

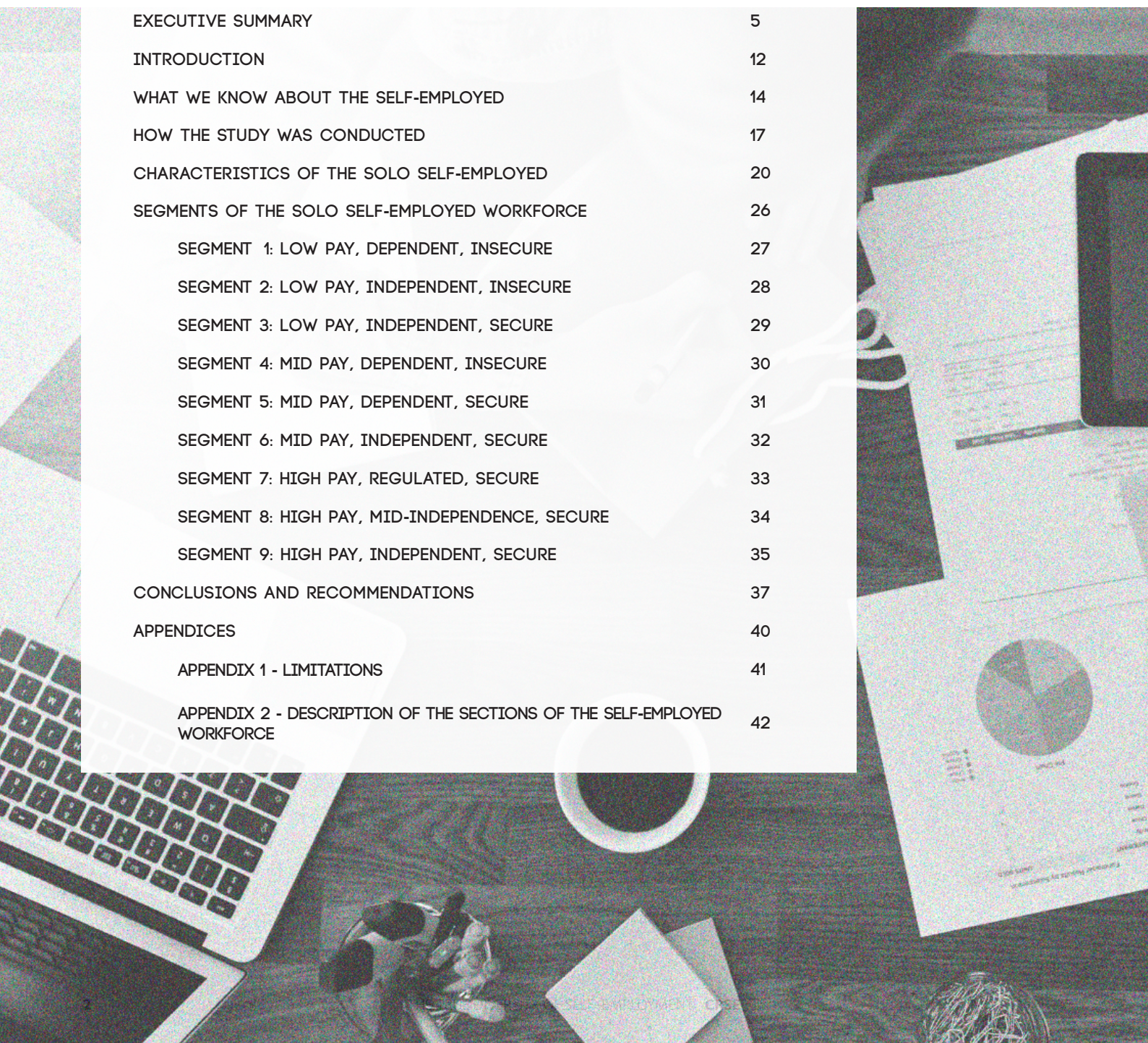


THE TRUE DIVERSITY OF SELF-EMPLOYMENT

Uncovering the different segments of the UK's self-employed workforce

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THE AUTHORS

This report sets out the findings of a Centre for Research on Self-Employment (CRSE) research project carried out in conjunction with the Institute for Employment Studies (IES). The contributors to this report include Matthew Williams, Andrea Broughton, Nigel Meager, Kate Spiegelhalter, Suneeta Johal and Kayte Jenkins.

INSTITUTE FOR EMPLOYMENT STUDIES

IES is an independent, apolitical, international centre of research and consultancy in employment policy and HR management. It works closely with employers in all sectors, government departments, agencies, professional bodies and associations. IES is a focus of knowledge and practical experience in employment and training policy, the operation of labour markets, and HR planning and development. IES is a not-for-profit organisation.

CENTRE FOR RESEARCH ON SELF-EMPLOYMENT

The CRSE is the leading international think tank working to improve the understanding of the self-employment sector and its impact on the economy. It delivers leading-edge, robust and multidisciplinary research in collaboration with academics from around the world who are at the forefront of self-employment studies.

ACKNOWLEDGEMENTS

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DISPELLING THE MYTH OF UNIFORMITY

Foreword by Andrew Burke, Chair of the Centre for Research on Self-Employment and Dean of Trinity Business School, Trinity College, Dublin

For years now, the self-employed sector has been overshadowed by a myth. Looking for simple stories, the media have portrayed this diverse and complex sector as all the same – a homogeneous mass. The reality has been oversimplified until it has been almost replaced by the myth of uniformity.

In fact, the myth has spread so far that now, when the public read of exploitation in the gig economy or any other small part of the self-employed sector, they believe it applies across the board – to everyone from IT contractors to designers. And this puts pressure on politicians to apply simple, one-size-fits-all solutions which, although they may work for one part of the sector, can do significant damage to others.

The CRSE commissioned this report to dispel the myth of uniformity and explore the true diversity of self-employment in the UK. We used a range of indicators to measure the breadth and variety of the self-employed: from earnings and job security to work/life balance and opportunities for growth. It is a comprehensive study that should help to move policymakers away from a broad-brush, often harmful approach to the self-employed.

As well as discouraging a harmful approach, this report will also open up opportunities for positive policies – particularly in terms of vulnerable workers. For example, it shows that the highest concentrations of insecure, self-employed workers are in predominantly low-skilled sectors, while the best performing self-employed are in high-skilled sectors. That suggests that the best way to distinguish the vulnerable self-employed from the rest may actually be by skills and education. And because previous research has shown that the same applies to the employed sector, it seems that ‘self-employed status’ may often be wrongly diagnosed as the cause of vulnerability, when actually a lack of skills is the real problem.

