



Confidence Index

Q2 2019

In association with:

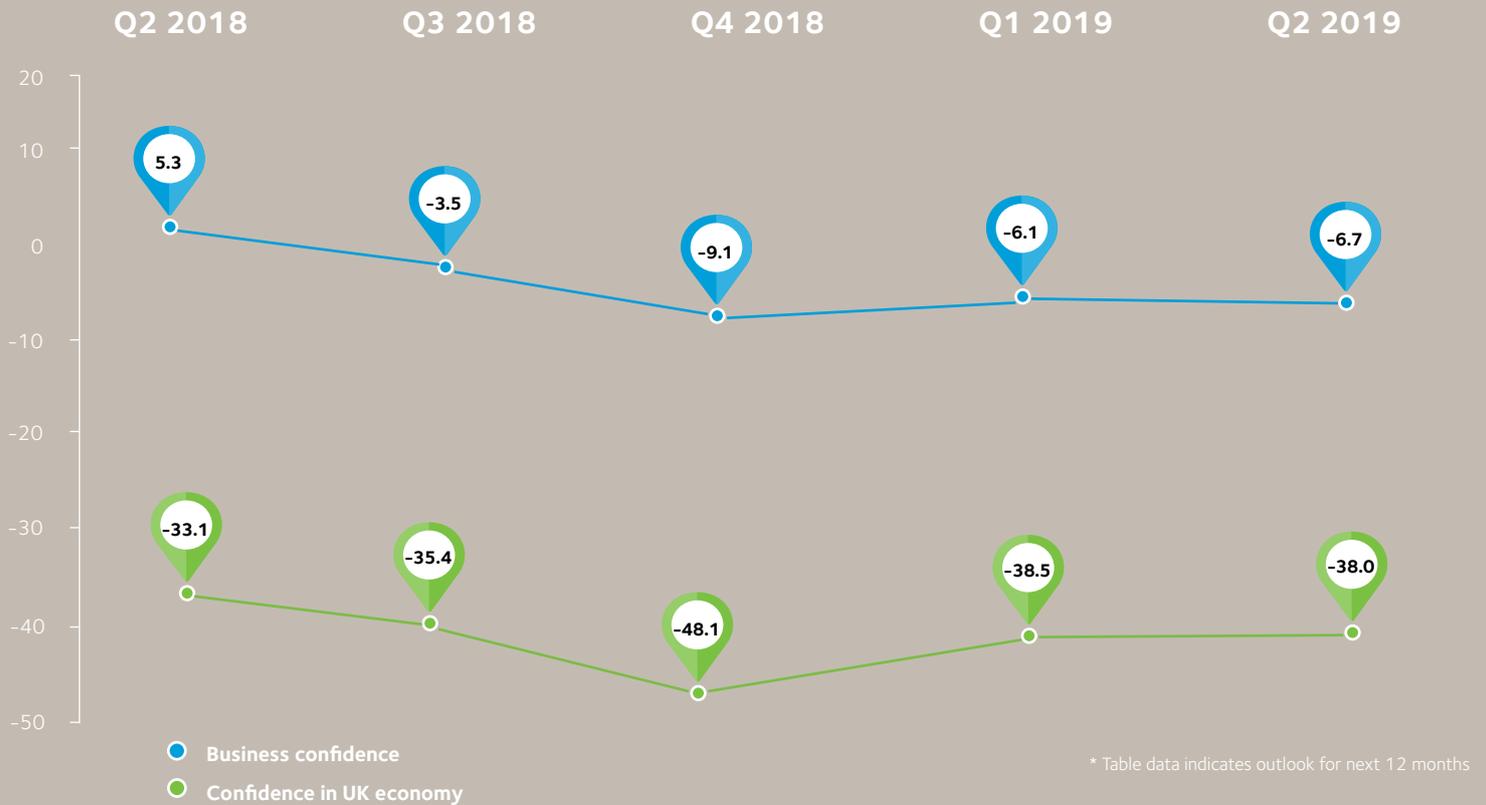


The freelance sector narrowly avoids a recession

Freelancer Confidence Index:

-6.7

(From -100 to +100)



