



Department
for Business
Innovation & Skills

Understanding self-employment

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Introduction

- The self-employed population continues to grow strongly
- We know they are a diverse group, with some shifting demographics



Source: four quarter average of ONS Labour Market Statistics

- Today we'll see what they told us about their choices, how they view their situation, the difficulties they face, and how they manage their life in self-employment
- And then take a brief look at what we've found out about trends in self-employed income

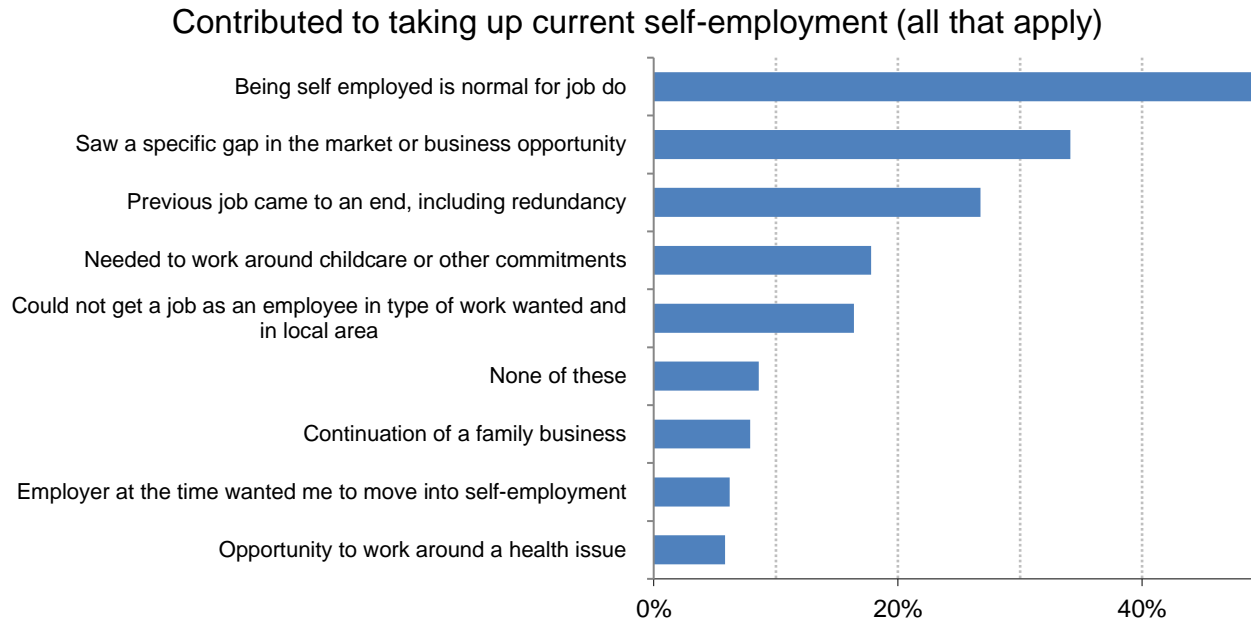


The BIS self-employed survey

- Interviews with 1,423 previous respondents to the Labour Force Survey, who had been self-employed in their main job
- Responses weighted to the number of self-employed people in the Annual Population Survey 2014
- The 195 individuals who reported they were no longer self-employed in their main job were asked a shorter set of questions
- To gain some insight about how self-employment compares with being an employee we asked respondents about their beliefs and opinions
- In some cases invited them to compare self-employment with a hypothetical 'similar' employee job



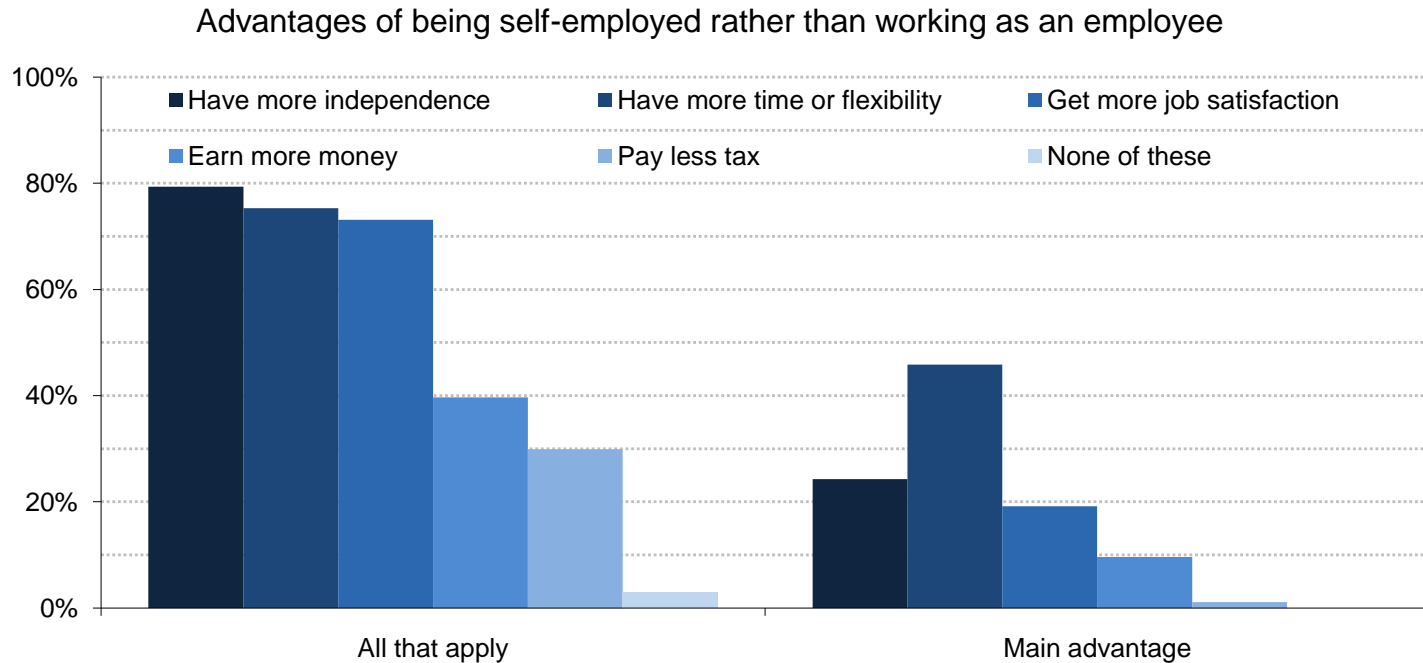
The decision to enter self-employment is more likely to be driven by opportunity than necessity



