5 million votes
how to win the support of the self-employed
Foreword

Executive summary

Who are the self-employed and why do they matter?

A Brexit deal that works for the self-employed

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The best place to be a business
The world of work is changing.

It is time policy did too.

New technologies, demographic shifts and changing attitudes about work–life balance have begun to reshape the labour market. At the heart of this story has been the rapid rise in self-employment.

Since 2008 there has been a 35 per cent increase\(^1\) in the number of self-employed and on current trends there will be well over five million by the end of the next Parliament.

From actors and accountants to consultants and construction workers, self-employed people are the lifeblood of the economy. They contribute £305bn\(^2\) to the UK economy and bring much-needed flexibility, skills and innovation to the public and private sectors.

Self-employment’s value also lies in the freedom and flexibility it offers those who choose it. Freelancing has become a particularly attractive option for those who are often furthest from the traditional labour market: millennials, disabled people, retirees and working mothers.

At IPSE, we see this growth in self-employment as fundamentally positive. However, freelancers do face several challenges. As well as the risks of going it alone, the UK’s tax and employment system does not work well enough for them.

We believe this election offers all political parties a golden opportunity to set out how the next government can support self-employment and develop new approaches to the modern world of work. The prize if they do is substantial: winning the trust of nearly five million voters across a diverse range of ages, backgrounds and sectors in every part of the country.

At a critical juncture for the UK, we need self-employment and our flexible labour market to be firing on all cylinders. IPSE’s manifesto sets out forty policy recommendations across issues such as Brexit, taxation, benefits and broadband that would enable us to do just that.

The new world of work is agile, flexible, digital and connected. It is now time for politicians to respond and build a policy environment to match this.
Executive summary
We believe the next government should:

Strike a **Brexit deal that works for the self-employed** by prioritising frictionless trade and movement of skilled professionals in future negotiations, and providing detailed guidance for freelancers to prepare for a ‘No Deal’.

Provide a **secure financial future for freelancers** through a review of the tax system to clarify issues such as IR35, clamping down on late payment and enabling better access to financial products like mortgages and pensions.

Agree a **fair deal on rights and support** by extending adequate paternity and maternity rights to freelancers, supporting them to take up training, and designing a welfare system more sympathetic to their needs.

Make the UK **the best place to be a business** by building world-class infrastructure, including superfast broadband, making government contracts freelancer-friendly and incentivising the use of workhubs.
IPSE’s top five policy priorities

Build a modern tax system:
Our complex tax system is out of date and penalises the self-employed: we recommend a full wide-ranging review of self-employed and small business taxation to unleash the UK’s entrepreneurial spirit.

End the culture of late payment:
Stop freelancers losing large amounts of time and money each year to the UK’s poor payment culture by giving the Small Business Commissioner powers to fine and ‘name and shame’ late payers.

Identify solutions for saving in later life:
Prevent a self-employed savings crisis by working with industry to find tailored products for freelancers, such as the sidecar pension, to help them put money away for retirement.

Update freelancers’ parental rights:
Extend Shared Parental Leave (SPL) to the self-employed and take action on maternity/paternity pay, so that parents have equal opportunities to care for their children and build their own businesses.

Incentivise workhubs to boost the high street:
Co-working spaces incubate small businesses, innovation and collaboration at the heart of communities — incentivising the use of empty premises for workhubs through exemptions in business rates could help revive Britain’s struggling high streets.
Who are the self-employed and why do they matter?
Economic contribution

£305 BILLION
the value of self-employment to the economy\(^2\)

4.97 MILLION
the number of self-employed\(^3\)

Value to individuals

47%
rise in number of highly skilled freelancers between 2008 and 2018\(^1\)

57%
crease in self-employed women since 2008\(^1\)

81%
of self-employed people are satisfied with their job, 20 per cent more than full-time employees\(^4\)

88%
of freelancers choose self-employment for the flexibility\(^5\)
A Brexit deal that works for the self-employed
The UK’s dynamic self-employed workforce has a vital stake in the outcome of the negotiations with the EU.