Business cost

70%

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



Demand for freelance work

Amount of time freelancers have been on assignment

Q2 2019

75%

Q1 2019

75%

Q4 2018

79%

Q3 2018

78%

Q2 2018

78%

Over the last **12 months** freelancers have been on assignment for, on average, **77%** of the time

Top factors lowering business performance in Q2 2019

57%



Outcome of the EU referendum

57%



Government fiscal policy relating to freelancing

50%



Government regulation relating to hiring freelancers

Executive Summary

- Freelancers' quarterly earnings slumped by 17 per cent in the first quarter (Q1) of the year and have risen by just 0.03 per cent this quarter.
- Confidence in the UK economy is stuck in deep negative territory (-38.0).
- Freelancers' confidence in their own business performance is also stuck at -6.7.
- Like in Q1 2019, freelancers still say Brexit is the biggest factor holding back their business performance, followed by the Government's fiscal policy on self-employment.
- 70 per cent of freelancers believe their business costs will rise in the next 12 months.

This quarter's Confidence Index suggests that the freelance sector is stagnating in Brexit uncertainty. After a surprise surge in the last quarter of 2018, freelancers' quarterly earnings slumped by 17 per cent at the start of this year and showed negligible growth (0.03%) this quarter.

There is also less work available than during the surprise surge at the end of last year. In Q4 2018, freelancers were on assignment 79 per cent of the time, but this fell to 75 per cent last quarter and has remained completely unchanged.

Freelancers' confidence in the performance of the wider economy over the next 12 months is in deep negative territory (-38.0). Their confidence in it for the next three months has improved from the depths of last quarter (-36.3), but remains low (-27.4). This shift may reflect the belief, during the Conservative leadership election, that there would soon be some movement on Brexit.

There is a similar picture in the business confidence index. Freelancers' confidence in their business performance over the next three months rose from -0.7 last quarter to 3.5 this quarter. They are much more pessimistic about their performance over the next 12 months, however. This score has dipped slightly from -6.1 last quarter to -6.7.

The long-term negative view is reinforced by the fact that 70 per cent of freelancers believe their business costs will increase in the next 12 months.

Freelancers place the blame for this negative business outlook squarely at the foot of Brexit – followed closely by the Government's fiscal policy relating to freelancing. They cite Government regulation relating to hiring freelancers as the third-most significant factor holding back their business performance.

By contrast, freelancers say their brand value and reputation in the market is the biggest factor boosting their business performance. This is followed by innovation in the services they offer clients and the growth of the sector they work in.

Overall, however, the Confidence Index this quarter shows a freelance sector that is stagnating and struggling under the weight of Brexit uncertainty. Although it seems freelancers believe there will be some movement on Brexit soon, they are far beyond the temporary boost at the end of 2018. Their day rates and quarterly earnings have barely shifted from the fall last quarter, and they are pessimistic about the future across a range of key indicators.

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

This edition of our Confidence Index comes at the end of what was meant to be a quiet summer. Parliament was in recess; MPs were back in their constituencies and, in many cases, abroad for holidays. However, Brexit drama mixed with a change of government to make for a much more tumultuous time – and economic confidence has been the main victim.

In the final weeks of Theresa May's tenure, mediocre economic statistics suggested an economy locked in purgatory. The cloud of Brexit uncertainty was clearly taking its toll, and still shows no signs of dispersing. Nor is Brexit the only impending problem for the economy.

Readers of the last two Confidence Index updates will already be aware of the deep tremors in the global economy. The US-China Trade war is having a lasting negative effect, while Germany, the export and manufacturing powerhouse at the heart of Europe, is edging closer to recession. Investors are now looking to bonds and gold – safe assets that people often turn to when they fear an imminent economic slowdown. Although these global tremors have little direct effect on UK GDP, they do have a big impact on mood.

IPSE has consistently pointed out that the delay in the Brexit process is causing problems for freelancers. There are many freelancers in financial services and manufacturing – both sectors of the economy that are highly exposed to the European Single Market. Based on key indicators, confidence is also lukewarm across the farming, food and drink industries.

Employment is at an all-time – and stable – high. Brexit uncertainty, however, has led to a clogged economy where GDP is barely growing (and is the bottom of the G7 countries) and investment decisions are being held back. In fact, the European Commission's latest monthly figures for economic sentiment show that while European economic sentiment has improved, the UK has the lowest results for seven years.

