

IPSE Confidence Index

Q3



In association with:

Upwork



Economist's Perspective

The bigger picture

July through to September were months of exceptional turbulence. The UK's political landscape witnessed huge upheaval. We have a new Prime Minister, new Chancellor, and three separate Cabinet positions all dealing with Brexit. Monetary policy also shifted – Mark Carney, Governor of the Bank of England, immediately spoke out after the referendum result was known, to reassure markets. The Bank then cut interest rates to a record low of 0.25 per cent at the August Monetary Policy Committee meeting. This was to allay any potential fears that borrowing would become more difficult. They have also added £70bn to their quantitative easing programme in order to encourage investment.

So lots of action has been taken, and as yet, the economy hasn't completely faltered. But, there have been some significant developments that may be cause for concern. The value of the pound has plummeted, with some speculating it could even reach parity with the Euro. Because the UK is a net importer, this will have a broad effect on businesses and consumers. The cost of freelancers' work related equipment could rise sharply, cutting into already tight margins, while the average household weekly shop might become markedly more expensive. This is an issue that is already being seen with the supply cost row between Unilever and Tesco. Inflation would be particularly hard to absorb by UK consumers after many years of below average wage growth.

The impact on confidence

When we last surveyed freelancers in quarter two, just before the Brexit vote, results were stark. It seemed that freelancers were very concerned about both the economy and their own businesses, and confidence levels were at their lowest ever recorded. Now that the dust has settled, it appears freelancers' outlook has improved, particularly with regards to freelancers' confidence in their own businesses.

However, this improvement has not translated to positive territory yet. Business sentiment remains negative, and feelings about the economy at large are severely pessimistic.

The drivers lowering sentiment

More than anything else the impact of Brexit was highlighted as the factor that will negatively affect the performance of freelancers' businesses over the next year. More than half of respondents cited this. Freelancers also had other concerns. Most notably, the Government's tax policy, which includes IR35, was a close second in terms of the factors that will harm business.

Business performance

While freelancers are concerned about Brexit and tax, they see their businesses faring considerably better than the wider economy. Justification of this can be found in the data regarding business performance over the last three months.

Probably the best measure of how a business is doing is its turnover. For freelancers we look at a combination of how much they are paid (their day rate) and how much they are in demand (the number of days they are contracted). This quarter, the average freelancer earned just over £400 a day and worked three weeks out of every four. The one week of downtime includes any holidays taken over the summer period. In other words, freelancers remain both busy and well remunerated. In fact, despite a marked decline in day rates and engagement levels over the past quarter, freelancers still tend to earn at least 40 per cent more than comparable employees. Judged by this standard, freelancing remains a financially appealing way of working – although many freelancers do expect things to get tougher in the next year.

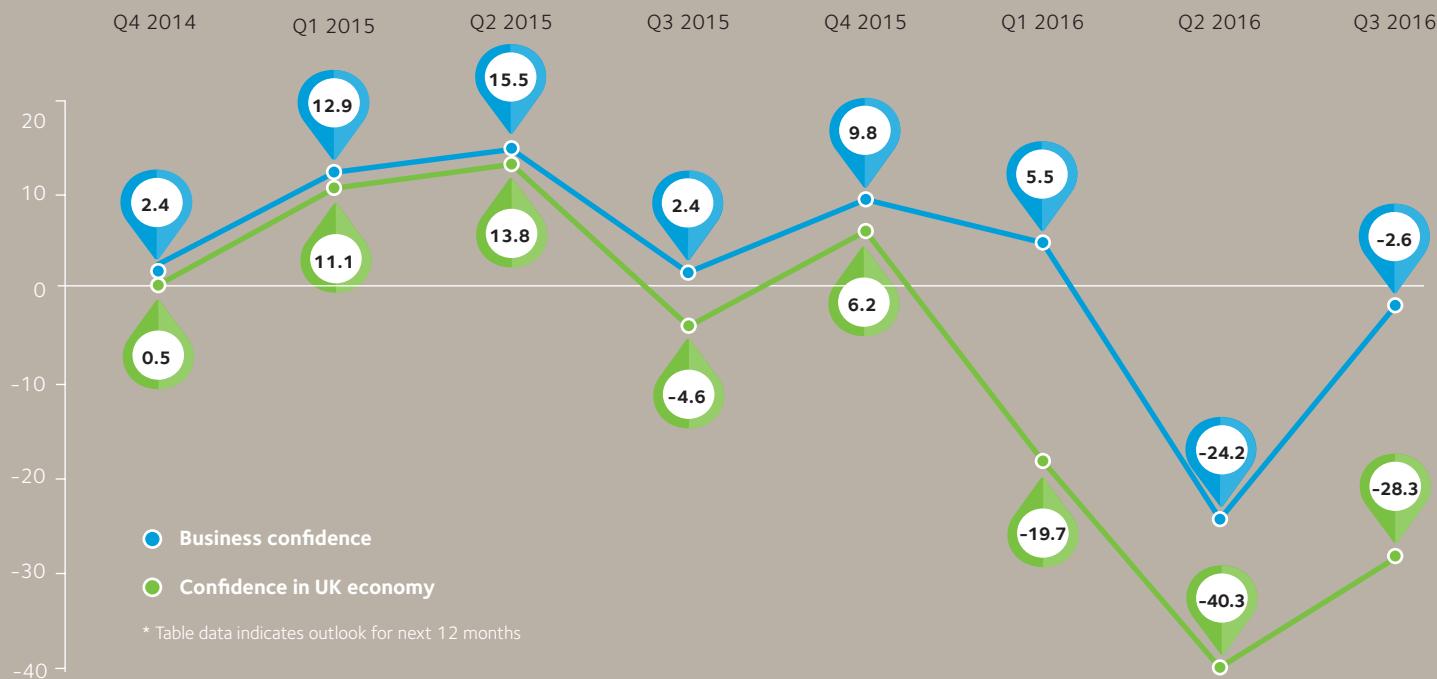
Brexit uncertainty remains a concern for freelancers