Of course, while this far-reaching report does include a range of recommendations, the main idea is not to define policies, but to detail the true diversity of the self-employed sector. We are here to dispel the myth, not shape the reality behind it. We hope, however, that by mapping out the true variety of self-employment across the UK, we will open the door for policymakers to adopt a much more segmented, targeted and, ultimately, beneficial approach to this crucial and growing sector.



EXECUTIVE SUMMARY

THE CASE FOR SEGMENTATION

In recent years there has been a fundamental shift in the make-up of the UK labour market. The driving force behind this is the rise in the number of self-employed people which currently stands at 4.8 million – 15 per cent of the total UK workforce.

Partly as a result of the growth in self-employment, there has been a lively debate in policy and research circles about whether and to what extent this is a positive development for the economy and the labour market. At one polar end of the debate are those who argue that growing self-employment is a positive feature of a dynamic, entrepreneurial and flexible economy. At the opposite end of the debate are those who fear that it is creating a labour market segment of precarious, unstable, insecure and poorly-remunerated work.

Despite the rapid growth of self-employment, this burgeoning sector remains remarkably under-researched, which has led to numerous policy challenges. Not least because, without proper examination of its constituent parts, the sector is too often seen as homogeneous.

This idea has been intensified by emerging evidence that the diversity of self-employment may be increasing, with more types of work affected, new contractual arrangements appearing (e.g. in the so-called 'gig economy') and the workforce including different types of people working in different ways (e.g. growing numbers of women, older workers and people doing self-employed work on a part-time basis or in multiple jobs).

Against this background, the expansion of self-employment has fostered a tension between:

- Those highlighting economic benefits, arguing that policy should support and encourage the growth of self-employment; and
- Those highlighting precariousness, insecurity and low incomes, arguing that policymakers should regulate to protect workers in this part of the labour market and discourage/eliminate forms of ('false') self-employment believed to share the dependency of wage employment without offering the benefits and protections associated with employee status.

To resolve this tension there must be greater clarity about the heterogeneity of self-employment, as well as a better understanding of the size and nature of the different segments of the self-employed workforce. Without a clear distinction between the different segments of the sector, there is a danger that authorities and policymakers will take a broad-brush approach to the treatment of self-employed workers.

The CRSE has undertaken this research to help tackle these challenges, by identifying and giving clear definition to the different segments of the self-employed workforce.

The aim of the research is not only to clearly define the value, demographics and earnings of the various segments of the self-employed workforce, but also to clearly distinguish (as far as the existing data allows) between genuine and false self-employment and between insecure and secure self-employment.

METHODOLOGY

The research for this project comprised two parts: a review of the available literature on the subject of segmenting the self-employed workforce, including academic, policy and practical reports that focus on the definition and characteristics of self-employment. The literature review has been used to inform our understanding of the self-employed, but it has not been used to directly shape any of the outcomes or conclusions of this report.

The second part involved the analysis of three datasets: the Labour Force Survey, the Family Resources Survey and Understanding Society. The definition of self-employment for the purposes of this study includes those who work on their own account without employees, and who are therefore known as the 'solo' self-employed. Given the difficulties of taking account of the differences between employers and the solo self-employed, using the existing datasets, it was decided to focus on the latter in the present study.

To allow for comparisons between different data sources, the analysis has been conducted at the level of sections of the self-employed that encompass particular 'jobs'. The 'jobs' themselves are defined according to a number of industry/occupation combinations which, between them, account for the majority of the self-employed.

To create a framework for segmenting different types of self-employment, key indicators from across the three datasets were selected which relate to:

- **Economic wellbeing:** much of the current debate about self-employment, its growth and how it might be better regulated, centres on how well-off they are in economic terms. Hourly earnings is used to standardise across different working patterns and helps to segment the self-employed into different categories of economic wellbeing.
- **Whether the work is independent or dependent (close to employee status):** examining the degree of autonomy/control of work, number of clients, whether the self-employed person views themselves as having a job or a business, as well as whether they have separate bank or business accounts helps to build a picture of their overall independence. This dimension addresses the debate about false self-employment – where individuals are labelled as 'self-employed,' but in reality work in a similar way to employees. These workers may lose out on the protections offered by employment, while not benefiting fully from the autonomy offered by self-employment.
- **The extent to which the work is secure or insecure:** this is linked to the debate about the working conditions and job quality of the self-employed, and how these relate to their subjective wellbeing and job satisfaction. Examining whether they are looking for alternative work, as well as private pension provision, are useful (albeit partial) measures of the extent to which the person is self-employed by choice and whether the work provides long-term security.

This report examines those who work on their own-account without employees, therefore known as the 'solo' self-employed. The solo self-employed account for 84% of the entire self-employed workforce in the UK.

