

A Brexit deal for the self- employed

Putting self-employment into the Brexit spotlight

As the Brexit negotiations push ahead, the voice of the UK's 4.8 million self-employed must be heard. In this time of uncertainty, protecting the flexibility and dynamism of the UK's economy is more important than ever – yet negotiations so far have focused on the concerns of bigger businesses. The government simply cannot afford to overlook the needs of Britain's self-employed, who collectively contributed £271 billion to the economy in 2017 – enough to fund the NHS twice over.

What sort of Brexit will enable Britain's flexible workforce to thrive?

The facts

- 1 Brexit is an increasing worry for the self-employed.** At the end of 2017, 61% of freelancers saw the result of the EU referendum as the main factor negatively influencing their business performance – overtaking government policy for the first time.
- 2 The self-employed want a soft Brexit that causes minimal disruption.** Single market access and the free movement of skilled professionals across the EU should be prioritised by the government in negotiations. A large proportion of the self-employed (60%) would also like to see a transitional period after 2019.
- 3 As the UK plots its path through Brexit, the government should recognise the central role the self-employed will play in taking us through this turbulent period.** This means taking steps to ensure Britain is a country that works for freelancers – particularly through its tax and welfare system, and easily accessible training options.



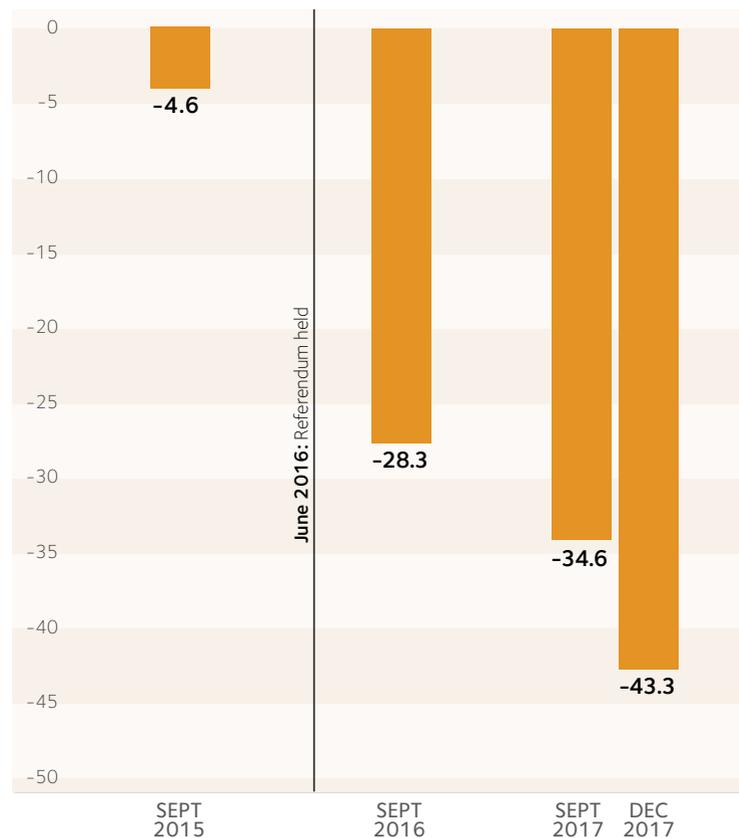
“Warning bells should start to ring for the economy. For the first time, Brexit has overtaken government policy to become the single biggest issue affecting business performance – pushing the freelance business sector into recession in 2017. Because they are at the forefront of innovation, entrepreneurship and technological change, freelancers have historically been accurate predictors of wider economic performance.”

Professor Andrew Burke, Chief Analyst of the Freelancer Confidence Index and Dean of Trinity Business School

What do the self-employed think about Brexit?

- The UK's self-employed population are paying close attention to Brexit – the majority (54%) report being concerned about the progress of the negotiations.
- IPSE surveys freelancers quarterly about their business confidence and economic outlook. Since the referendum, we have witnessed a stark decline in business confidence, reaching a record low in 2017.
- Freelancers also expect their businesses' performance to continue to decline. At the end of 2017, 81% of freelancers expected their costs to increase in 2018.
- The self-employed think ensuring access to the single market for UK business should be the number one priority in Brexit negotiations.