Freelancer Confidence Index:

-2.6

(From -100 to +100)

Freelancers' confidence in their business and the UK economy remains deep in negative territory



Business cost

Three in five freelancers expect their costs to increase in the next 12 months

62%

of freelancers believe their costs will **increase**



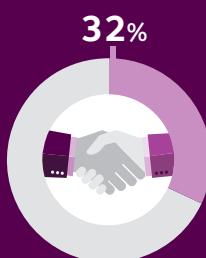
Top factors lowering business performance in Q3 2016



Outcome of the EU referendum



Government's fiscal policy relating to freelancing



Regulation relating to hiring freelancers

Demand for freelance work

Freelancers worked three out of every four weeks in Q3 2016

Q3 2016

74%

Q2 2016

87%

Q1 2016

83%

Q4 2015

83%

Q3 2015

82%

On average over the last **12 months** freelancers have been on assignment **82%** of the time

Executive Summary

In last quarter's report we observed that the freelancer business confidence Index plummeted to record low levels predicting a drop in freelance business performance. The results of the current quarter indicate that this forecast has been proved accurate. Also in the last quarterly report, freelancers' confidence in the UK economy fell by even more than the business confidence index score - with both indices deep into negative values.

This quarter business confidence has recovered somewhat, but the index score is still marginally negative for the outlook over the next 12 months, indicating that most freelancers expect business performance to deteriorate. This is particularly concerning because in quarter two business performance fell to record low levels manifesting in the lowest ever recorded quarterly earnings for freelancers. The negative outlook of freelancers towards their business performance for the next 12 months indicates that most believe that the fall in their business performance has not yet fully bottomed out.

The main drivers of this fall in freelance business performance are the outcome of the EU referendum and public policy relating to taxation and the hiring of freelancers. Therefore, the top three negative drivers of the freelance economy now all emanate from the actions of Parliament, indicating that recovery of the freelance sector is very much in the hands of Westminster politicians. With freelancer capacity utilisation at record low levels there is plenty of scope for expansion in the sector.

Despite the fall in freelancer earnings, freelancers who fall into Standard Occupational Code (SOC) 1 (managers, directors and senior officials) and SOC2 (professional occupations), continue to earn well over twice the earnings of equivalent employees, whereas as lower skilled SOC3 (professional technical) freelancers' premium in earnings over equivalent employees has now narrowed to just 40 per cent. Against this background, just over six times as many freelancers experienced input price inflation over the last year than those who experienced deflation thereby indicating a further squeeze on freelancer net earnings.

Compared to last quarter freelancers' outlook for the UK economy is still bleak even though the index score has improved a little from -40.3 to -28.3. However, the gap between freelancers' business confidence index score and that related to the UK economy has widened from 16 to 26 index points as we move from quarter two to quarter three.