4.7 MILLION* SELF-EMPLOYED PEOPLE IN THE UK:



16%

SELF-EMPLOYED WHO
EMPLOY OTHERS

84%

SOLO
SELF-EMPLOYED

*Source: LFS, Jul-Sep
2015 to Apr-Jun 2016,
four quarter average

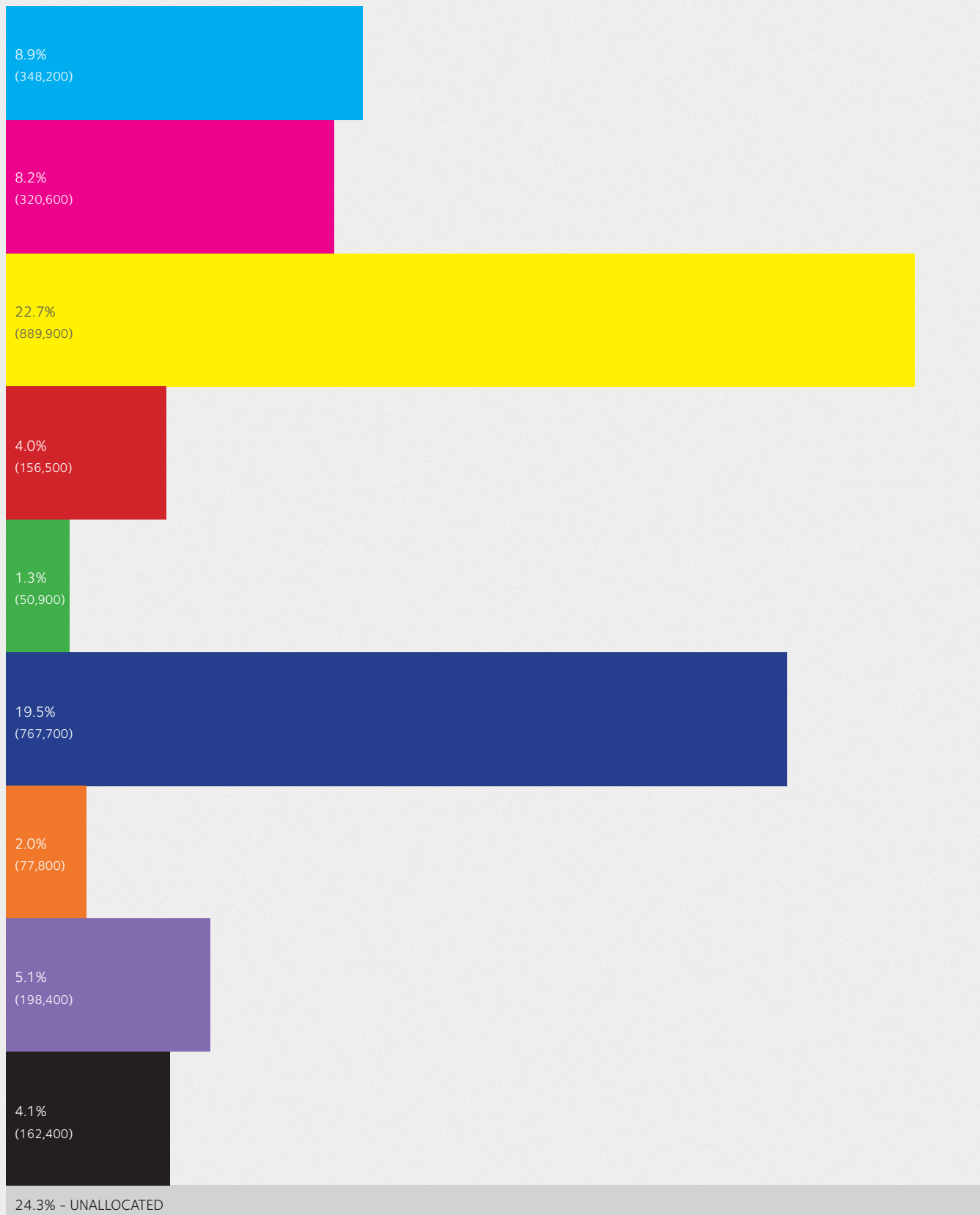
THE SEGMENTS

The research identified nine segments of the solo self-employed in total, which were distinguished by key indicators including economic wellbeing, independence and security. The segments range from low-paid, dependent and insecure, through to high-paid, independent and secure.

TYPES OF OCCUPATIONS

1	Low pay, dependent, insecure People in this segment are generally less qualified than other groups. It has the highest proportion of people who became self-employed because they could not find other employment (13% compared with 6% across all segments). They report lower than average levels of autonomy and control over their work. The average hourly earnings are below other segments and their employed equivalents.	Drivers and cleaners
2	Low pay, independent, insecure This segment is highly qualified (35% are graduates, compared with the 29% average across all segments) and only seven per cent have no qualifications at all. Self-employment was an overwhelming choice for this group with only three per cent doing so because they could not find other employment. They have lower than average earnings compared with the average across all segments, and around half the amount earned by employees in these jobs.	Shopkeepers, artistic occupations and car mechanics
3	Low pay, independent, secure A predominantly male segment (87% compared with the 70% average across all segments) with a below average proportion of those with a degree (24% to 39%). This group exhibits a relatively high degree of autonomy and control over their work. Median hourly earnings of this segment are close to the average across all segments, but once qualifications, type of self-employment and other factors are controlled for, their earnings are below average. They are also below the average for employees in comparable jobs.	Farm workers, builders, traders and tutors
4	Mid pay, dependent, insecure Only 14 per cent of people in this segment are graduates and there is an above average proportion that became self-employed because they could not find other work (11% compared with 6% across all segments). They have below average levels of autonomy, particularly relating to work manner and hours. This group has the lowest median hourly earnings, but once other factors such as qualifications and type of self-employment are controlled for, the earnings differences are not statistically significant. Only 12 per cent have a private pension. However, the people in this segment report the highest levels of job satisfaction.	Childminders and carers, and building labourers
5	Mid pay, dependent, secure Workers in this group have low qualification levels (16% with above A-levels, compared with the 39% average across all segments). People in this segment report below average autonomy for many aspects of work. They earn above average compared to other segments, but less than their employed counterparts do. Job satisfaction in this segment is close to the average across all segments but higher than among employees in similar roles.	Building operatives/drivers
6	Mid pay, independent, secure There is a relatively high proportion of graduates (36%) in this segment. This group reports the highest levels of autonomy relating to job task, work pace, task order and work hours. Median earnings are similar to the average across all segments, but much lower than employees in similar roles. The people in this segment have higher job satisfaction than both the average across all segments and employed counterparts.	Trainers and coaches, IT and related professionals, financial advisers, business associate professionals, manufacturing managers, hair and beauty workers, skilled makers, gardeners, and restaurant and B&B owners
7	High pay, regulated, secure A highly qualified segment (87% with degrees) with only two per cent becoming self-employed due to a lack of employment opportunities. The highest proportion (36%) became self-employed because of the nature of their job. This group is likely to have low levels of control and autonomy due to regulatory processes and practice hours. Median hourly earnings are significantly higher than the average across all segments, but similar to employees. The people in this segment have greater levels of job and life satisfaction than employees in similar roles.	Medical professionals
8	High pay, mid-independence, secure This group is highly qualified, though a relatively large proportion became self-employed following redundancy (12% compared to the 8% average). Most professions in this segment have average levels of control and autonomy, although this depends on the regulatory processes of each profession. People in this segment earn above the average of other segments, but less than their employed counterparts. They are more likely to have a private pension and report higher levels of job satisfaction than employees.	Functional managers, construction and property managers, book-keepers, and TV/film technical roles
9	High pay, independent, secure This segment is highly qualified and 24 per cent became self-employed for better working conditions or job satisfaction. This group shows relatively high levels of autonomy and control. It is the highest paid segment, at similar hourly rates to their employed counterparts. This group is more likely to have private pension and they are more satisfied than employees in similar professions.	Legal and business professionals

SIZE OF THE SOLO SELF-EMPLOYED SEGMENTS



Source: LFS, Jul-Sep 2015 to Apr-Jun 2016, four quarter average

KEY FINDINGS

SHEDDING LIGHT ON THE ISSUES

One of the key benefits of this research is that it provides data which helps in understanding a number of public policy challenges arising from false self-employment and the exploitation of vulnerable workers. It does this both by shedding light on the scale of these problems and by detailing the composition of the segments where these issues are most prevalent.