- In keeping with other sources, most common reasons for entry are opportunity-driven
- It's not always simple: 49% said more than one factor contributed to their decision
- 6% said they were encouraged into self-employment by their (then) employer



The key motivations when starting do not tend to be financial

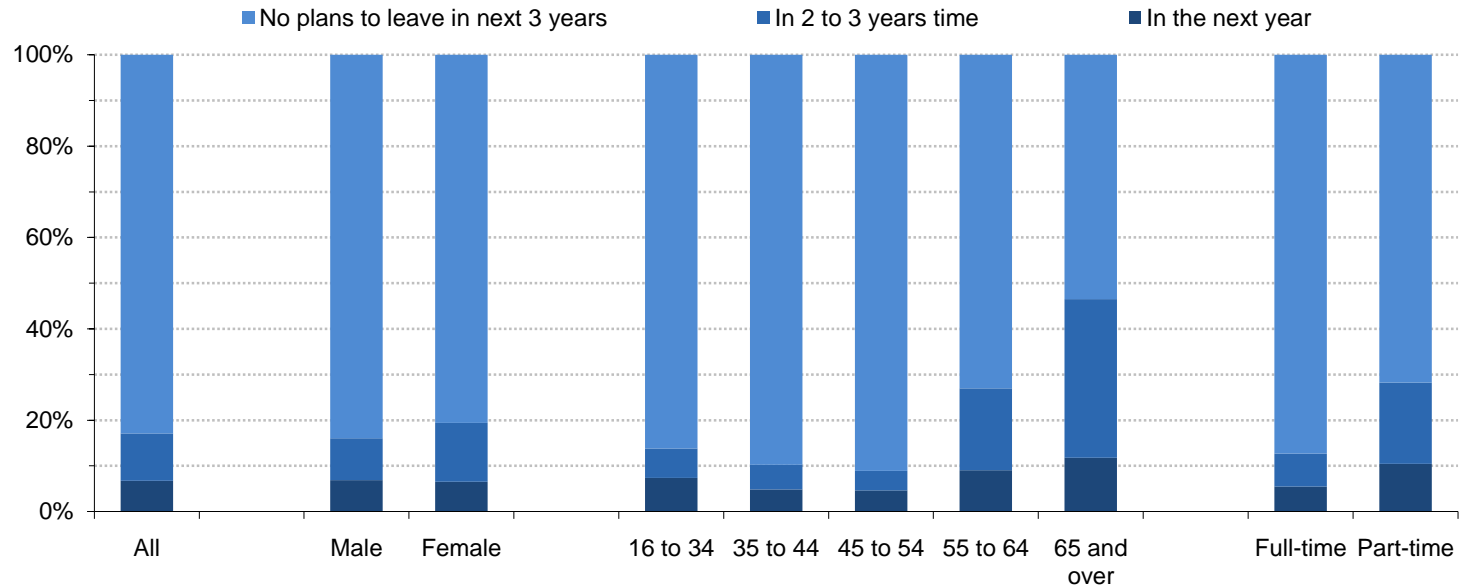


- On average people reported three benefits and 85% more than one
- Benefits reported most often were having flexibility, independence, and job satisfaction
- 46% said having more time or flexibility was the main advantage – less than 10% said earning more money



Most people in self-employment have no plans to leave

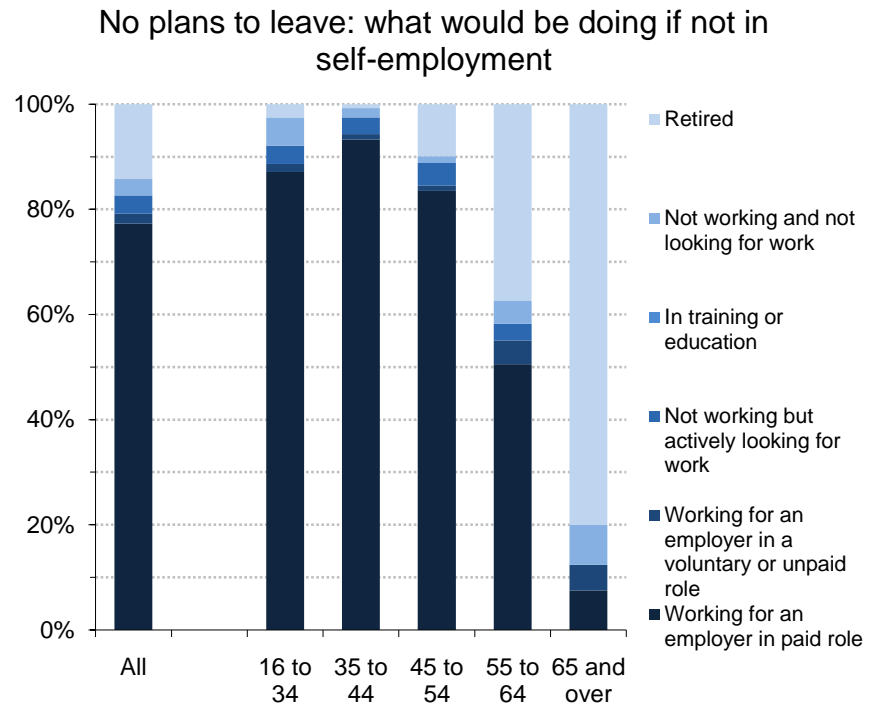
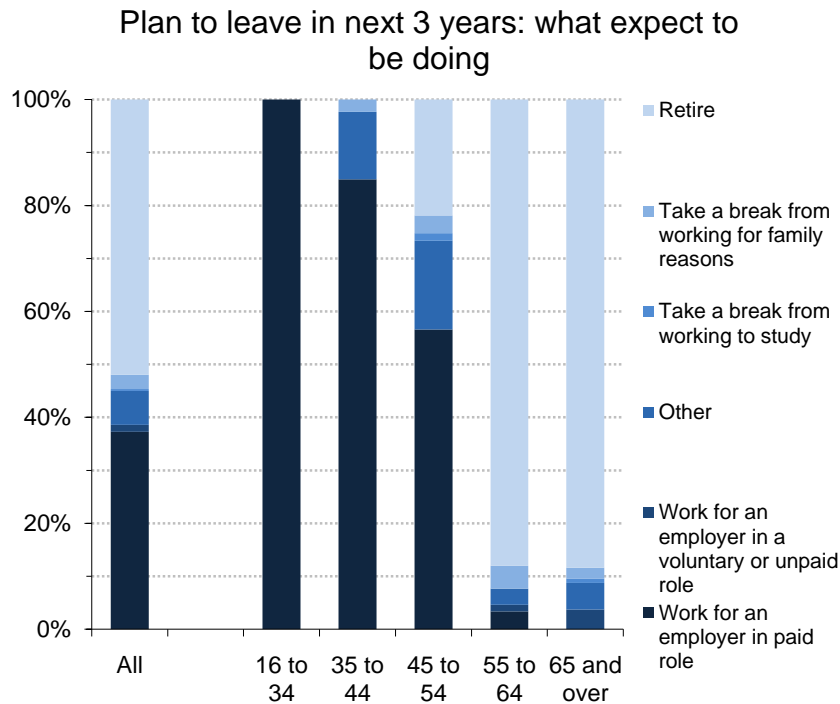
Whether expect to leave self-employment in next 3 years