Therefore, freelancers increasingly think that their business sector will outperform the UK economy over the next 12 months. The main factors which they identify as helping their business achieve this performance are mainly self-determining strategic factors, particularly innovation, brand/reputation building and targeting new markets.



Freelancer Business Confidence Index

Business confidence improved on last quarter, but outlook is still bleak

In quarter two we observed the freelancer business confidence index plummeting to record low levels. This quarter confidence has improved significantly but the outlook for the freelance sector is still downbeat. The three month business outlook index has risen from -11.5 to a positive value of three (Table 1). Notwithstanding this rise, it is the second lowest index score on record and indicates that only slightly more freelancers expect their business performance

to pick up over the next three months, rather than decline. This positive outlook is short-lived as over the next 12 months more freelancers expect their business performance to get worse, as opposed to better. The 12 month freelance business confidence index is -2.6, but against a score of -24.2 in the previous quarter this overall negative outlook manifests a big increase in confidence from the low, almost despairing, levels recorded last quarter (Table 2).

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	-19.2	3.6	14.9	3.0
Quarter 2: 2016	-37.5	-10.1	1.6	-11.5
Quarter 1: 2016	-5.6	-3.3	23.6	7.2
Quarter 4: 2015	12.5	0.3	18.6	10.5
Quarter 3: 2015	8.3	1.9	5.4	4.9
Quarter 2: 2015	11.5	13.1	20.9	15.8
Quarter 1: 2015	7.9	15.2	18.8	14.8
Quarter 4: 2014	-2.5	10.1	3.0	4.2

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 size of freelancers in the labour market in 2015.

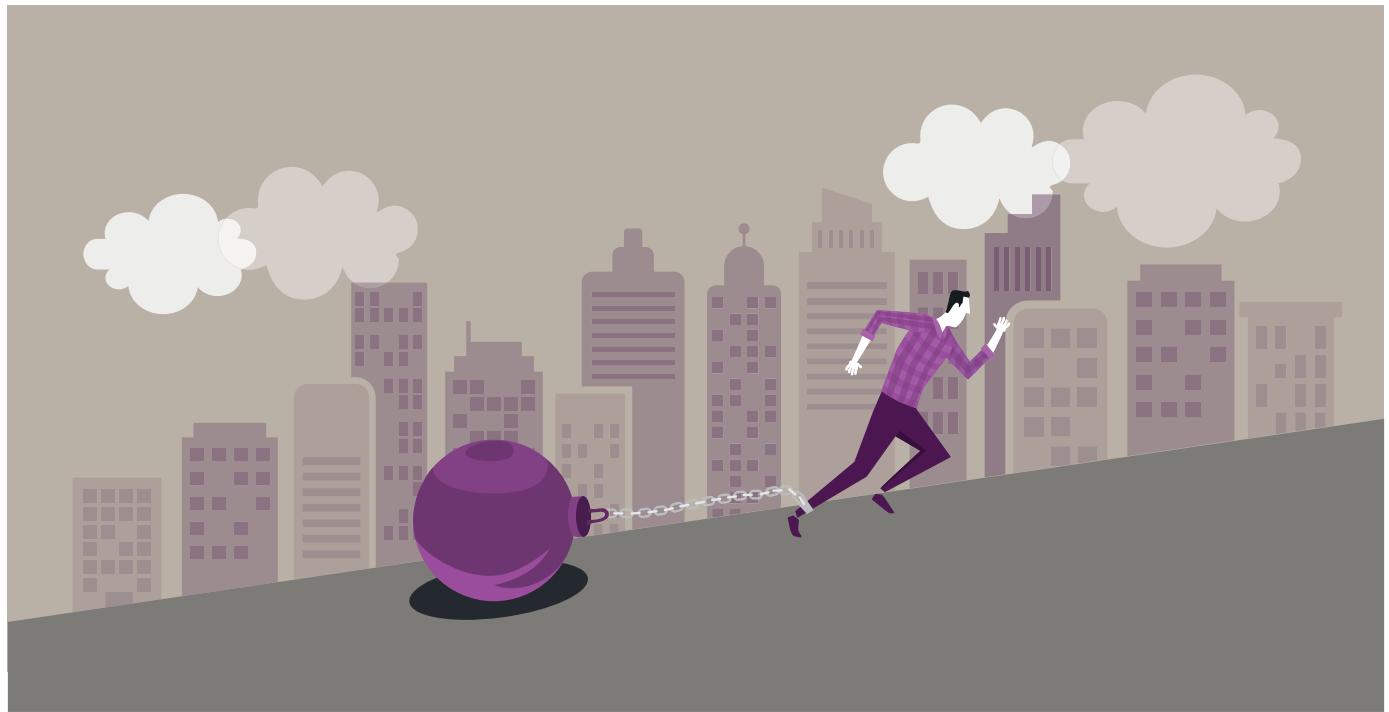
There are some differences across the Standard Occupation Code (SOC) 1-3 groupings this report uses to classify freelancers. Across both the three month and 12 month outlook, freelancer confidence is lowest among SOC1 freelancers, followed by SOC2 and highest among SOC3 freelancers. The same pattern has also been observable over the previous two quarters of 2016. In fact, SOC3 freelancers have always had a positive index score