Our index shows a similar gloom among freelancers, though

mainly in the long term, with 12-month economic confidence remaining in deep negative territory at -38.0, similar to last quarter (Q1 2019).

Their 3-month outlook for the UK economy by contrast, is less negative, standing at -27.4. In fact, the 3-month economic confidence of each SOC group rose with SOC1 freelancers, working as managers, directors and senior officials, being the least negative. They are likely to have broader oversight of the economy and be closer to investment decisions and therefore, more directly affected by fluctuations in the wider economy and Brexit uncertainty than freelancers in SOC2 and SOC3.

SOC1 also saw an increase in their economic confidence in the previous survey (taken in late March), precisely as Brexit was being delayed and a 'no deal' scenario being averted. Therefore, this latest rise in their 3-month economic confidence could reflect the belief that there may finally be some progress on Brexit, balanced slightly by continued concern around leaving the EU without a deal.

The 12-month outlook may remain poor, by contrast, in part because of longer-term global economic tremors.

It should also be noted that the data for this latest Confidence Index update was collected towards the end of the Conservative leadership election. Although getting a deal through parliament was widely discussed, there were also attempts to normalise the idea of leaving the EU without a deal. As a result, our indicators are essentially on pause, waiting for something to give. Spare capacity and both day rates and quarterly earnings have seen virtually no change since the last quarter.

This purgatory isn't healthy, and it certainly isn't sustainable. It feels as though a Brexit nudge in either direction may bring the house down. Recessions, it should also be remembered, tend to occur around once a decade, with the last in 2008. With so many question marks over the economy, it is difficult to predict where it – and freelancers' confidence – will be by next quarter.



Freelancer Business Confidence Index

The highly skilled freelance sector experienced a downturn in earnings in Q1 2019. In the last Confidence Index report a small margin of freelancers predicted the decline would continue into Q2 2019, causing a recession.

Freelancers' quarterly earnings remained almost unchanged this quarter, however, narrowly avoiding an outright recession in the sector. They expect their circumstances to improve over the next quarter, but their low 12-month business confidence suggests that they expect these gains to be lost over the coming year.

The weighted average 3-month freelancer business confidence index is marginally positive with a score of 3.5 (Table 1). SOC3 freelancers are the most upbeat about business performance over the next three months with an index score of 12.7, compared to 7.5 for SOC1 freelancers. SOC2 professional freelancers, on the other hand, clearly believe their business performance will decline in the next three months, and have a significantly negative score of -10.3.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	14.8	-0.8	12.0	8.4

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.

Although freelancers are reasonably confident about their business performance over the next three months, they are much more pessimistic about their prospects over the next 12 months. The weighted freelancer business confidence index for the next 12 months is -6.7, which is slightly below the Q1 2019 score of -6.1 (Table 2).

Overall, freelancers expect their businesses to perform worse over the next 12 months. Given their poor performance in the first half of 2019, this makes for a gloomy picture for the sector.

The gloom is not universal for all three SOC groups, however. SOC3 associate professional and technical freelancers have a 12-month business confidence score of 12.4, suggesting they expect their business performance to improve quite significantly over the next 12 months.