- Over 80% expected to be in self-employment for at least the next 3 years
- Less than 1 in 10 were planning to leave within a year
- Some unsurprising differences by age – also drives the part-time finding



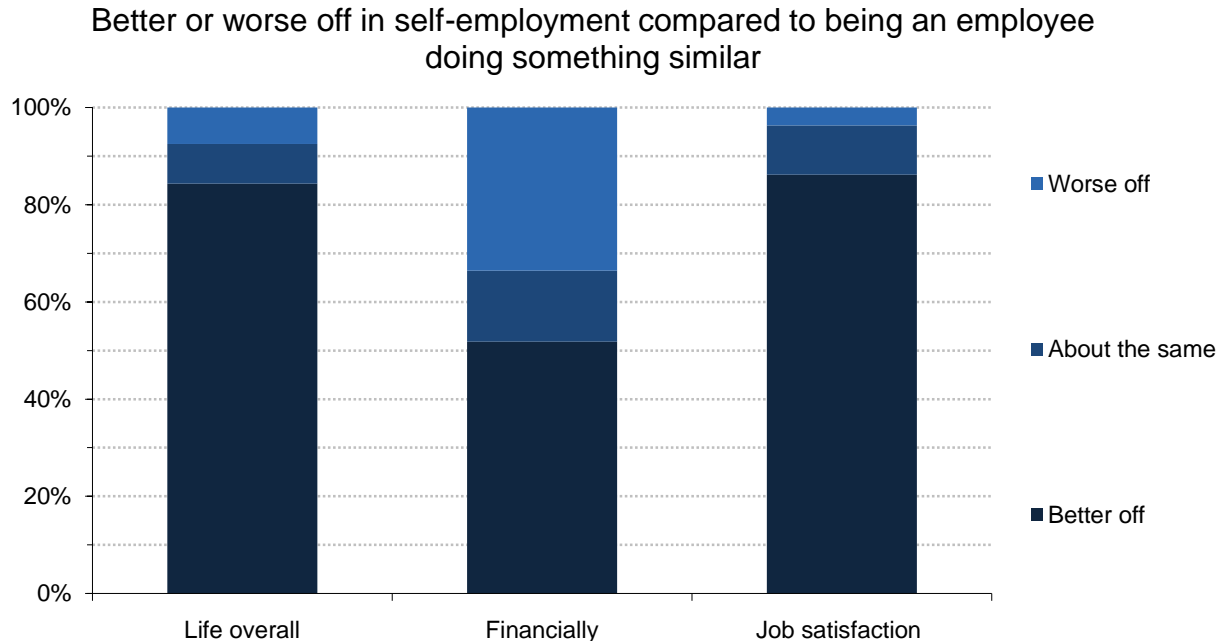
The majority of those planning to leave will retire



- Less than two fifths of those who planned to leave in the next 3 years will be economically active on leaving
- A fifth of the self-employed either already had plans to retire or would be retired if they did stop
- 6% of all people in self-employment plan to leave and work for an employer
- Again, people’s plans have a clear association with age



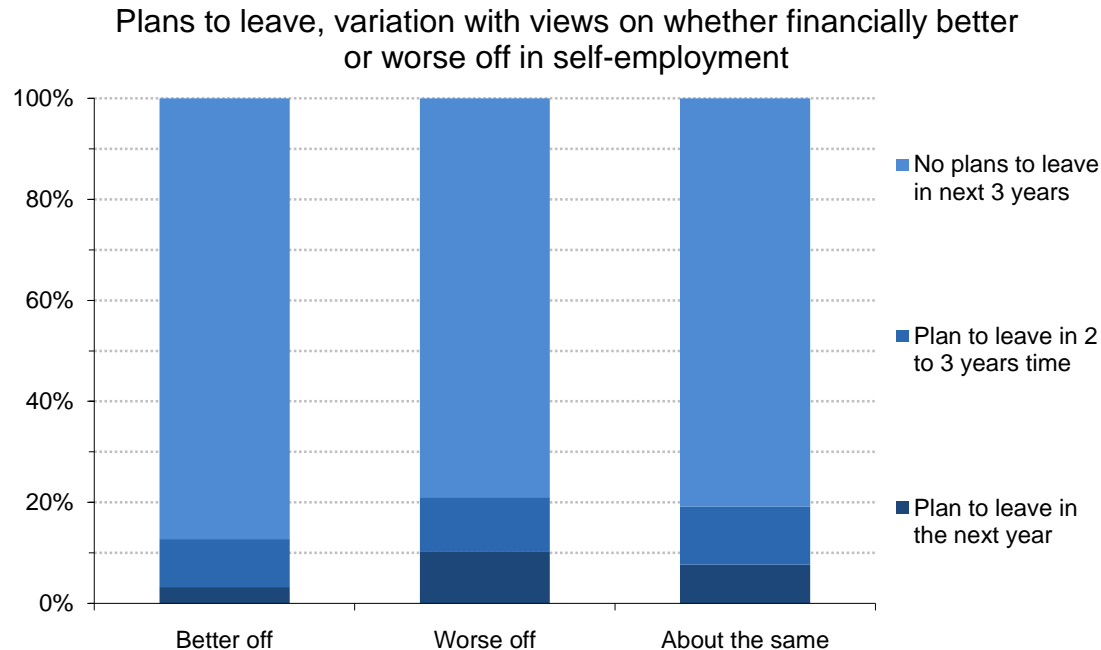
Most think life overall is better in self-employment



- 84% thought life was better overall; just 7% said it was worse than being an employee
- Job satisfaction is clearly high – suggests motivations being realised?
- The majority thought they were financially better off
- We had some interesting findings for the third who said they were financially worse off...