throughout 2016, unlike SOC1 and SOC2. It is evident from the drivers of freelancer business performance and confidence that the factors influencing SOC1 and SOC2 segments have a high degree of similarity, whereas SOC3 appears as a more distinct segment of freelancers being less impacted by policy and more affected by higher levels of competition than SOC1 and SOC2.

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

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	-32.1	-5.6	16.4	-2.6
Quarter 2: 2016	-41.7	-22.7	-15.7	-24.2
Quarter 1: 2016	-5	12.4	26.9	5.5
Quarter 4: 2015	18.8	-7.1	19.7	9.8
Quarter 3: 2015	17.0	-10.8	5.6	2.4
Quarter 2: 2015	11.5	10.5	22.5	15.5
Quarter 1: 2015	0.0	12.9	20.9	12.9
Quarter 4: 2014	-22.5	10.1	11	2.4

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 size of freelancers in the labour market in 2015.



Factors Impacting Business Performance

The main drivers that have caused a deterioration of freelancer business performance and confidence are highlighted in Tables 3 and 4. The factors which freelancers identify as hampering their business performance over the last three months are presented in Table 3. This shows that taxation policy relating to freelancing is the main negative effect for freelancers in Standard Occupational Codes (SOC) SOC1 and SOC2 while SOC3 freelancers do not list this factor in the top three negative factors.

All three SOC groups cite the outcome of the EU referendum as a major negative influence on their business performance. Regulation relating to the hiring of freelancers is cited by both SOC1 and SOC2 as a factor lowering performance, while SOC3 freelancers identify competition within the freelancer sector and the fall in value of sterling – itself an indirect effect of the outcome of the EU referendum – as the other two main negative influences on their business.

Table 3: Top factors which lowered freelancers' business performance over the last three months

Rank	SOC1	SOC2	SOC3
1	Government's fiscal policy relating to freelancing (71.4%)	Government's fiscal policy relating to freelancing (46.5%)	Outcome of the EU referendum (39.5%)
2	Outcome of the EU referendum (50.0%)	Outcome of the EU referendum (38.7%)	Change in the value of UK Sterling exchange rate (36.7%)
3	Regulation relating to hiring freelancers (50.0%)	Regulation relating to hiring freelancers (36.0%)	Level of competition from other freelancers (32.8%)

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, slightly positive, no impact, slightly negative, significantly negative.

These same negative factors identified as having lowered business performance over the last quarter are expected to dominate the negative influences on business performance over the next 12 months. The only change is that the outcome of the EU referendum has fallen from the second to the third most negative influence for SOC1 and SOC2 freelancers, but it remains the top most negative influence on business performance for SOC3 freelancers.

In conclusion, Brexit and Government fiscal policy and regulations relating to the hiring of freelancers are perceived as the main threats to freelance business performance. SOC3 freelancers are more differentiated than SOC1 and SOC2 freelancers in that they alone list competition and the value of sterling as negative influences on their business performance.

Table 4: Top factors expected to lower freelancers' business performance over the next 12 months

Rank	SOC1	SOC2	SOC3
1	Regulation relating to hiring freelancers (64.3%)	Government's fiscal policy relating to freelancing (58.0%)	Outcome of the EU referendum (44.0%)
2	Government's fiscal policy relating to freelancing (64.3%)	Regulation relating to hiring freelancers (52.7%)	Change in the value of UK Sterling exchange rate (35.4%)
3	Outcome of the EU referendum (57.1%)	Outcome of the EU referendum (48.6%)	Level of competition from other freelancers (33.3%)

Freelancers were asked to rate the importance of 15 factors which can affect the performance of their business over the next 12 months in categories from significantly positive, slightly positive, no impact, slightly negative, significantly negative.