A SECURE AND INDEPENDENT SECTOR

The majority (53%) of the solo self-employed workforce exhibit high levels of independence and security. This covers people across segments 3, 6, 7, 8 and 9.

People in these segments are, by and large, much happier in their work than employees in similar roles, and have a high degree of control over their working practices.

The two largest groups in the solo self-employed sector, segments 3 and 6, showed high levels of independence and security. These groups total approximately 1,657,000 people – 42 per cent of the solo self-employed workforce. They include groups like tutors, builders, financial advisers, IT professionals and restaurant owners.

While solo self-employed workers in these two segments are largely satisfied and secure, earnings across these groups are in the low to medium range relative to the whole self-employed earning spectrum, and substantially lower than employees in comparable roles.

AN UNCERTAIN MINORITY

Our research also delineated three segments (1, 4 and 5) – accounting for about 15 per cent of the solo self-employed total – where the self-employment status is unclear due to low levels of autonomy. The segments of the solo self-employed workforce that fall into this category include drivers, cleaners, childminders and carers, as well as building labourers and operatives/drivers.

THE INSECURE COHORT

One in five (21%) solo self-employed workers – amounting to over 825,000 people – have been classified as being in insecure work. Spread across segments 1, 2 and 4, they are the UK's cleaners, drivers, carers and labourers, as well as those in artistic occupations.

The people in this group tend to be less qualified, with limited autonomy. They are also much less likely to have financial security, such as a private pension.

There may be a need for a particular policy focus on segments 1 and 4 because people in these segments have low degrees of both independence and security.

SUMMARY OF RECOMMENDATIONS

SECURE THE FREEDOM OF THE SELF-EMPLOYED

Policymakers must recognise that while it is important to improve the position of dependent and insecure workers, it is also essential that any policies introduced do not put at risk the independence, autonomy and job satisfaction enjoyed by the legitimately self-employed.

Nor is it just protecting the freedom of the legitimately self-employed: they should also be encouraged. One way to do this would be to improve access to training and professional development opportunities. Introducing this support would ensure that self-employment remains a positive career choice, with room for growth and progression.

CLEAR THE STATUS CONFUSION

Clarifying self-employed status would help to ensure the genuinely self-employed maintain their independence. Because, while 'employee' and 'worker' are both defined in UK law, there is no comparable statutory definition of self-employment. A statutory definition would give the genuinely self-employed the legitimacy they deserve.

SUPPORT THE INSECURE

Our report highlighted a section of the self-employed workforce who have only a limited amount of security compared with the rest. This group urgently needs support through incentives for pension uptake and reforms to the welfare system.

IMPROVE THE QUALITY OF WORK THROUGH TRAINING

The research has highlighted that there is a proportion of low-earning segments which need support to help achieve higher pay. One way of doing this could be to provide better access to training and skills development opportunities. Skills development may help improve pay prospects, and could allow the less autonomous self-employed either to move into more independent roles or build themselves a broader base of clients.

To address this issue, the government should look into the tax treatment of training for the self-employed and explore ways to collate online training information, making it more accessible. As well as this, further research into ways to enable people in lower-paid segments to enhance their earnings is also required.

DIFFERENTIATED POLICY FOR A DIVERSE SECTOR

Ultimately, this report has highlighted that the self-employed workforce is not a homogeneous group. On the contrary, our research has shown that it is made up of numerous, diverse segments, and policymakers should recognise that a one-size-fits-all approach will not effectively serve the self-employed.

Instead, to properly address any challenges that arise in this area, policymakers must develop policies that recognise the varied needs of this sector's many constituent segments.



INTRODUCTION

A POLICY INTEREST

In the UK and many other countries, policymakers are increasingly interested in self-employment: how much of it there is in the labour market; how it is defined; and whether –and, if so, how – it should be regulated.

This growing policy interest in self-employment reflects at least three factors outlined below.

GROWTH

Official statistics show that the aggregate level of self-employment has grown strongly in many countries, but especially in the UK, where it has increased continuously since the turn of the century, to 15 per cent of the employed workforce at present.

QUALITY

There is disagreement about the extent to which self-employment and its growth is a good thing. Partly as a result of the growth in self-employment, there has been a lively debate in policy and research circles about whether and to what extent this is a positive development for the economy, the labour market and society more generally.

The two polar ends of the debate can be characterised as:

- a. Those who argue that growing self-employment is a positive feature of a dynamic, entrepreneurial, flexible economy, and that it fosters innovation, employment and economic growth.

- b. Those who fear that it is creating a labour market segment of precarious, unstable, insecure and poorly-remunerated work (partly or largely driven by lack of opportunity for waged employment), and thereby contributing to in-work poverty and social exclusion.

More nuanced commentary on this topic recognises that much of the recent growth lies between these two extremes, and focuses on the empirical question of the balance between the more ‘positive’ and ‘negative’ aspects of self-employment growth.

HETEROGENEITY

Self-employment means different things to different people. The growth of self-employment and the debate about its quality have raised questions about how ‘self-employment’ should be defined, and highlighted the fact that, however it is defined, self-employment is a very mixed bag containing a huge variety of different types of work in different sectors and occupations, being undertaken under a variety of terms and conditions.

This discussion has also been intensified by emerging evidence that the diversity of self-employment may be increasing, with more types of work affected, new contractual arrangements appearing (e.g. in the so-called ‘gig economy’) and including different types of people working in different ways (e.g. growing numbers of women, older workers and people doing self-employed work on a part-time basis or in multiple jobs).

Against this background, the reason for the policy interest in self-employment is clear. The expansion of self-employment has fostered a tension between:

- a. Those highlighting economic benefits, arguing that policy should support and encourage the growth of self-employment; and
- b. Those highlighting precariousness, insecurity and low incomes, arguing that policy-makers should regulate to protect workers in this part of the labour market and discourage/eliminate forms of ('false') self-employment believed to share the dependency of wage employment without offering the benefits and protections associated with employee status.