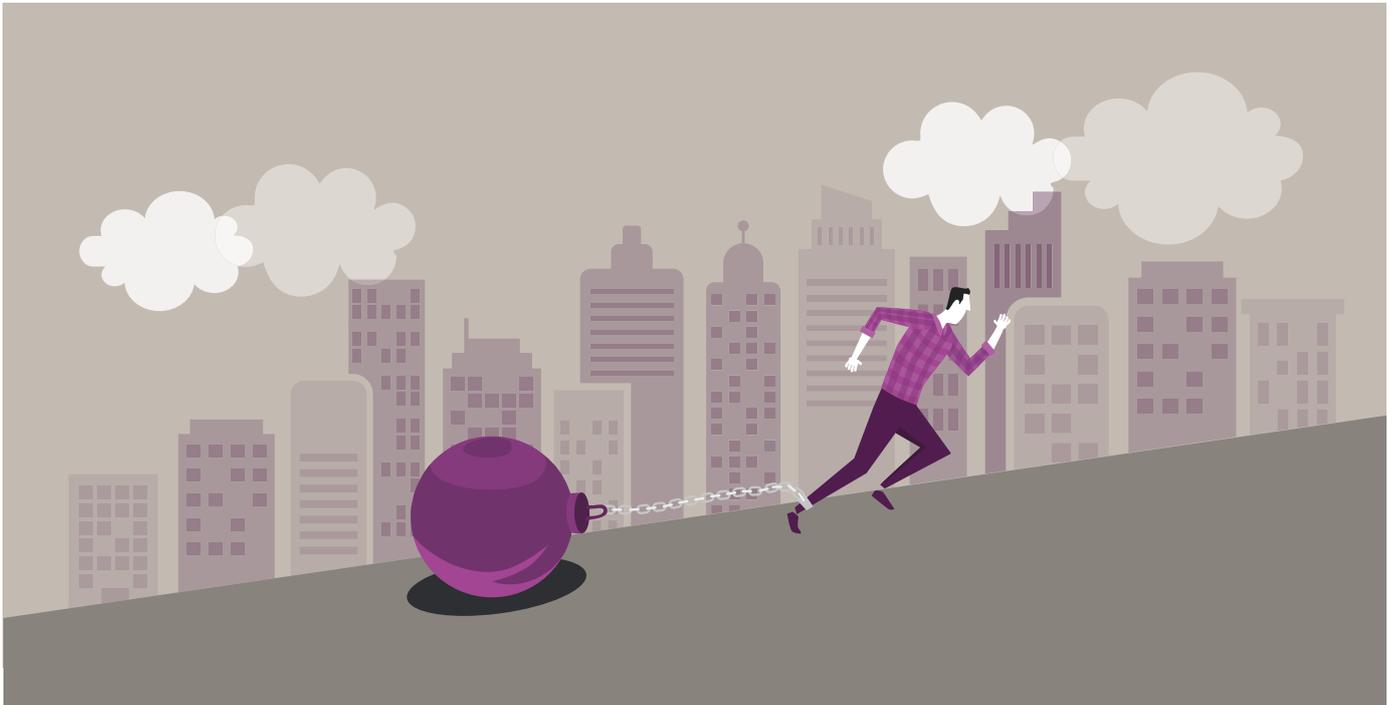
It is SOC1 senior executive freelancers and SOC2 professional freelancers who expect a decline in their business performance. The 12-month index score for SOC1 freelancers was -6.3, while SOC2 freelancers had an extremely low score of -28.9.

While SOC3 freelancers are comparatively optimistic, then, the SOC1 freelancers are mildly pessimistic and SOC2 freelancers are extremely downbeat. The next section explores why confidence varies so much in the sector.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	17.6	-14.4	13.8	5.3

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

The top three factors having a negative influence on freelancers' business performance have remained unchanged from the last quarter (Table 3).

The top factor freelancers say is having a negative influence on their business is the outcome of the EU referendum, cited by 57.4 per cent of freelancers – slightly down from the last quarter (58.6%). The other top two negative factors are also related to public policy.

Taxation policies relating to freelancers is cited by 57.2 per cent of freelancers as having a negative impact on business (marginally up from 55.4% in the last quarter). Furthermore, 50.4 per cent (down from 52.3% in the last quarter) identify Government policies relating to hiring freelancers as having a constraining effect on their business.

There is some variation in the order the different freelancer groups rank these negative influences. SOC3 freelancers appear to be the most optimistic about their business performance. Therefore, it is unsurprising that a lower percentage of this group cite different factors having a negative impact on their businesses in comparison with SOC1 and SOC2.

For example, a lower percentage of SOC3 freelancers cite the outcome of the EU referendum as having a negative effect on business performance than SOC2 freelancers (55.6% compared to 61.3%). This indicates that although ranked as the most negative factor for this group (compared to third for SOC2), it is nonetheless a less prevalent constraint on their business performance.

Similar to previous reports, SOC3 freelancers seem to be concerned about the value of sterling, and list it as one of the top constraints on their business performance. As SOC3 is the third most highly skilled occupational group, barriers to this segment of the labour market might be lower in comparison to SOC1 and SOC2. This could potentially explain why only SOC3 freelancers identify competition with other freelancers among the top three constraints on their business performance.