Turning to positive influences on business, we note some continuity with previous reports in terms of the main factors that freelancers believe are driving the performance of their business. Business strategy activities are again the major driver of performance. Building a brand reputation is the most important positive factor. All freelancer SOC groupings listed building a brand reputation as the top factor which enhanced business performance over the last three months (Table 5), and also predict that it will have a positive impact over the next 12 months (Table 6).

The next most important factor is innovation in services offered to clients, which is listed by all SOC groups as being among the top three most positive influences on business performance over both the last three months and again into the next 12 months.

Other positive factors attributable to business strategy entail targeting new markets (important to SOC3 freelancers over the last three months and again looking forward to the next 12 months) and also innovation in internal processes and organisation which is seen as a positive driver of business performance over the next 12 months by SOC1 freelancers.

The only non-strategic influence on business performance is an increase in the use of flexible work by organisations, which is viewed as having had a positive influence on the business performance of SOC1 and SOC2 freelancers over the last three months.

Table 5: Top factors which enhanced freelancers' business performance over the last three months

Rank	SOC1	SOC2	SOC3
1	My brand value/reputation in the market (28.6%)	My brand value/reputation in the market (43.7%)	My brand value/reputation in the market (54.4%)
2	Adoption of flexible working practices by organisations (28.6%)	Adoption of flexible working practices by organisations (28.1%)	Innovation in terms of the services I offer clients (41.0%)
3	Innovation in terms of the services I offer clients (28.6%)	Innovation in terms of the services I offer clients (27.6%)	Targeting new markets (40.9%)

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, slightly positive, no impact, slightly negative, significantly negative.

Table 6: Top factors expected to enhance freelancers' business performance over the next 12 months

Rank	SOC1	SOC2	SOC3
1	My brand value/reputation in the market (42.9%)	My brand value/reputation in the market (49.1%)	My brand value/reputation in the market (59.4%)
2	Innovation in terms of better processes and operations (35.7%)	Innovation in terms of the services I offer clients (34.0%)	Innovation in terms of the services I offer clients (49.3%)
3	Innovation in terms of the services I offer clients (28.6%)	Collaboration with other freelancers/businesses to secure more work (33.6%)	Targeting new markets (48.4%)

Freelancers were asked to rate the importance of 15 factors which can affect the performance of their business over the next 12 months in categories from significantly positive, slightly positive, no impact, slightly negative, significantly negative.



Freelancer UK Economy Confidence Index

Pessimistic outlook towards the UK economy continues following record low last quarter

The freelancer UK economy confidence index for both the three and 12 month outlook was negative for both quarter one and quarter two of 2016, and fell to a record low level in the second quarter. This pessimistic outlook continues into quarter three of 2016 for both the three and 12 month outlook. However there has been some recovery in confidence from quarter two of this year, with the three month outlook increasing from -37.8 to -16.9 and the twelve month outlook

improving from -40.3 to -28.3. Notwithstanding the increase, the index scores for quarter three are still the second lowest on record and notably show that freelancer confidence in the UK economy declines as they move from a three month to a 12 month outlook. Freelancers expect UK economic performance to decline and indeed to get worse as it evolves over the next 12 months.

Table 7: Freelancer confidence indices for the UK economy over the next three months

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	-21.4	-13.2	-17.7	-16.9
Quarter 2: 2016	-50.0	-36.0	-32.5	-37.8
Quarter 1: 2016	-5.0	-18.0	-8.9	-11.3
Quarter 4: 2015	31.3	-2.9	1.7	7.3
Quarter 3: 2015	8.3	-2.7	-4.6	-0.7
Quarter 2: 2015	26.9	15.3	6.4	14.7
Quarter 1: 2015	11.1	16.3	5.2	10.7
Quarter 4: 2014	-7.5	7.1	-0.7	0.5

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 size of freelancers in the labour market in 2015.

It is also notable that freelancers have a much more pessimistic outlook on the economy than they do for their own businesses. So while they clearly view the outcome of the EU referendum as having a negative influence on their

businesses and the economy, it is also apparent that they think they will be better able to overcome the associated challenges of Brexit than the rest of the UK economy.