Freelancer confidence in the UK economy



*Source:
Freelancer
Confidence
Index Q3
2015, 2016,
2017 and Q4
2017



"It feels like the voice of the self-employed has been lost in the Brexit discussion. What really matters to me is whether industries stay in the UK and freelancing opportunities still exist. Making sure we have close access to the single market is therefore crucial."

Laura Chamberlain, 39,
Marketing Consultant, Surrey

Brexit priorities for the self-employed

Safeguard access to the Single Market and embrace global free trade

- It is common for the self-employed to contract with EU companies based in the UK. Reduced access to the single market could cause these companies to relocate, leading to fewer opportunities for UK freelancers.
- Government should prioritise maintaining access to the single market. This will ensure British freelancers continue to benefit from opportunities in the EU as well as those generated in the UK by foreign direct investment.
- The self-employed preference for an open economy extends beyond the EU - 73% of the self-employed would like to see Britain achieve better access to markets outside the EU following Brexit.
- Government should prioritise free trade agreements with key markets outside the EU to ensure freelancers can work freely

across major economies and UK businesses can secure foreign direct investment.

Free movement of skilled professionals across the EU

- The self-employed are mobile, and Brexit should not change this. Ensuring free movement of UK citizens across the EU is the second more important priority for the self-employed in Brexit negotiations.
- At the same time, the government faces political pressure to ease public anxieties about the pace and scale of immigration and, like the rest of the country, freelancers do have concerns. Restricting immigration from EU nations was in the top three priorities for the self-employed.
- Given that these two policies – free movement of UK citizens across EU and restricting EU immigration – are obviously in conflict, efforts should be made to balance the two, while prioritising the former. Specifically, the government should prioritise securing the free movement of skilled professionals across the EU in sectors where there are skills shortages.



"Brexit has created a lot of uncertainty in the banking sector. It's not clear whether projects will be based in the UK in the coming years. The government must clarify what its Brexit plan is. I need to be able to operate my business in Europe with minimal complexity, including the ability to travel to clients."

Gary Sharp, 55, Financial Services
Programme Manager, Glasgow

Options for reforming immigration

An immigration system that works for freelancers must be swift and unbureaucratic. What the post-Brexit immigration system should look like has sparked lively debate, and organisations such as the REC, RSA and Creative Industries Federation have provided valuable contributions here. The reality is **none of the traditional models of high-skilled labour migration are suited** to meet demands for flexible labour:

- **Employer sponsorship** is not suited to short-term freelancing work. Businesses choose to contract short-term freelancers because of their agility and flexibility. By increasing the cost, time and administrative burden of hiring freelancers, the sponsorship route would erode these benefits.
- To meet the UK's need for talented and flexible labour, there may be a case for allowing unrestricted labour market access to those that meet certain criteria. However, **points-based systems** are not well-suited to self-employment as they are heavily bureaucratic and long-term in their outlook.
- **Entrepreneurship visas** typically have very high investment thresholds, targeted towards businesses that will create a large number of employment opportunities.