By contrast, SOC1 and SOC2 freelancers rank the same factors as the top three negative influences to their businesses. Government fiscal and regulatory policies are deemed the first and second most detrimental factors impacting their businesses in both these groups.

For both SOC1 and SOC2, the impact of the EU referendum is cited as the third most negative influence on their businesses, showing that the SOC3 freelancer segment is quite distinctive from SOC1 and SOC2. This could potentially explain why the business confidence outlook for SOC3 freelancers is less downbeat than SOC1 and SOC2. As far as negative influences are concerned, this group appears less affected by Government fiscal and regulatory policies relating to freelancers.

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 (64.7%)	Government's fiscal policy relating to freelancing (70.8%)	Outcome of the EU referendum (55.6%)	Outcome of the EU referendum (57.4%)
2	Government regulation relating to hiring freelancers (55.7%)	Government regulation relating to hiring freelancers (70.1%)	Level of competition from other freelancers (47.4%)	Government's fiscal policy relating to freelancing (57.2%)
3	Outcome of the EU referendum (55.1%)	Outcome of the EU referendum (61.3%)	Change in the value of UK Sterling exchange rate (45.5%)	Government regulation relating to hiring freelancers (50.4%)

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.

There is no change in the overall ranking of the top three influences which enhance the performance of the highly skilled freelance sector since the last quarter (Table 4).

Similar to Q1 2019, the top two positive factors relate to freelancers' business strategy. The first relates to activities which raise the brand and reputation of freelancers' businesses. The second most important positive factor for freelancers is innovation in the services they offer to clients. Freelancers list growth of the sector in which they work in as the third most important factor to enhance business performance.

There is more diversity in the order of the top three positive influences on business performance across the three occupational cohorts, in comparison with the top three negative influences. Importance of brand and reputation is the top factor to boost business performance among SOC2 and SOC3 freelancers and the third most important factor for SOC1 freelancers.

In the last quarter, brand and reputation was listed as the most important positive factor for all three freelancer groups.

The major change this quarter is that SOC1 freelancers now list innovation in the services they offer as the most important positive factor driving their business performance. Innovation of various kinds seems to have been very important for SOC1 freelancers, because they also say that innovation in processes and operations was the second most important factor in their business success.

Freelancers in SOC2 and SOC3, by contrast, did not cite innovation in processes and services among their top three positive influences. SOC3 freelancers said targeting new markets was the second most important positive factor in their business, while SOC2 freelancers said that collaborating with other freelancers/businesses is the third most important positive factor for them.

Overall, there is a common pattern of freelancers being successful in using business strategies relating to innovation, marketing and entrepreneurship to drive business performance in an adverse external business environment, which they believe has been created mainly by Government policies.

Table 4: Top factors enhancing freelancers' business performance

Rank	SOC1	SOC2	SOC3	Weighted Average SOC1-3
1	Innovation in terms of the services I offer clients (66.2%)	My brand value/reputation in the market (67.3%)	My brand value/reputation in the market (74.0%)	My brand value/reputation in the market (68.5%)
2	Innovation in terms of better processes and operations (63.1%)	Innovation in terms of the services I offer clients (57.0%)	Targeting new markets (70.7%)	Innovation in terms of the services I offer clients (63.4%)
3	My brand value/reputation in the market (62.1%)	Collaboration with other freelancers/businesses to secure more work (53.0%)	Innovation in terms of the services I offer clients (67.2%)	Growth of the sector in which I work (60.0%)

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

Far more freelancers are downbeat about the outlook for the UK economy than they are for the performance of the freelance business sector.

Freelancer confidence in the UK economy collapsed after the result of the EU referendum in 2016. In Q2 2019, there is a continuation of this now long-standing trend. The freelancer economic confidence index for the next three months is still firmly negative – albeit marking an improvement from the last quarter – with a score of -27.4.

This negative outlook on the economy is shared by all three highly skilled occupational groups. SOC2 professional freelancers are the most concerned, with an index score of -31.5, while SOC3 and SOC1 freelancers return scores of -28.9 and -20.3 respectively.

Despite the anticipation of a negative economic environment over the next three months, freelancers actually expect to buck the trend as they predict that the business performance of their sector will be marginally positive over the same period.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	-11.1	-21.4	-22.8	-19.1

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.