Table 8: Freelancer confidence indices for the UK economy over the next 12 months

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	-35.7	-24.8	-27.2	-28.3
Quarter 2: 2016	-50.0	-39.3	-35.7	-40.3
Quarter 1: 2016	-25	-24.7	-12.3	-19.7
Quarter 4: 2015	37.5	-6.3	-1.9	6.2
Quarter 3: 2015	0.0	-4.7	-7.3	-4.6
Quarter 2: 2015	15.4	18.7	8.4	13.8
Quarter 1: 2015	5.3	16.5	9.8	11.1
Quarter 4: 2014	-2.5	6.8	-3.3	0.5

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 size of freelancers in the labour market in 2015.



Freelancer Day Rates

Earning power lowered but things expected to improve

In this quarter we observe freelancers' day rates falling to their lowest level since quarter one of 2015. The scale of the decrease since last quarter (Q2) from £518 to £403 is probably overstated as in quarter two we were unable to survey a part of our sample that comprises a greater proportion of lower paid freelancers. Nevertheless, it is notable that the current day rate is the second lowest on

record indicating a reduction in the bargaining power of freelancers. As we will observe later on, there has also been a significant drop in freelancer capacity utilisation (i.e. the extent to which they were working on contract during the quarter), so it appears that freelancers are having to compete for a lower volume of work and are hence reducing their day rates.

Table 9: Average day rates charged by freelancers over the last three months

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	£601	£475	£231	£403
Quarter 2: 2016	£519	£508	£526	£518
Quarter 1: 2016	£639	£483	£237	£418
Quarter 4: 2015	£783	£461	£245	£455
Quarter 3: 2015	£546	£454	£312	£421
Quarter 2: 2015	£815	£493	£261	£481
Quarter 1: 2015	£560	£480	£193	£387
Quarter 4: 2014	£590	£477	£220	£404

The weighted average is based on the relative size of freelancers in the labour market in 2015.

Over the last 12 months, freelancers that fall into SOC2 and SOC3 have experienced a fall in their day rates, which reflects a general weakening of demand in these sectors. However freelancers expect that they will be able to regain some of these losses over the next 12 months. The ratio of freelancers who expect their day rates to increase, relative to those who expect them to fall over the next 12 months, is just over two and a half to one (42% compared to 16%). In particular, SOC3 has the highest proportion of

freelancers who expect an increase in their day rates over the next 12 months (57%) compared to those who expect it to fall (11%). Since this quarter's confidence index survey took place during a period where sterling had depreciated significantly, it is likely that some of the expected rise in day rates is due to the fact that freelancers with export clients will be quoting for work in a foreign currency which will now be worth more in pound sterling terms.

Table 10: Freelancer day rate expected change over the next 12 months

	SOC 1	SOC 2	SOC 3	Weighted Average SOC1-3
Increased	36%	30%	57%	42%
No change	50%	48%	32%	42%
Decreased	14%	22%	11%	16%

The weighted average is based on the relative size of freelancers in the labour market in 2015.



Capacity Utilisation

After a peak in quarter two, freelancers' time spent working has fallen in quarter three

Freelancers' capacity utilisation, which had only just reached its highest level in the last quarterly survey, has now fallen to its lowest level on record. In quarter two of this year capacity utilisation stood at 87 per cent whereas it has fallen to 74 per cent in quarter three (i.e. working 9.6 of the available 13 weeks in the quarter). It has fallen to a record

low level across all three SOC groupings. We have already noted that the factors which freelancers identify as lowering their business performance (Tables 3 and 4) indicate that public policy initiatives – Brexit, regulation and taxation – are the main cause for the fall in freelancer capacity utilisation.

Table 11: Freelancers' spare capacity: Number of weeks not working per quarter

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	4.5	2.7	3.5	3.4
Quarter 2: 2016	1.5	1.6	1.9	1.7
Quarter 1: 2016	1.3	2.1	2.7	2.2
Quarter 4: 2015	1.6	2.1	2.6	2.2
Quarter 3: 2015	3.1	1.7	2.4	2.3
Quarter 2: 2015	3.7	1.9	2.6	2.6
Quarter 1: 2015	2.5	2.1	2.4	2.3
Quarter 4: 2014	1.6	1.7	2.2	1.9

The weighted average is based on the relative size of freelancers in the labour market in 2015.