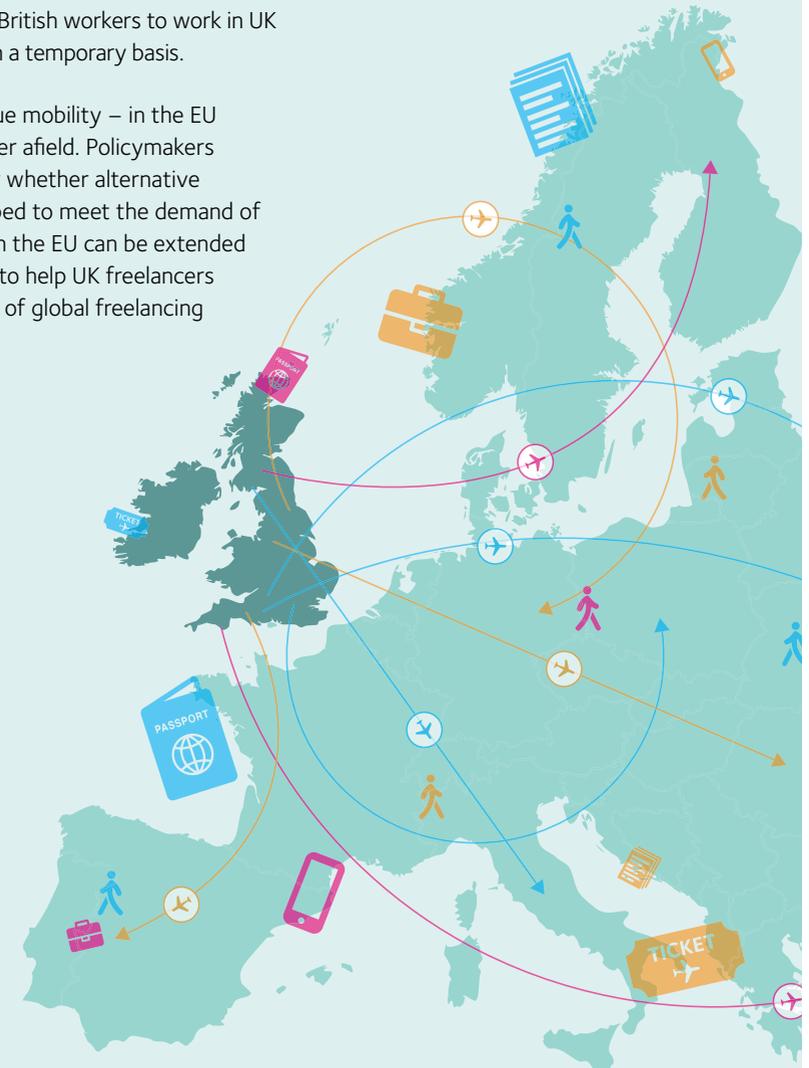
The government needs to **develop alternative options for meeting the needs of flexible labour** both to maintain opportunities for UK freelancers abroad and

to protect sectors vital to the UK economy. Possible models include:

- **Self-employment visas:** A temporary visa that supports the self-employed, learning the lessons from schemes such as those in Germany and the Netherlands. For instance, the Netherlands offers permits for freelance work when activities are beneficial to the Netherlands (points awarded for personal experience, added value or business plan); freelancers must also prove they have at least one commission; and provide proof of future income.
- **Occupational-specific visas:** Those with expertise in areas where skills shortages have been identified could be subject to less stringent visa requirements. The occupations that make up this list could be determined by those that sit within the Standard Occupational Classification (SOC) groups 1 (managers, directors and senior officials) and 2 (professional occupations).
- **Sector-specific work visas:** Sector-specific immigration restrictions, such as increasing the number of entrepreneurship visas available to those in high skill, high growth sectors like technology, or by restricting those available to lower-growth sectors, such as retail.
- **Temporary work visas:** short term visas to fill seasonal labour shortages in industries such as agriculture and construction. For example, the now-closed Seasonal Agricultural Workers Scheme (SAWS)

allowed non-British workers to work in UK agriculture on a temporary basis.

Freelancers value mobility – in the EU as well as further afield. Policymakers should consider whether alternative models developed to meet the demand of flexible labour in the EU can be extended internationally, to help UK freelancers take advantage of global freelancing opportunities.



"Brexit seems to have created more interest in my availability for overseas contracts. I need an uncomplicated process for obtaining a permit to work overseas.

Simon Nicolson, 48, Weapon system and aerospace consultant, Bristol

Review EU-based legislation

- Seventy-two per cent of the self-employed would like to see less bureaucracy in the UK post-Brexit. Leaving the EU could signal a fresh start for UK business as legislation derived from the EU will no longer be mandatory.
- Government should take this opportunity to conduct a full review of UK law derived from EU legislation, and unnecessary red tape should be discarded to improve labour market flexibility.
- Legislation that permits flexibility would enhance our competitiveness and help close the productivity gap between the UK and its G7 counterparts. Personal Service Companies (PSCs), for example, make an average direct contribution to GDP 30 per cent higher than the UK average contribution per worker.



