774 | £13,194 | £20,480 |
| Quarter 1: 2019 | £24,329 | £25,769 | £13,089 | £20,474 |
| Quarter 4: 2018 | £34,589 | £28,715 | £14,329 | £24,776 |
| Quarter 3: 2018 | £26,119 | £26,200 | £11,239 | £20,398 |
| 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

Freelancers believe that the price of inputs to their businesses will rise over the next 12 months. 71 per cent of them expect input prices to rise compared to just 10 per cent who expect them to fall (Table 11a).

Across the entire sample freelancers are predicting an inflationary period for the price of inputs to their businesses over the next year, with a forecast increase of 10.3 per cent. This is slightly up on the same forecast for last quarter which was 8.3 per cent.

There is not much difference in the input price expectations of freelancers across all three SOCs1-3 groups, featuring between 70-73 per cent of freelancers predicting an input price increase and 10 per cent predicting a fall. These lead to a forecast net increase in input prices in the range of 9.3 per cent to 11.4 per cent, which is around six times the current rate of inflation (1.7%) in the UK.

In sum, while freelancers' day rates (output prices) can be expected to play a very marginal deflationary role on UK inflation, freelancers input prices are forecast to play a strong inflationary effect. By consequence, freelancers' profit margins will be expected to decline over the next 12 months, explaining in part the reason why freelancers' confidence in their business performance has declined this quarter.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------|------|------|------|-------------------------|
| Increased | 71% | 73% | 70% | 71% |
| No change | 19% | 18% | 20% | 19% |
| Decreased | 10% | 10% | 10% | 10% |

The weighted average is based on the relative number of freelancers in the labour market in 2017. Due to rounding percentages may not total to 100.

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

| | SOC1 | SOC2 | SOC3 | Weighted Average SOC1-3 |
|-----------------|-------|------|-------|-------------------------|
| Expected Change | 11.4% | 9.3% | 10.4% | 10.3% |

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

Summary

Freelancers have had a very good Q3 2019, with earnings growing strongly at 18 per cent, underpinned by a rise in capacity utilisation and day rates. This impressive performance had occurred against a very difficult external environment with a weak economy, the uncertainty and business challenges associated with an impending Brexit, as well as Government taxation policy relating to freelancers.

Mainly through brand and reputation building, innovation in services offered to clients and collaboration with other businesses, freelancers have been able to overcome some of these challenges and generate impressive earnings gains.

Looking to the future, freelancers have grave concerns about the health of the UK economy which they emphatically believe will perform worse over the next 12 months than it did over the previous 12 months, with both the 3-month and 12-month UK economy confidence indices reaching record low levels in Q3 2019.

The Sample

The quarterly Confidence Index report for Q3 2019 was compiled from 692 IPSE and PeoplePerHour members who replied to an online survey. The survey is conducted every quarter. In Q3 2019, the survey composition of respondents was: 32 per cent female and 65 per cent male, an average

Freelancers believe that their earnings will remain flat or fall slightly as some of the recent exceptional gains return to more sustainable levels, as well as due to the difficulty of dealing with a very challenging business and economic environment. They also expect their profit margins to come under pressure against declining or flat output prices, and costs of inputs to their business rising six times the current rate of inflation.

age of 43, have been freelancing for an average of 8.7 years and are highly educated – 31 per cent have a highest qualification at the postgraduate degree level while 54 per cent have a highest qualification at the undergraduate degree level.

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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.

www.ipse.co.uk

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