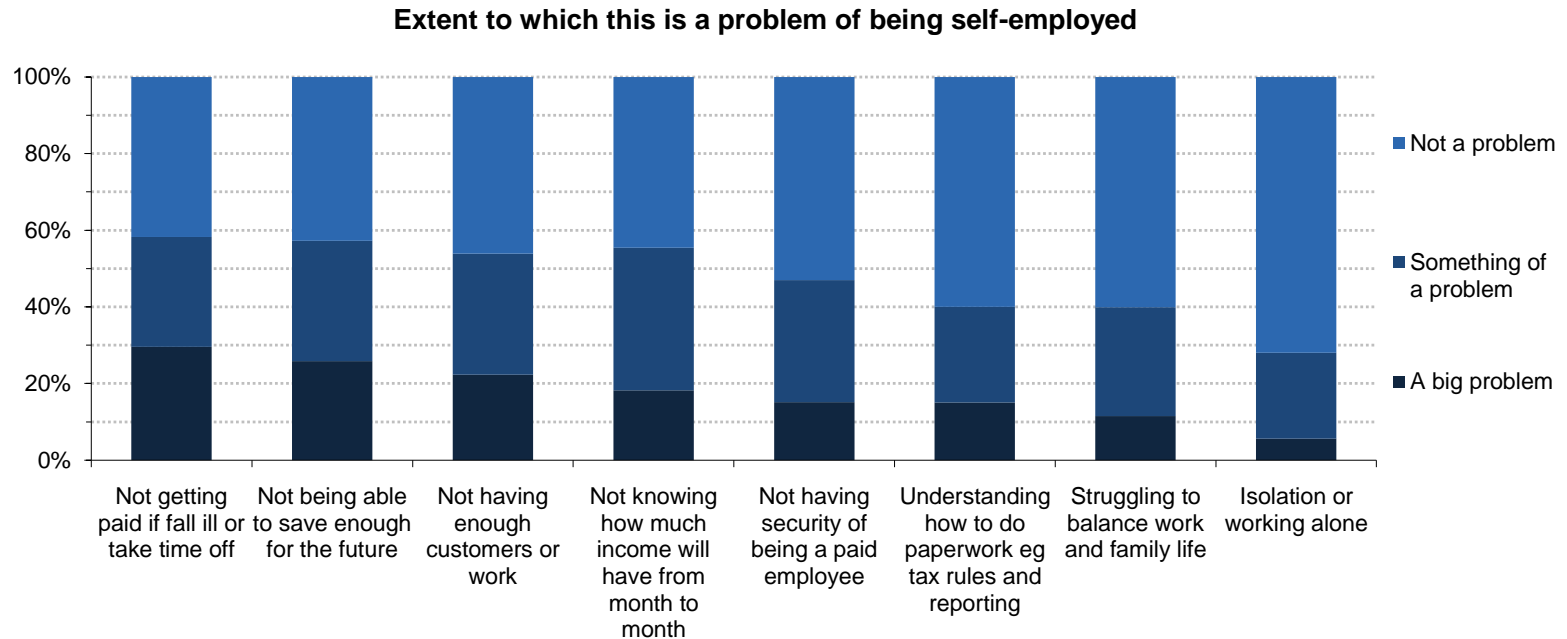
Most of those who are financially worse off still have no plans to leave...



- 74% of those who thought they were financially worse off still thought their life overall was better (not shown in chart)
- This is reflected in plans to leave:
 - 4 in 5 had no plans to do so in the next 3 years
 - Just 1 in 10 were planning to leave in the next year



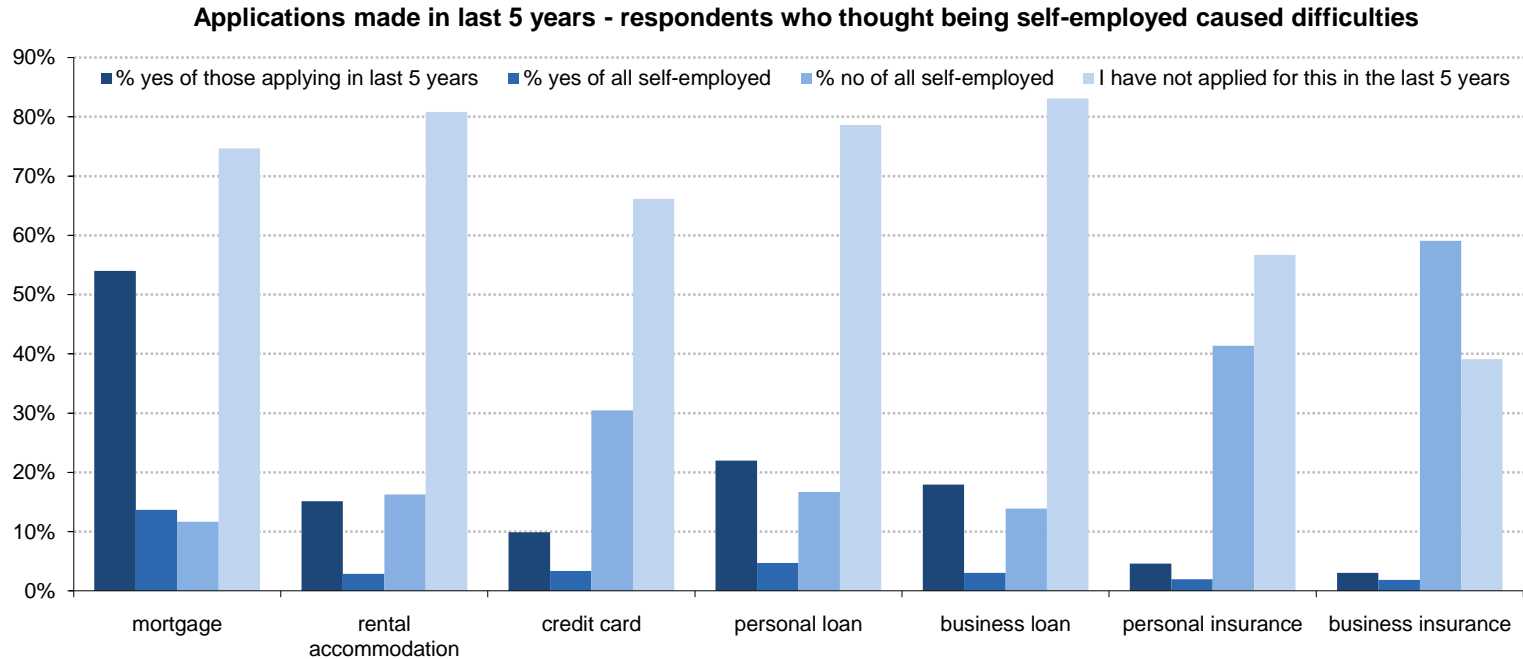
But some do say they experience big problems