IPSE’s Confidence Index has highlighted how Brexit has caused uncertainty, put investment decisions on hold and negatively affected freelancers’ confidence in their business for the last three years.

As long as leaving without a deal remains a possibility, the government should ensure the UK’s smallest businesses are considered in its preparatory guidance notes with a dedicated section focused on small businesses and the self-employed. Longer term, freelancers prioritise access to the Single Market for services and the free movement of skilled professionals.

Maintaining these will enable freelancers to remain competitive when looking to win work overseas and ensure the UK’s self-employment success story continues regardless of the outcome of Brexit.

More than one in three (39%) freelancers had at least one project/contract based in the EU (excluding the UK) in the last 12 months.

Almost a third (30%) of all freelancer contracts in the last year were for clients based in the EU (excluding the UK).

64 per cent believe a disruptive ‘No Deal’ would negatively impact their business.
Recommendations

1. Provide dedicated government advice and support for the self-employed on the implications of ‘No Deal’.

2. Access to the Single Market across key sectors with high numbers of freelancers, such as manufacturing and financial services, and free movement of skilled professionals should be prioritised in negotiations.

3. Develop a freelancer-friendly immigration system with flexible visa options for high-skilled workers.

4. Review EU-based legislation that affects freelancers.

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Dan White
Digital marketing consultant

A no-deal could mean a potential knee-jerk reaction from businesses looking to make cuts. The one budget that gets cut the quickest is marketing. The only thing that gets cut quicker is the freelancer managing those budgets – so there could be a severe and sudden loss of freelancers in marketing.

The best option for the self-employed in terms of Brexit is just for something to happen. Uncertainty about what the future holds is causing the biggest problem – and uncertainty is never good for business.

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With freelancers and Brexit, it would be great if there were some contingency plans in place specifically for self-employed people. Focus is naturally placed on big business and rightly so, but with 15 per cent of the UK workforce self-employed, there needs to be a specific plan in place for how to combat some of the unique challenges we as a group face.
A secure financial future

Dan White
Digital Marketing Consultant
Too much of freelancers’ time is taken up with unnecessary financial struggles like chasing unpaid invoices, accessing financial products or determining tax status.

Government should strive to make life as easy as possible for the self-employed and avoid creating new barriers to them running their businesses. Self-employment is growing but our tax system and financial institutions are not keeping up with the pace of change, especially when it comes to accessing savings products or mortgages.

There is clearly an opportunity for any political party that vows to support self-employment. We believe the next government should be pioneering a bold approach that looks to lift the burden of admin and provide greater clarity across a range of areas.

60 per cent of freelancers cite irregular income or unpredictable finances as a key concern.

Around two-thirds of the UK’s self-employed have experienced late payment and freelancers lose an annual average of 20 days a year chasing unpaid invoices.

Just 31 per cent of the self-employed are saving into a pension.
**Tax recommendations**

1. Commission a fundamental review of the UK’s tax system and how it affects small businesses and the self-employed.

2. Repeal the changes to the IR35 legislation or, failing this, pause the roll-out of the changes to off-payroll working rules to the private sector for at least two years until a full review of its implementation in the public sector has taken place.

3. The government should drop the harsh retrospective approach HMRC has taken on the Loan Charge and pause until the ongoing independent review has concluded.

4. Commit to no new tax rises or National Insurance Contribution (NIC) increases on the self-employed.

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**Late payment recommendations**

1. Fast-track plans to give the Small Business Commissioner powers to fine and ‘name and shame’ late payers; and explore extending the commissioner’s mandate to target late paying SMEs as well.

2. Write the Prompt Payment Code into law to compel companies to pay within 30 days.

3. Make public sector payment practice the ‘gold standard’ for private businesses to follow.
Mortgages recommendations

1. Government and the mortgage industry should work together to explore tailored products and ways of making it easier for the self-employed to successfully apply for mortgages.