To resolve this tension there must be greater clarity about the heterogeneity of self-employment, as well as a better understanding of the size and nature of the different segments of the self-employed workforce. This research on the segmentation of the self-employed workforce aims to help bring clarity and an improved understanding of the subject. It does this through a review of the research and statistical evidence on the characteristics of the different segments of the self-employed.

AIM OF THE RESEARCH

With this policy interest in mind, this project seeks to gain a better understanding of the different segments of the self-employed workforce in order to:

- a. Provide a demarcation between genuine and false self-employment for fiscal authorities;

- b. Differentiate vulnerable from secure self-employment from the perspective of individual welfare (income, work security, work/life balance and personal fulfilment);
- c. Differentiate between self-employed workers on the basis of the value they provide to the economy; and
- d. Aid in identifying the average earnings of each segment and the population within it.

Without such evidence, policies introduced in response to the growth of self-employment risk being too blunt and insufficiently nuanced to reflect the full diversity of self-employment. In simple terms, regulating and restricting self-employment to protect vulnerable workers may, if too heavy-handed and broad in approach, dampen down or discourage the segments of the self-employed population with innovative, dynamic characteristics that contribute to economic and job growth.

Equally, encouraging or supporting self-employment across the board through light regulation and supportive tax regimes also risks stimulating the growth of segments of self-employment with more negative characteristics (low income, insecurity, lack of social and employment protection etc.). To square this circle and develop a differentiated approach to policy in this area, it is necessary to look back over the official statistics for self-employment to better understand the size and characteristics of the different segments of this sector.

WHAT WE KNOW ABOUT THE SELF-EMPLOYED

Since the turn of the century there has been a significant increase in the number of people engaged in what may be termed non-standard forms of work. Much of this increase has been driven by the remarkable growth of the self-employed sector.

But what is self-employment? The self-employed are people in business on their own account, whether running their own limited company, operating as a sole trader or working through a partnership.

UK self-employment has been growing continuously since 2000, both during the economically buoyant first part of that period, and during the deep recession and recovery following the financial crisis of 2007/08. As a result, self-employment is now an established feature of the labour market – so much so that a total of about one in seven people now work for themselves. And the number of self-employed people has continued to rise, growing by over one million since 2006. The self-employed now make up 15 per cent of the workforce (4.8 million people) – up from 13 per cent a decade ago.¹

GENDER

Approximately 68 per cent of the UK self-employed workforce are male, while 32 per cent are female. However, the proportion of women has been rising. In fact, the number of self-employed women has grown by 75 per cent in the last 15 years, reaching 1.5 million in 2016.

ONS analysis² shows that since 2001, part-time self-employment has risen significantly in two particular groups: 1) older men and women (aged 45 and over), and 2) younger/middle-aged women (from 35 to 54). One important factor behind this growth may be the desire to maintain a 'work-family balance' and have greater 'flexibility of hours'.³

Around half of female self-employment tends to be concentrated in services such as 'Professional and scientific' and 'Administrative and support', as well as the public sector. Most of the rise in female self-employment came from these sectors.

AGE

The largest proportion of self-employed people are 35 – 49 (1,734,884) and 50 – 64 (1,630,306), with almost three quarters (70%) of the sector falling into these age groups.

Since 2008, the biggest rise has been among self-employed people over 65. In fact, ONS data (2016) shows that the share of people in self-employment tends to rise with age, reaching almost half of all those in employment among the over-70s.

People who have retired and are seeking work are more likely to go into self-employment than return to full-time employment.⁴ This may be the result of several factors, including the increase in state pension age, people living longer, the growth of flexible working or simply the need for people to earn extra income to support themselves.

Although they are still the smallest part of the sector, there has been a significant growth in the number of self-employed people aged 16–24, rising by 19 per cent between 2008 and 2016.

OCCUPATION AND SECTOR

Levels of self-employment vary significantly by sector. The sector with the largest numbers of self-employed people is construction, with a total of over 939,000 according to ONS data from the fourth quarter of 2016. The second-highest number of self-employed workers are in the sector including professional, scientific and technical occupations – a total of over 624,000.

WORK PATTERNS

Over the last 15 years there has been a particularly large increase in the number of people engaged in part-time self-employment: a leap of 88 per cent between 2001 and 2015. That is compared with a 25 per cent increase in the number of full-time self-employed people (ONS 2016).

Part-time self-employment accounts for 1.2 percentage points of the 1.6 percentage point increase in the proportion of the workforce in self-employment between 2008 and 2015. And while full-time self-employment continues to account for the majority of self-employed workers, over the past 15 years its share of total employment and hours has grown somewhat less compared with part-time self-employment.

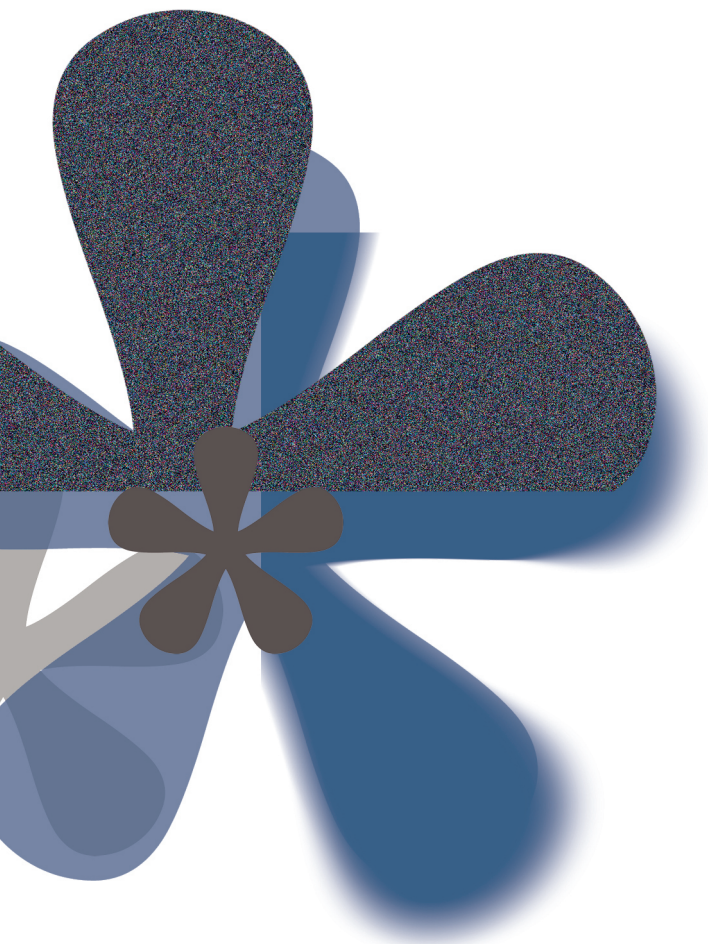
WHAT IT ALL MEANS

Focusing on the personal and work characteristics of the self-employed certainly does help with the segmentation of the sector. It must be said, however, that analysing these characteristics produces only a broad snapshot of the self-employed sector. It does not allow for more nuanced analysis of the sector's true diversity.