- None of the issues we asked about was a big problem to more than 30% of the self-employed
- We did find 56% experienced a 'big problem' in at least one area (when prompted)
- But we didn't find an effect on plans to leave within the next year
- An area for more research – to understand actual impact and compare vs employees



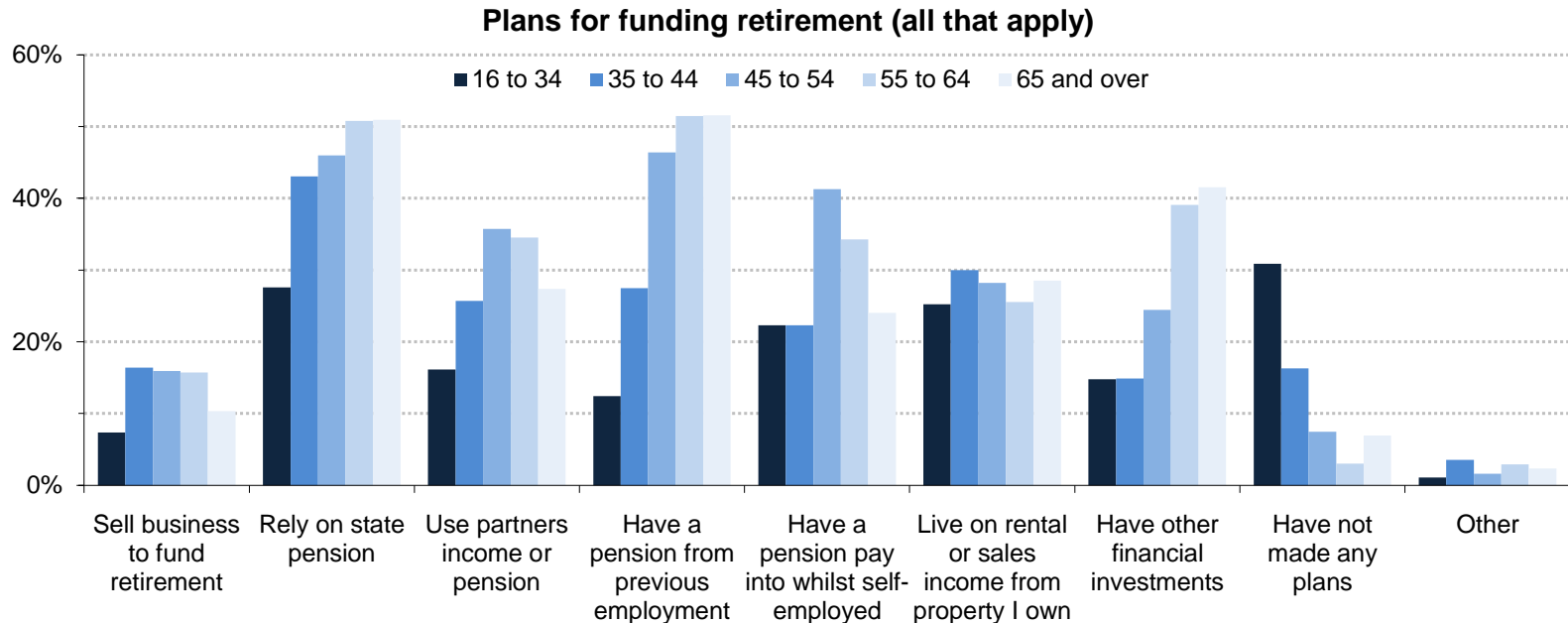
The most common issues when applying for financial products are around mortgages



- Over half of those applying for a mortgage in the last 5 years felt that being self-employed caused difficulties with their application
- But this isn't a problem many face regularly
- Again, more research needed to understand extent and compare vs employees