2. Modernise the tax and employment system to make it easier for lenders to assess freelancers’ financial situations and de-risk them as customers.

Saving for later life recommendations

1. Government should work with the pensions industry to encourage more flexible savings solutions and test interventions for freelancers to save for later life.

2. Automatic Enrolment (AE) will not work for the self-employed – instead government should roll-out the sidecar pension scheme, which splits savings between a pension pot and an emergency fund, to the self-employed.

3. Provide tailored guidance on saving for the self-employed via the Money and Pensions Service, the new single financial guidance body.
Business debt recommendations

1

Guarantee the continuation of the Breathing Space scheme, which covers the self-employed, in the next parliament.

2

Ensure the Money and Pensions Service, the new single financial guidance body, considers self-employed people within its remit.

Lorraine Finch
Owner of LF Conservation and Preservation

We do need a modern tax system for the self-employed. The current tax system is labyrinthine and positively medieval in its complexity. It is obvious that amendments have been tacked on as needed rather than overhauling the system to keep it agile, efficient and fit for purpose.

Late payments are also a huge struggle for the self-employed. In my experience, it is cash flow that puts the self-employed out of business, not a lack of business. In most cases, my clients take an average of three months to pay an invoice.

In many cases, not only have I not been paid for the work that I have done, but I am also carrying their debt for any travel, accommodation and materials that I have purchased to carry out the job.

To give an example, currently I have outstanding from one client, £146.20 for travel, £100.00 for accommodation and £800.00 for the work. This is just one client but it is the same for most of them. Clients should have a legal time period by which they have to pay invoices.
A fair deal on rights and support

Lorraine Finch
Owner of LF Conservation and Preservation
The self-employed are independent people who recognise and accept that their chosen way of working comes without the framework of statutory employment benefits and entitlements.

However, the government has an important role to play in ensuring there is clarity about who is genuinely self-employed and what they should reasonably be entitled to. Confusion about employment status is at the heart of many of the tax and legal problems that freelancers encounter.

Many self-employed people are excluded from reasonable support. A more inclusive approach to freelancers would benefit them in their work and home life and ensure they can continue to add value to the UK economy.

IPSE believes that with a growing number of freelancers more should be done to provide a fair deal on some basic areas where our outdated system risks leaving them behind, from parental benefits to skills training.

Between 2008 and 2018 the number of mothers working as freelancers increased by 80 per cent\(^1\)

One in seven (611,000) disabled people in the UK now work for themselves in their main job, marking a 30 per cent increase over the last five years alone\(^9\)

Only 12 per cent of the UK’s solo self-employed have taken job-related training in the last three months, compared to 26 per cent of employees\(^{10}\).
Employment status recommendations

1. Deliver a statutory legal definition of self-employment.

Parental rights recommendations

1. Extend Shared Parental Leave (SPL) to the self-employed so that parents have equal opportunities to care for their children — and build their own business.

2. Introduce Statutory Maternity Pay for self-employed mothers.

3. Extend Statutory Paternity Leave to fathers who are self-employed.

Recommendations for self-employed disabled people

1. Increase New Enterprise Allowance (NEA) mentor and benefit support to two years to reflect the length of time individuals need support while establishing their businesses.

2. Better publicity for the Access to Work (ATW) programme via Job Centre Pluses, mandate Work Coaches to make all eligible people aware of ATW and allow GPs to refer patients to the scheme.

3. Re-designing the Work Capability Assessment (WCA) to consider a range of physical and mental health conditions and reduce the chance of incorrect decisions being made.
Training and skills recommendations

1. Broaden the apprenticeship levy into a wider skills levy, giving businesses — including recruitment companies — the flexibility to spend on their self-employed workers and different types of training.