To develop a clearer picture of the self-employed sector, it is necessary to separate out its different constituent segments – from those in relatively secure and autonomous circumstances to those in a more vulnerable position.

Without clear and more precise definitions of the different segments of the sector, there is a danger that authorities will take a broad-brush approach to the treatment of the self-employed, which would threaten to undermine genuine self-employment.

Over the years, many people have recognised the true heterogeneity of the self-employed community and attempted to classify its various constituent groups. This report aims to add to the body of research about self-employment by delineating distinct segments, ranging from low-paid, dependent and insecure work, through to high-paid, independent and secure work.



¹ONS (2017), UK labour market: Mar 2017. Estimates of employment, unemployment, economic inactivity and other employment-related statistics for the UK.

²ONS (2016), Trends in self-employment in the UK: 2001 to 2015, <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2001to2015/pdf>

³Hughes, K (2006), Exploring motivation and success among Canadian women entrepreneurs, *Journal of Small Business and Entrepreneurship*, 19(2): 107–120.

⁴Kitching J (2016), Exploring the UK freelance workforce in 2015. IPSE.



HOW THE STUDY WAS CONDUCTED

METHODOLOGY

The research for this project is comprised of two parts: a review of the available literature on the subject of segmenting the self-employed workforce – including academic, policy and practical reports that focus on the definition and characteristics of self-employment – and analysis of three datasets. The literature review has been used to inform our understanding of the self-employed, but it has not been used to directly shape any of the outcomes or conclusion of this report.

As some of the explored dimensions of self-employment cannot be observed directly from one single data source, our approach is, therefore, based on exploring possible proxy variables derived from three different datasets:

- **Labour Force Survey (LFS)** – a quarterly survey of individuals in the labour market, covering employment status and a range of personal and employment characteristics, but not including the earnings of the self-employed. The analysis is based on the time span between Jul-Sep 2015 to April-June 2016 (a four quarter average).
- **Family Resources Survey (FRS)** – a continuous household survey which collects information from a representative sample of around 20,000 households in the UK. The survey covers a wide range of topics including occupation and employment, but a key strength of the FRS is that it is a reliable data source on self-employed earnings in the UK. The data time frame used is 2014–2015.
- **Understanding Society (US)** – a longitudinal survey of households which tracks the same people over time. This collects information on earnings and income, as well as employment status, occupation, industry etc., and so allows an analysis of the earnings of self-employed people, although it has a smaller sample size than the FRS. The analysis is based on Wave 6 of the survey.

DEFINITION OF SELF-EMPLOYMENT

The definition of self-employment for the purposes of this study has been adopted so that it is compatible with the questions asked in the three key surveys used for the data analysis.

This includes those who work on their own account and without employees, who do jobs where the “remuneration is directly dependent upon the profits (or the potential profits) derived from the goods and services produced [....]. The incumbents make the operational decisions affecting the enterprise, or delegate such decisions while retaining responsibility for the welfare of the enterprise.”⁵

This study is concerned only with those who work on their own account without employees. This is because there are likely to be fundamental differences between a) ‘growth-oriented’ small business owners and entrepreneurs who employ people, and b) ‘solo self-employed’ workers who do not employ others, either because their business is lifestyle-oriented and will never grow to that size, or because the nature of their activity is that of a solo professional freelancer (i.e. a highly skilled self-employed professional)⁶. Given the difficulties of taking account of these differences between employers and the solo self-employed, using the existing datasets, it was decided to focus on the latter in the present study. It should be noted that, in any case, the proportion of self-employed who employ others in the UK is relatively small (6%) compared with other advanced economies.

OCCUPATIONAL COMPARISONS

Also allowing for comparisons between different data sources, we have conducted the analysis at the level of sections of the self-employed that encompass particular ‘jobs’. The ‘jobs’ themselves are defined according to a number of industry/occupation combinations which, between them, account for the majority of the self-employed. For example, ‘builders’ are defined by skilled craft workers in the construction sector.

⁵International Labour Organization (ILO) Resolutions Concerning International Classification of Status in Employment Adopted by the 15th International Conference of Labour Statisticians, January 1993, para. 7.

⁶Although it should, of course, be recognised that some solo self-employed are also ‘growth-oriented’ and will, in due course, go on to employ others.

DERIVATION OF THE SEGMENTS

To create a framework for segmenting different types of self-employment, key indicators were selected which relate to: economic wellbeing, using hourly earnings to standardise across different working patterns; whether the self-employment is independent with a high degree of autonomy and control, or dependent (close to employee status) work; and the extent to which the work is secure or insecure. Below are descriptions of why each indicator was used as a measure of economic wellbeing, independence and security.

ECONOMIC WELLBEING

Much of the current debate about self-employment, its growth and whether and how it might be better regulated centres on how well-off the self-employed are in economic terms. Therefore, economic wellbeing is a key dimension for segmenting the self-employed in different categories.

- **Earnings** – this is a useful measure to take into account when looking at the economic wellbeing of the self-employed and attempting to segment them into insecure and secure groups.

INDEPENDENT/DEPENDENT

The independent/dependent indicator is linked to the debate about false self-employment, where individuals are labelled as ‘self-employed,’ but in reality work in a similar way to employees. These workers may lose out on the protections offered by employment, while not benefiting fully from the autonomy offered by self-employment.

- **Autonomy/control** – the degree of autonomy that an individual has over different aspects of their work can help to build a picture of their overall independence. Solo self-employed respondents who reported that they have less influence over different work areas are thought more likely to be in work situations where their employment status is unclear. Those who reported having greater influence are more likely to be truly independent workers.
- **Number of clients** – the number of clients is a good indicator of whether or not a self-employed person is truly independent, or depends largely on a single client or customer, and is thus comparable to an employee.
- **Job or business** – this indicator measures whether or not solo self-employed people view themselves as having a ‘job’ or a ‘business’. It is therefore a good measure of independence because it illustrates how people perceive their work-related practices.
- **Separate bank accounts** – having separate bank or business accounts for work and private finances is a useful measure of independence. This is because it is thought that solo self-employed workers who have set up a separate account for their work finances are more likely to view themselves as a business.