Most have more plans for funding retirement than just using their state pension

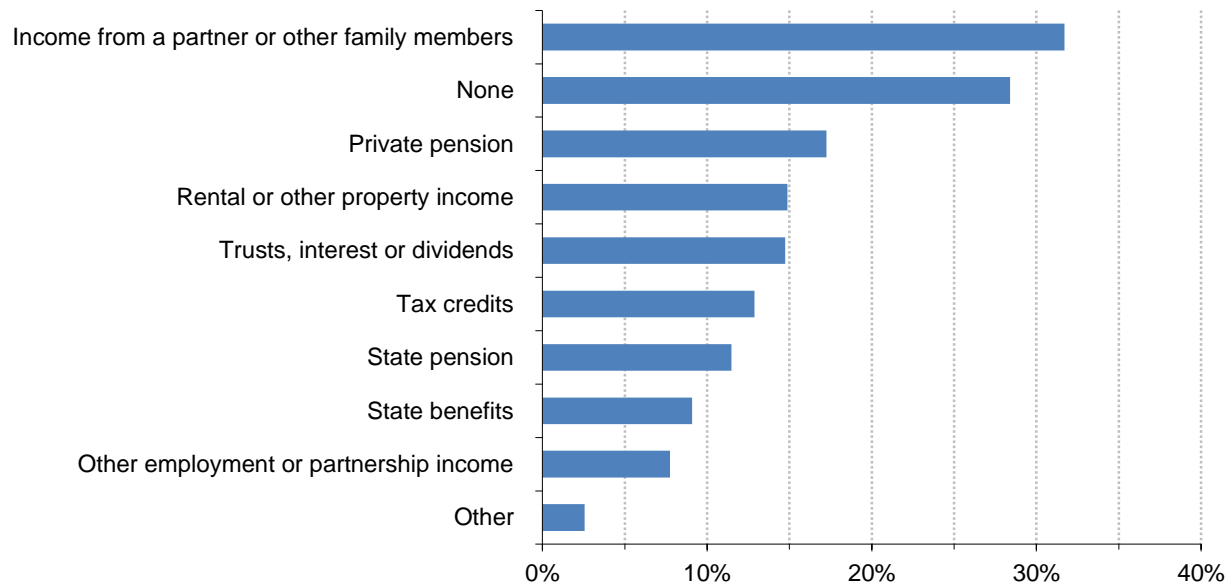


- Across all age groups 30% said they had a pension they were paying into
- But almost 80% were doing something besides relying *solely* on a state pension
- And considerable variation in amount of activity by age
- Further research needed to establish whether overall value of the arrangements people make will allow them to be comfortable



Most self-employed people have additional sources of income

Sources of income besides self-employment earnings (all that apply)

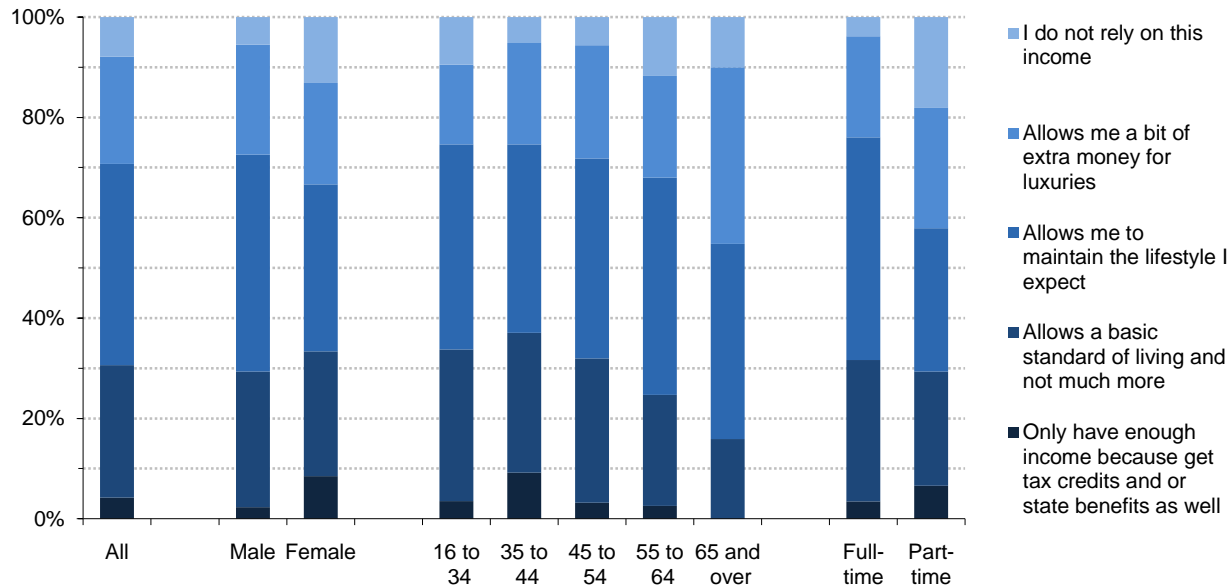


- Taking account of multiple responses we found 63% said they had some additional income stream other than benefits and tax credits
- 43% had additional income that wasn't any of partner's income, benefits or tax credits



The income from self-employment appears to be relatively discretionary for some, but some don't have enough

Extent to which I rely on my income from self-employment



- Almost 30% said they either used self-employment to fund luxuries or did not rely on the income at all
- But just over 30% had only a basic standard of living or worse
 - Yet around three quarters of these people thought life overall was better for them in self-employment than it would be as an employee



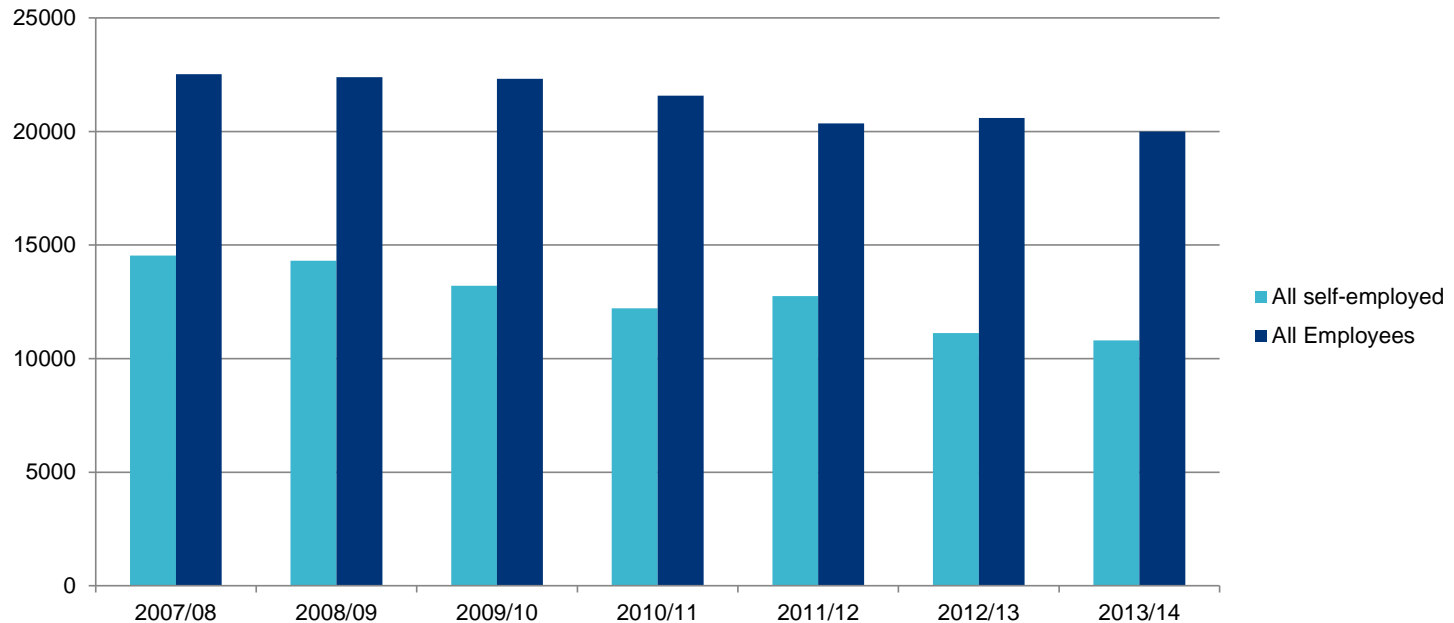
Measuring self-employed income is a complex task