Freelancers predict the downturn in economic performance to deepen in the longer term, with a 12-month economic confidence index score of -38.0, compared to -27.4 for the next three months (Table 6).

Similarly to the 3-month outlook, there is a pattern of freelancers using business strategies relating to innovation, marketing and entrepreneurship to drive business performance. This is due to the current adverse business environment.

The negative 12-month outlook on the UK economy is shared by all three SOC groups and as before, SOC2 freelancers are the most downbeat. Freelancers' confidence in the UK economy is emphatic in comparison with the mildly negative business confidence index scores for the next 12 months, which shows that freelancers believe they can outperform the rest of the economy.

The results indicate that freelancers feel they can do this by taking more control of their success through using their own business strategies (Table 4).

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	-24.1	-37.2	-36.0	-33.1

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

In Q1 2019, freelancer day rates declined by 15 per cent from £474 to £405 and have remained almost unchanged with a £2 or 0.5 per cent increase in Q2 2019 (Table 7).

Nevertheless, day rates are still 3.3 per cent higher than they were 12 months ago. Apart from the spike in day rates in Q4 2018, freelancer day rates have remained around the £400 mark over the last 12 months.

Over the same period, SOC3 freelancers have made the most gains with a 15.1 per cent increase in day rates, compared to SOC1 and SOC2 who experienced minor changes. SOC1 freelancers’ day rates rose by 1.8 per cent while SOC2 freelancers’ day rates fell by 2.1 per cent.

SOC2 freelancers’ day rates declined between the first two quarters of 2019, falling by 3.6 per cent in Q2 2019. By contrast, SOC1 and SOC3 freelancers witnessed an increase in day rates in Q2 2019, with a rise of 5.7 per cent and 0.4 per cent respectively.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	£508	£486	£232	£394

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

The majority (60%) of freelancers expect their day rates to rise in the next 12 months (Table 8). Approximately half of SOC1 and SOC2 freelancers expect their day rates to increase, compared to those who either expect no change or a decrease.

Nearly three quarters (73%) of SOC3 freelancers expect their day rates to increase. However, each group differs in how much they perceive their day rate to go up by.

SOC3 freelancers forecast a 15.4 per cent increase in their day rates over the next 12 months. Despite a small majority of SOC1 freelancers expecting their day rates to increase over the next 12 months, the net forecast percentage change in days rates for this group is actually a decline of 2 per cent.

SOC2 freelancers expect their day rates to increase by 1.9 per cent over the next 12 months. Therefore, only SOC3 freelancers expect a increase in day rates above the rate of UK inflation - which is consistent with this group having the most confidence in their business performance over the next 12 months. The overall net weighted aggregate change in day rates across all three freelancer groups is forecast to be 6.0 per cent (Table 8b).

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

	SOC 1	SOC 2	SOC 3	Weighted Average SOC1-3
Increase	54%	50%	73%	60%
No change	2%	13%	9%	9%
Decrease	44%	37%	18%	32%

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	-2.0%	1.9%	15.4%	6.0%

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



Capacity Utilisation

Just as freelancer day rates have hardly changed since the last quarter, overall freelancer capacity utilisation has also remained unchanged.

The weighted average number of weeks that freelancers are not working per quarter is 3.3, which is the same as last quarter (Table 8). We measure freelancer spare capacity by the number of weeks without work per quarter out of a maximum of 13 weeks.

We use this measure because freelancers may choose to take holidays 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.

While there is no overall change in capacity utilisation among freelancers, there is in fact some movement – albeit relatively small – within each occupational group. SOC1 freelancers witness a small increase in spare capacity from 3.3 to 3.6 weeks, while both SOC2 and SOC3 freelancers undergo a small decline of half a working day, and one working day of a week respectively.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	2.5	2.5	3.4	2.8

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



Quarterly Earnings

Freelancers' quarterly earnings declined in Q1 2019 and freelancers predicted that the sector would enter recession in Q2 2019 with a 3-month business confidence index score of -0.7 (Table 1).

This prediction was not far off, as in the current quarter freelancers just about avoided recession, with freelancer quarterly earnings rising by just 0.03 per cent, just £6 (Table 10). Therefore, in effect, it is an almost stationary rather than recessionary quarter.