SECURE/INSECURE

The secure/insecure indicator is linked to the debate about the working conditions and job quality of the self-employed and how these relate to their subjective wellbeing and job satisfaction.

- **Pensions** – private pension provision can often indicate wellbeing and financial security, because those in well-paying work with long-term security are more likely to arrange private pensions.
- **Looking for alternative work** – looking for alternative work is a good indicator of security because insecure solo self-employed individuals are more likely to look for additional or better work, while those who are secure are more likely to have become self-employed by choice.

BUILDING THE SEGMENTS

Having identified the indicators, regression analysis was used to derive the segments of the self-employed workforce. Linear regression was undertaken using hourly earnings as the dependent variable to investigate the economic wellbeing dimension, while logistic regression was undertaken to investigate the other dimensions, with dichotomous dependent variables such as number of customers, whether the individual has a private pension or not, and degree of autonomy over aspects of work.

For each regression model, job type was one independent variable, with the residual 'other jobs' category used as the default category, while the other independent variables were: type of self-employment, gender, age, highest qualification and working hours (full or part-time). Regression models using LFS data also included length of self-employment as an additional control variable, but length of self-employment is not recorded in the FRS or US datasets.

CHARACTERISTICS OF THE SOLO SELF-EMPLOYED

The nine segments of the solo self-employed have been identified and distinguished by key indicators including **economic wellbeing**, as well as a range of variables, which taken together in various combinations, help throw light on the questions of **independence/dependence** and **security/insecurity**. In order to reach these segments, we first look at the key indicators and how they relate to the various occupational groups of the solo self-employed.

MAIN OCCUPATIONAL GROUPS OF THE SOLO SELF-EMPLOYED

The largest occupational groups within the solo self-employed population are builders, accounting for almost 16 per cent of the solo self-employed. The other groups are a mixture of skilled professionals, such as legal, business professionals, business associate professionals (e.g. photographers and designers) and artistic occupations, and lower skilled occupations, such as hair and beauty workers, cleaners and farm workers (Table 1).

⁷Refer to Appendix 2 for detailed descriptions of the sections of the self-employed workforce by occupation.

Table 1: Main occupation and industry groups within solo self-employed population

Occupation ⁷	Number of solo self-employed	% of total solo self-employed
Drivers	219,800	5.6
Cleaners	128,300	3.3
Shopkeepers	98,900	2.5
Artistic occupations	152,500	3.9
Car mechanics	69,200	1.8
Builders	619,400	15.8
Farm workers	101,900	2.6
Tutors	120,100	3.1
Traders	48,500	1.2
Childminders and carers	97,200	2.5
Building labourers	59,300	1.5
Building operatives/drivers	50,900	1.3
Business associate professionals	179,200	4.6
Hair and beauty	138,600	3.5
IT and related professionals	98,500	2.5
Skilled makers	85,800	2.2
Gardeners	89,200	2.3
B&B and restaurant owners	34,300	0.9
Trainers and coaches	78,800	2.0
Manufacturing managers	20,000	0.5
Financial advisers	43,200	1.1
Medical professionals	77,800	2.0
Construction and property managers	53,000	1.4
Functional managers	43,000	1.1
Book-keepers	51,900	1.3
TV/film technical roles	50,500	1.3
Legal and business professionals	162,400	4.1
Other jobs	954,800	24.3
Total	3,927,300	100.0

Source: LFS, Jul-Sep 2015 to Apr-Jun 2016, 4 quarter average

ECONOMIC WELLBEING

EARNINGS

Income is a useful factor to take into account when looking at the economic wellbeing of the self-employed and attempting to segment this section of the workforce into groups depending on their level of security. However, earnings from self-employment alone may not tell the whole story: for example, an individual may earn very little from self-employment but not be at risk of insecurity due to having a pension or a working spouse.

Table 2 shows median hourly self-employed gross earnings by the major self-employed groups from each source. The categories with the highest earnings are legal and business professionals, medical professionals, financial advisers, construction and property managers, and tutors. Those with the lowest earnings are car mechanics, farm workers, shopkeepers and childminders/carers.

Table 2: Economic wellbeing indicators of the solo self-employed

Occupation	Hourly earnings (£) Family Resources Survey	Hourly earnings (£) Understanding Society Survey	Overall earnings in relation to the solo self-employed
Drivers	6.13	5.21	Low
Cleaners	7.78	6.93	Low
Shopkeepers	4.83	3.21	Low
Artistic occupations	6.90	8.02	Low
Car mechanics	3.57	4.53	Low
Builders	8.46	7.73	Low
Farm workers	4.12	4.11	Low
Tutors	11.50	9.24	Low
Traders	4.60	5.26	Low
Childminders and carers	4.79	3.83	Mid
Building labourers	5.11	5.94	Mid
Building operatives/ drivers	7.70	7.73	Mid
Business associate professionals	9.20	7.22	Mid
Hair and beauty	5.83	5.79	Mid
IT and related professionals	7.80	9.26	Mid
Skilled makers	5.85	6.35	Mid
Gardeners	6.25	6.80	Mid
B&B and restaurant owners	5.75	6.41	Mid
Trainers and coaches	7.38	9.69	Mid
Manufacturing managers	7.33	5.82	Mid
Financial advisers	14.43	30.84	Mid
Medical professionals	18.21	20.06	High
Construction and property managers	12.00	13.66	High
Functional managers	6.67	14.95	High
Book-keepers	10.84	10.17	High
TV/film technical roles	7.88	9.47	High
Legal and business professionals	19.38	19.55	High
Other jobs	7.00	8.70	
Total	7.33	7.70	

Source: Family Resources Survey 2014/15, and Understanding Society Wave 6

INDEPENDENT/DEPENDENT

Examining the degree of autonomy/control of work, number of clients, whether the self-employed people view themselves as having a job or a business, as well as whether they have a separate bank or business account, helps to build a picture of their overall independence. This dimension addresses the debate about false self-employment – where individuals are labelled as ‘self-employed,’ but in reality work in a similar way to employees. These workers may lose out on the protections offered by employment, while not benefiting fully from the autonomy offered by self-employment.