Businesses like mine need support to stay competitive. Rather than spending all its energy on

Brexit, the government should focus on how to help businesses start and flourish at home.

Kelly Gilmour-Grassam, 25, copywriter, Manchester

Make Britain a country that works for freelancers

In this time of uncertainty, Britain's flexible workforce is crucial to ensure the UK labour

market can adapt and thrive in the post-Brexit landscape. IPSE urges government to push ahead with reforms to ensure the talent and dynamism of the self-employed is encouraged and the flexibility of our labour market is protected:

Better support for training and upskilling

- New skills and qualifications are a gateway to higher earnings and career progression. But for the self-employed, particularly those on low-incomes, finding the time and money to undertake training can be too costly – especially when this means passing up the next paid opportunity. On top of this, the government skills strategy remains too focused on employers.
- IPSE is delighted the government is consulting on making training for new skills tax-deductible. We also want the government to introduce improvements to the new enterprise allowance scheme and compulsory enterprise models in higher and further education courses which produce a higher proportion of self-employed graduates.

Encourage pension uptake and saving

- One of the reasons self-employed people do not save is because they do not feel they can commit to a pension because of the volatility of income associated with being self-employed.
- As the Taylor Review recommended, the government needs to develop more flexible saving solutions to adapt to the changing nature of work.



"To make working overseas simple, I want to see the government negotiating to ensure we retain mobile roaming caps. Mobility assistance rights are also crucial in enabling me to do business training. At home the government also needs to do more to tackle unpaid work and unstructured volunteering"

Simon Stephens, 43, Independent and Honest Disability Consultant, Trainer and Activist, Coventry

- IPSE believes the "sidecar" pension, which allows an individual to pay money into a fund that divides contributions between a pension pot and a rainy-day fund, is one option that will provide the self-employed with the flexibility they need.

Introduce a statutory definition of self-employment

- As highlighted in the recent CRSE report, The True Diversity of Self-Employment, the self-employed are not a homogenous group. Although the vast majority of self-employed people are happy working for themselves, a minority of the self-employed have very low levels of autonomy and are at risk of vulnerability.
- A statutory definition of self-employment would reduce the risk of false self-employment because it would make it harder for businesses to force people into self-employment against their will. This

solution would not only give falsely self-employed people back their rights; it would also give the legitimately self-employed greater control where it is lacking.

Ensure a fair modern tax system

- Our tax system is no longer fit for purpose. It is based on the traditional employer/employee model, and as self-employment continues to grow, the problems with this model become clearer.
- Government's attempts to address this have not been joined-up and have resulted in misjudged and ill-conceived policies on National Insurance, IR35 and Making Tax Digital.
- The government needs to conduct a strategic review of the tax system, paying close attention to how modern working practices can be addressed in the tax system.



"I do a lot of business in dollars so things became more expensive after the post-referendum fluctuation in exchange rates. We need more clarity on trade agreements both to stabilise the economy and help my business"

Chichi Eruchalu, 34, Business Strategist, Essex

Our research methodology

This paper was based on two sets of surveys: IPSE's quarterly confidence index surveys (Q3 2015, 2016, 2017 and Q4 2017) as well as a survey conducted by ComRes on behalf of IPSE. The sample for the confidence index surveys was comprised of freelancers, a subset of the self-employed based on Standard Occupational Classifications (SOC) 1-3. The sample for the ComRes survey was based 1,003 self-employed, weighted to be nationally representative by age, gender, region and Standard Occupational Classification (SOC) code.

About IPSE

IPSE is the largest association of independent professionals in the EU, representing over 74,000 freelancers, contractors and consultants from every sector of the economy. It's a not-for-profit organisation owned and run by its members.

We believe that flexibility in the labour market is crucial to Britain's economic success. That's why we are dedicated to improving the business and political landscape for freelance working – through our active voice in both Government and industry.

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

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