However, this net outcome comprises some diversity in the earnings' performance of the three highly skilled freelancer occupational groups. SOC1 freelancers achieved a 4.5 per cent increase in earnings over the quarter, and SOC3 freelancers secured just under a one per cent increase in earnings in the same period.

SOC2 freelancers suffered nearly a one thousand pound (£995) fall in earnings in Q2 compared to Q1 2019. This diversity in business performance amongst freelancer SOC1-3 groups is expected to repeat over the next quarter.

SOC2 freelancers predict that their sector will enter a recession (with a decline in business performance over the next 3 months), compared to a rise in performance forecast by SOC1 and SOC3 freelancers. Despite this recent low performance in earnings, it is important to note that freelancers' earnings are still more than twice the earnings of equivalent employees.

Table 10: Freelancers' average quarterly earnings

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
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
Quarter 2: 2018	£28,332	£25,325	£11,459	£20,797
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

In terms of freelancers' outlook on the cost of running their businesses, most expect significantly high levels of inflation, albeit not quite as high as last quarter. A total of 70 per cent of freelancers expect their input prices to rise, compared to 14 per cent who expect them to fall (Table 11a).

There is a strong majority of freelancers who expect the cost of their business to rise across all three SOC1-3 groups. 73 per cent of freelancers in both SOC2 and SOC3 predict a rise and around 10 per cent predicting a fall in the costs of running their businesses.

However, their views on the magnitude of these price rises varies, with SOC3 expecting a 13.4 per cent increase in input prices, compared to a 9 per cent rise expected by SOC2 freelancers (Table 11b). These forecasts are much higher than the UK rate of inflation which is currently around 2 per cent. However, these high input price inflation forecasts are somewhat lower than the last quarter, when SOC2 and SOC3 freelancers were predicting a 10.7 per cent and 14.1 per cent increase respectively.

SOC1 freelancers have a strikingly different outlook on inflation than the other two highly skilled freelancer cohorts. A slightly smaller proportion predict a rise in input prices – 63 per cent compared to 73 per cent for both SOC2 and SOC3 freelancers.

However, SOC1 freelancers also expect below inflationary increases in net input prices of just 0.5 per cent. This is significantly down from their forecast last quarter when they expected input prices to rise by 8.2 per cent over the subsequent 12 months.

Overall, freelancers across SOC1-3 are predicting a weighted average increase in input prices of 8.3 per cent, which is roughly four times greater than the rate of inflation in the UK economy; although down from the 11.3 per cent rise in input prices predicted last quarter. The decline in the value of the pound could be potentially playing a role in this, as highly skilled freelancers often sub-contract or collaborate with overseas freelancers and firms, whose cost in pound sterling will have risen significantly.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Increased	63%	73%	73%	70%
No change	12%	16%	17%	15%
Decreased	26%	11%	10%	14%

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	0.5%	9.0%	13.4%	8.3%

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

Summary

The results of the Confidence Index survey for Q2 2019 indicate that the next 12 months will be a challenging time for the freelance sector.

Most freelancers expect their business performance to underperform current levels. However, there is an internal contradiction behind this starkly negative 12-month freelancer business confidence index score.

Over the last 12 months, freelancers' earnings have grown by 3.8 per cent and they predict that their income will further rise by six per cent over the next 12 months - which would in fact be an increase in business performance. This contradiction may, therefore, indicate a tension freelancers feel towards the turbulent external business environment, which they attribute to the negative impact of Government policies.

Freelancers lay the blame directly on Government actions, with Brexit and freelance-related fiscal and regulatory policies being cited as the main constraints on business performance. In the past, freelancers were often able to overpower these through their own business strategies.

In this quarter, freelancers from highly skilled occupational categories still expect to outperform the economy. They also believe their sector will make an inflationary contribution to the UK economy, with both their input day rates expected to exceed the current rate of inflation in the UK.

The Sample

The quarterly Confidence Index report for Q2 2019 was compiled from 955 IPSE and People Per Hour members who replied to an online survey. The survey is conducted every quarter. In Q2 2019, the survey composition of respondents was: 33 per cent female and 65 per cent male, with an

average age of 42, have been freelancing for an average of 8.8 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.

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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.