- Not always obvious which population to look at
 - Anyone earning self-employed income?
 - Anyone whose main activity is self-employed?
 - Choice will substantially change average values
 - And selection of means or medians has a big effect
- Data accuracy and completeness/coverage can be issues – in both administrative and survey data
 - Varies month to month
 - Different forms of income
 - Potential for under-declaring?
 - May not be clear separation between personal and business life



But overall trend is falling income for the group as a whole

Estimated median annual income from self-employment compared to median earnings from employment (2013/14 prices)



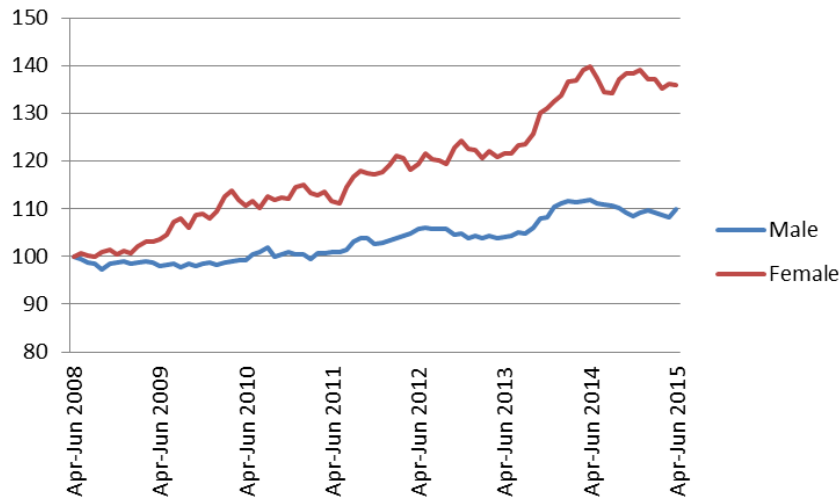
- Family Resources Survey collects data using consistent methodology over time – the trend should be fairly reliable
- Shows a clear pattern of falling incomes, more pronounced for the self-employed than for employees



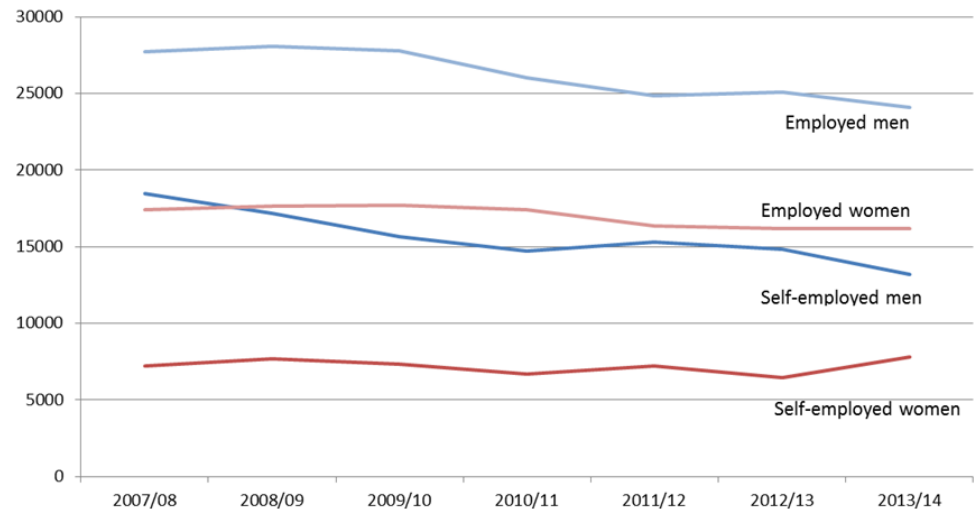
But the composition of self-employment has been changing

- We know from the Labour Force Survey there are now more women and more older people in self-employment
- Also there has been more of an increase in people working fewer hours
- So we might expect some effects on average earnings
- The FRS shows us the earning profile for women and men is quite different... but also that there are different trends

Male and female self-employment (Index 2008=100)