2. Make training for new skills tax-deductible for the self-employed.

3. Establish a self-employment hub to improve signposting to trusted online training providers.

Universal Credit recommendations

1. Review Universal Credit’s (UC) impact on the self-employed and extend the start-up period of UC to two years.

2. Reform the ‘Minimum Income Floor’ by calculating earnings on a quarterly or annual (rather than month-to-month) basis, to account for freelancers’ volatile incomes.
Enhance protection for freelancers' businesses in the digital era by reviewing intellectual property law and how it affects those who are self-employed.

Improve signposting, via gov.uk, of information about copyright and intellectual property law for both freelancers and their clients.

Anna Lundberg
Business coach

Working for yourself empowers you to make your own decisions about the projects and clients you take on and the ones you don’t. That gives you the freedom and flexibility that new parents need to manage work around a young family.

At the same time, it gives you the opportunity to continue doing meaningful work and evolving as a professional alongside your new role as a parent.

The framework of the keeping-in-touch days is very limiting for freelancers and entrepreneurs, though, who really need to be able to do an hour here and there to keep their business running while they’re on leave. This needs to be re-worked so that it supports this growing portion of the population.
The best place to be a business

Anna Lundberg
Business Coach
Many self-employed people are still held back by a business environment that does not work for them.

Major cities such as London are generally a good place to start a business in the UK. However, there are a number of difficult barriers, which mean for many people it is hard to become, or remain, a freelancer.

As freelancers work at home and on the move, priorities should include, firstly, improved broadband and mobile coverage across the UK. Increasing the availability of workhubs or co-working spaces in UK towns and cities could also incubate more small businesses, as well as promote innovation and collaboration.

We have outlined a range of simple steps the government can take to create a business environment that will help the self-employed to thrive.
Connectivity recommendations

1. Deliver super-fast broadband service for all by 2025, and hold to the commitment to ensure the majority of the population are covered by a 5G signal by 2027.

Workhubs recommendations

1. Incentivise the use of modern co-working spaces/workhubs through targeted support such as business rates exemptions.

2. The government should work with councils and Local Enterprise Partnerships to promote the creation of workhubs.

Government procurement recommendations

1. Open up public procurement to freelancers and smaller bidders by simplifying government contracts and making them easier to access.

2. Ensure freelancers are considered as part of any procurement target spending on SMEs.
Co-operatives recommendations

1. Incentivise ways for the self-employed to come together through mutual assistance groups or co-operatives to pool risk and resources.

2. Encourage financial institutions, such as banks and insurance providers, to adopt more flexible arrangements for groups of self-employed workers.

3. Government should work with IPSE and other stakeholders to develop a ‘workertech’ pilot.

Bejal Mistry
Global study manager

Having a co-working space to go to has helped with transitioning from an office based job to a fully home based role. It has given me the social aspect of working in an office which I really missed and has connected me with a network of freelancers both inside and outside of my industry.

I was surprised at how many people work from home and are freelance in my city, Milton Keynes, who were facing the same struggle — enjoying working for themselves, but missing the social aspect of an office. It is a great way to network and see what’s going on in your local area that you may not otherwise find out about.

Co-working spaces have the ability to help grow local businesses by connecting local talent, entrepreneurs and freelancers. It also nurtures an actual sense of community and support amongst remote workers living in the same city.
References

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IPSE – the Association of Independent Professionals and the Self-Employed – is the representative body for the UK’s self-employed community, including freelancers, contractors, consultants and independent professionals. With more than 78,000 members and representing the views, concerns and skills of some 4.9 million of the UK’s self-employed, IPSE is the largest organisation of its kind in Europe.

Our mission is to represent and promote the interests of the UK’s self-employed population. We achieve this through a comprehensive policy agenda, research programme and services to members. We endeavour to be the most appreciated source of protection and information for independent professionals in the UK. We also work to provide legislators, regulators and businesses with authoritative and comprehensive policies to enhance the ability of self-employed people to deliver economic impact.

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