Quarterly Earnings

Quarterly earnings have dropped, but remain higher than those of comparable employees

A reduction in day rates and capacity utilisation have fed through to a fall in freelancers' quarterly earnings in quarter three of this year. These have now fallen to £19,422, which is the lowest level on record. In fact, all three SOC groups of freelancers have recorded their lowest ever quarterly earnings. This fall in business performance for freelancers is even more striking given that in the run up to this outcome,

freelancers' earnings were broadly on an upward trend. Therefore, the negative impact of Brexit and public policy on freelancers are costing the sector dearly.

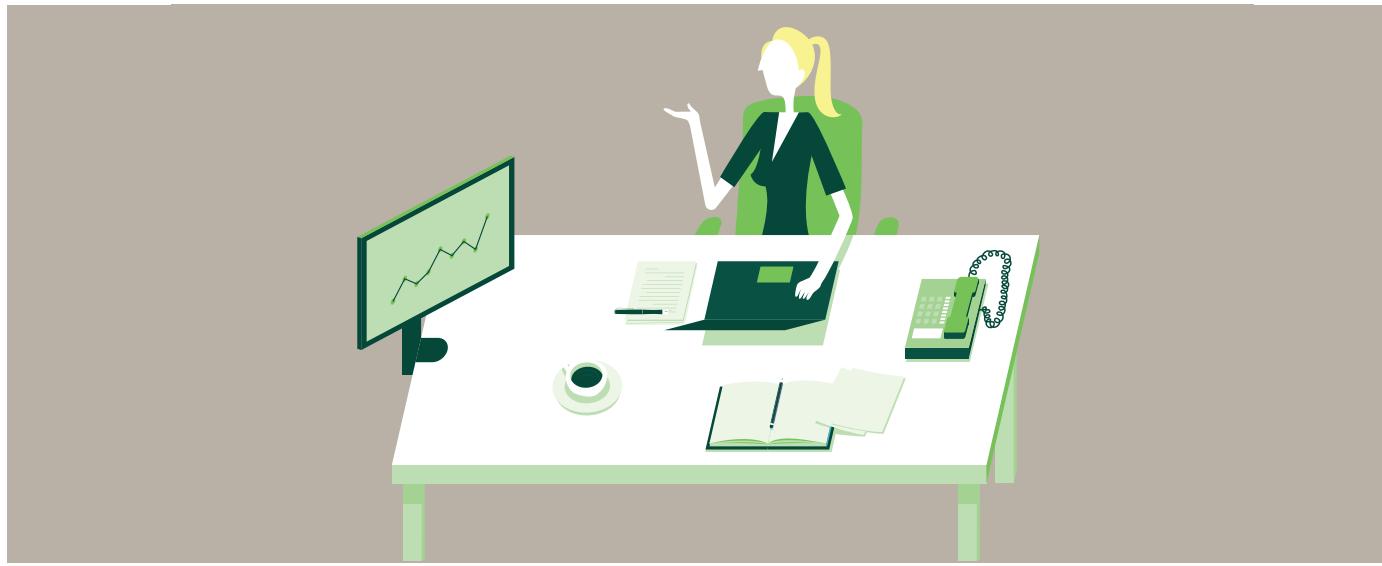
On a positive note, the earnings of freelancers compared to equivalent employees is still well over double for both SOC1 and SOC2 freelancers. SOC3 freelancers are now earning a premium of 40 per cent more than equivalent employees.

Table 12: Freelancers' average quarterly earnings

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Quarter 3: 2016	£26,158	£24,889	£10,879	£19,422
Quarter 2: 2016	£31,120	£28,774	£29,480	£29,601
Quarter 1: 2016	£37,847	£26,347	£12,388	£23,243
Equivalent employee earnings (latest ONS estimates*)	£10,192	£9,321	£7,722	£8,906
Quarter 4: 2015	£33,333	£24,524	£12,147	£21,820
Quarter 3: 2015	£27,611	£25,430	£16,648	£22,511
Quarter 2: 2015	£35,475	£26,840	£13,692	£23,790
Quarter 1: 2015	£27,491	£26,585	£10,395	£20,440
Quarter 4: 2014	£32,848	£27,376	£11,976	£22,663

Employee earnings are based on ONS data on gross weekly earnings by employees. The weighted average is based on the relative size of freelancers in the labour market in 2015.

*Employee earnings are based on Office for National Statistics (ONS) data on gross weekly earnings by employees from the Annual Survey of Hours and Earnings, April 2015.