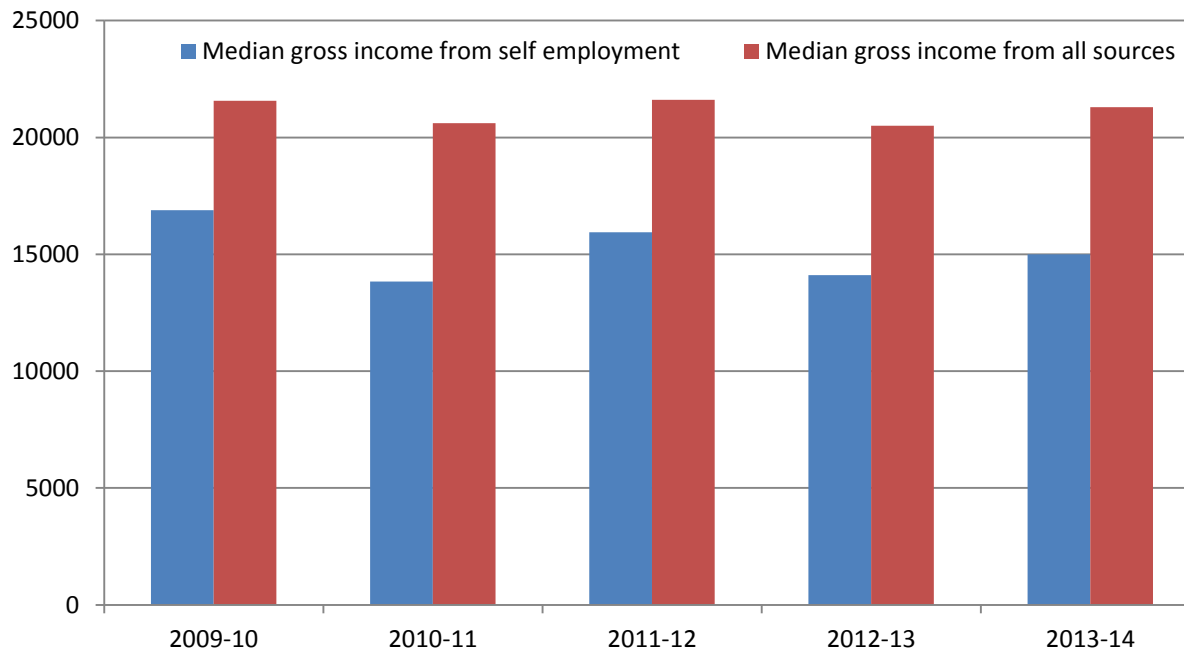
Estimated median annual earnings from self-employment and from employment, by gender (2013/14 prices)





Those staying in self-employment are doing fine overall

Estimated median annual income from self-employment and from all sources, for those who are self-employed in each year



- Used Understanding Society data to isolate what's happening to the same individuals over a period of several years
- Earnings from self-employment have fallen less dramatically than the overall average
- And total income has remained fairly stable over time



So now we need to go further to try to understand more...

- Much more to do to properly understand what's happening
- We need to do more in-depth exploration of influences on earnings, ideally:
 - Look at Household Composition and other earners
 - Links to wealth – less need for high earnings?
 - Try to understand relationship to spending
- Exploration of more/different data
 - BIS project to explore HMRC Self-Assessment data
 - Regular updates of existing sources
 - Potentially linking business data to data on individuals?



Further information

The reports

[Understanding Self-employment – self-employment survey results](#), BIS (2016)

[The Income of the Self-employed](#), BIS (2016)

Contextual data/analysis

[Self-employment In The UK](#), BIS (2015)

[Self-employed Workers In The UK](#), ONS (2014)

Key contacts

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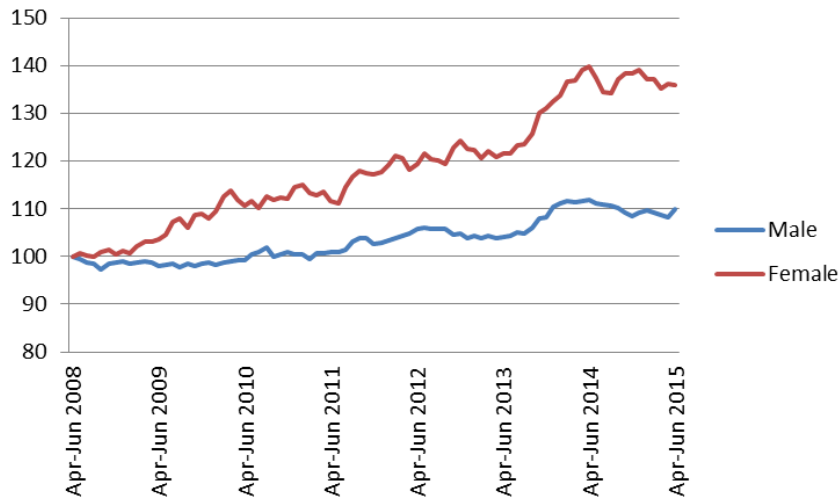
andrew.ledger@bis.gsi.gov.uk



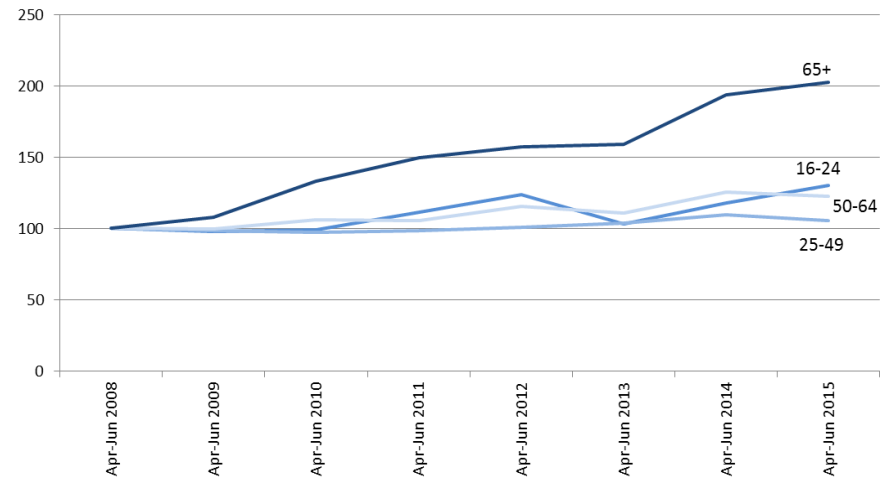
Demographic changes

- Women's share of self-employment risen from 27% in 2008 to 32% in 2015
- Number of self-employed women up by more than a third, compared with 10% for men
- Overall the increase in female self-employment is 58% of total increase since 2008

Male and female self-employment (Index 2008=100)



Self-employment by age group (Index 2008=100)



- Sharp increase in the number of the self-employed who are over 65: doubled since 2008
- 10% of total in 2015, compared with less than 6% in 2008: a third of total growth
- The 50-64s accounted for 40% of the total increase, but 25-49 group has been largest group throughout