Freelancers' Business Costs

Inflationary pressures expected over the next 12 months

Freelancers report that there has been a fall in inflation over the last 12 months compared with last quarter. In quarter two of this year, 62 per cent of freelancers said that their business costs had risen compared to 45 per cent this quarter. In both quarters almost the same proportion indicated that business costs had fallen (6% in quarter two and 7% in quarter three).

Turning to the outlook for input price inflation over the next 12 months, it is interesting to note that most freelancers (62%) expect input price inflation to rise, i.e. a ratio of 10 to one of freelancers expect a rise in business costs compared to those expecting a fall. However, given the large depreciation of sterling since the last quarterly survey,

one might have expected freelancers' expectations of input price inflation to increase, but it has fallen (last quarter 68% expected input price inflation to rise over the next 12 months with only 1% expecting it to fall – a ratio of 60 to one compared to 10 to one in the current survey). At this point it is difficult to ascertain if this implies that freelancers have not fully grasped the inflationary impact of a depreciation of sterling or alternatively were highly insightful in the last survey and so had already factored in the likely fall in sterling and subsequent input price inflation. Another interpretation is that they expect the UK economy to weaken sufficiently so that the deflationary effects from a slower economy will more than outweigh the inflationary effects of a depreciation on the pound.

Table 13: Freelancers' input cost change over the last 12 months

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Increased	43%	52%	40%	45%
No change	50%	42%	52%	48%
Decreased	7%	6%	8%	7%

The weighted average is based on the relative size of freelancers in the labour market in 2015.

Table 14: Freelancer input cost change over the next 12 months

	SOC1	SOC2	SOC3	Weighted Average SOC1-3
Increased	72%	67%	53%	62%
No change	21%	29%	40%	32%
Decreased	7%	4%	7%	6%

The weighted average is based on the relative size of freelancers in the labour market in 2015.

Summary

There is little doubt that the outcome of the EU referendum is hitting the freelancer sector hard and that this is being exacerbated by public policy relating to both the regulation and taxation of these workers and their clients. Freelancers reported their worst ever business performance with record low earnings, capacity utilisation and day rates. Most of them have simultaneously experienced input price inflation.

If macroeconomic and public policy factors have got freelancers into this difficult business situation, they believe it will be microeconomic factors – namely business strategy – that provide the best means of escaping it. They see promise in taking a self-determining approach in order to make their

future better. They hold out little hope that public policy will come to the rescue. Freelancers think that their own business sector will do better than the economy at large, but that is a relative improvement as most freelancers believe that their own business performance has not yet reached its nadir. Nevertheless, they believe that the UK economic performance will continue to deteriorate over the next 12 months. The stark drop in freelancers' confidence and business performance since the EU referendum in quarter two of this year appears to be a turning point, marking the end of an upswing and commencement of a major slide in freelancer business performance.

The Sample

The quarterly IPSE Freelancer Confidence Index report for Q3 2016 has been compiled from a database of 936 IPSE members and Upwork users who replied to an online survey. The survey is conducted every quarter. In Q3 2016, the survey composition of respondents was: 31% female, an

average age of 43, have been freelancing for an average of 7.3 years and highly educated – 30% have a highest qualification at the postgraduate degree level while 55% have a highest qualification at the undergraduate degree level.

Authors



Professor Andrew Burke
Dean of Trinity Business School
Trinity College, Dublin



Lorence Nye
Economic Policy Adviser
IPSE



Kayte Jenkins
Research Manager
IPSE

About IPSE

IPSE is the largest association of independent professionals in the EU, representing over 67,000 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.

With highly professional staff working for you, IPSE has the unique ability to demonstrate the economic value of

freelancing to those in power and ensure freelancing is both considered and supported in all areas of regulation and policy. As well as being a campaigning body, IPSE provides a wide range of support services to help its members succeed in business, including tax and legal helplines, IR35 support, and compensation for illness/injury.

Founded in 1999 by a community of freelance contractors, IPSE has become the leading authority on freelancing in the UK. The association is governed by its members and any member is eligible to stand for election to the Consultative Council, and from there, for election to the Board of Directors.

About Upwork

Upwork is the world's largest freelance talent marketplace. As an increasingly connected and independent workforce goes online, knowledge work — like software, shopping and content before it — is shifting online as well. This shift is making it faster and easier for clients to connect and work with talent in near real-time and is freeing professionals

everywhere from having to work at a set time and place. Freelancers are earning more than \$1 billion annually via Upwork. Upwork is headquartered in Mountain View, California, with offices in San Francisco and Oslo, Norway.