AUTONOMY AND CONTROL

The degree of autonomy that an individual has in their work can help to build a picture of the type of self-employment they are engaged in. Understanding Society asked respondents to say how much influence they have over:

- the tasks they do in their job;
- the pace at which they work;
- how they do their work;
- the order in which they carry out tasks; and
- the time they start or finish their working day.

Solo self-employed respondents who reported that they have less than ‘a lot’ of influence over these work areas are thought more likely to be in work situations where the employment status is unclear, whereas those who reported that they have ‘a lot’ of influence are more likely to be truly independent workers.

There is substantial variation in autonomy/control by job. For example, building labourers report the lowest levels of autonomy, followed by construction managers, medical professionals, and drivers, while manufacturing managers,

shopkeepers, and gardeners report high levels of autonomy (Table 3).

NUMBER OF CLIENTS

The number of clients is an indicator of the nature of self-employment and could be an indicator of whether or not the self-employed person is truly independent, or is largely dependent on a single client or customer – meaning they may be similar to an employee. The vast majority of solo self-employed respondents in the LFS – just over four fifths – said that they had more than one client or customer, although 15 per cent said that they had just one, and three per cent reported that they did not know.

In terms of variation by jobs, Table 3 shows that building labourers, childminders/carers, building operatives/drivers, and IT and related professionals were least likely to report having more than one client or customer, with less than two thirds of solo self-employed in these jobs reporting more than one customer.

However, it is likely that there are different reasons for having only one customer: among IT and related professionals it is likely to be a project-based role for a specific period of time, and childminders and carers may have just one client at a time for extended periods. Meanwhile, building labourers, operatives and drivers might be more likely to be sub-contractors working for a single main contractor and thus have a less than clear employment status.

At the other end of the scale, more than 95 per cent of hair and beauty workers, car mechanics, shopkeepers, and restaurant/B&B owners reported having multiple clients or customers.

JOB OR BUSINESS

Self-employed respondents in the Family Resources Survey are asked whether they think of themselves more as having

a ‘job’, or a ‘business’. It is an indicator of independence if they view themselves as independent business owners – less so if they see their work as a job.

On the question of whether solo self-employed people described their work as a job or a business, there was significant variation by job category. Those who were more likely to describe their work as a job included building labourers (over 90%), as well as drivers etc., building operatives/drivers, and cleaners etc.

People who were more likely to describe their work as a business included manufacturing managers (100%), shopkeepers, financial advisers, restaurant and B&B owners and IT professionals. There was quite an even split in some occupations, such as those working in artistic occupations and hair and beauty, as well as car mechanics and traders (see Table 3).

SEPARATE BANK ACCOUNTS

Understanding Society asks self-employed respondents whether they have separate bank or building society accounts for their work and private finances. The responses to this question have been used as a proxy for the degree of independence of self-employment. This is because it is thought that solo self-employed workers who have set up a separate account for their work finances are more likely to view themselves as a business.

Overall, around 53 per cent of all solo self-employed reported that they did have separate bank or building society accounts. The proportion was highest among manufacturing managers, skilled makers, legal and business professionals, IT and related professionals, and construction managers. It was lowest among building operatives/drivers, drivers, childminders and carers, and cleaners (Table 3).

Table 3: Independence/dependence indicators of the solo self-employed

Occupation	Degree of autonomy over aspects of work ^a (1= a lot of autonomy, and 4 = none)					Proportion who have more than one client (%)	Proportion who view themselves as running a business (%)	Whether they have separate accounts for work finances (%)		Rating of overall independence ⁹
	Job tasks	Work pace	Work manner	Task order	Work hours			Yes	No	
Drivers	1.59	1.49	1.35	1.70	1.64	83.0	11.5	18.9	81.1	Dependent
Cleaners	1.49	1.33	1.30	1.29	1.75	83.2	20.5	27.0	73.0	Dependent
Shopkeepers	1.01	1.06	1.02	1.04	1.35	97.6	74.2	59.8	40.2	Independent
Artistic occupations	1.33	1.49	1.24	1.39	1.69	90.7	40.9	32.8	67.2	Independent
Car mechanics	1.37	1.23	1.20	1.24	1.43	96.8	44.9	44.8	55.2	Independent
Builders	1.26	1.26	1.16	1.20	1.41	87.0	32.8	49.5	50.5	Independent
Farm workers	1.20	1.33	1.18	1.17	1.28	70.8	59.4	60.3	39.7	Mid-independence
Tutors	1.25	1.29	1.21	1.28	1.78	85.7	35.0	39.8	60.2	Independent
Traders	1.20	1.21	1.15	1.23	1.45	88.6	48.6	56.8	43.2	Independent
Childminders and carers	1.29	1.33	1.32	1.26	1.85	61.1	35.5	24.6	75.4	Dependent
Building labourers	1.75	1.62	1.58	1.66	1.96	54.9	8.6	59.7	40.3	Dependent
Building operatives/drivers	1.44	1.49	1.08	1.48	1.56	63.1	10.7	8.3	91.7	Dependent
Business associate professionals	1.21	1.24	1.22	1.22	1.37	87.3	50.0	64.2	35.8	Independent
Hair and beauty	1.09	1.19	1.08	1.19	1.33	96.1	43.7	56.4	43.6	Independent
IT and related professionals	1.27	1.28	1.12	1.19	1.21	63.2	67.1	70.1	29.9	Mid-independence
Skilled makers	1.27	1.21	1.03	1.14	1.29	85.2	64.8	73.5	26.5	Independent
Gardeners	1.18	1.07	1.08	1.12	1.16	88.3	44.1	48.8	51.2	Independent
B&B and restaurant owners	1.15	1.23	1.12	1.17	1.44	100.0	68.6	58.1	41.9	Independent
Trainers and coaches	1.23	1.20	1.21	1.25	1.73	90.9	60.5	55.8	44.2	Mid-independence
Manufacturing managers	1.00	1.00	1.00	1.00	1.12	91.3	100.0	87.4	12.6	Independent
Financial advisers	1.15	1.09	1.12	1.18	1.21	76.1	68.9	64.6	35.4	Mid-independence
Medical professionals	1.53	1.79	1.32	1.58	1.64	85.1	40.8	59.4	40.6	Dependent
Construction and property managers	1.44	1.57	1.45	1.69	1.91	70.1	58.3	66.3	33.7	Mid-independence
Functional managers	1.23	1.23	1.07	1.09	1.35	82.5	64.3	64.5	35.5	Mid-independence
Book-keepers	1.40	1.27	1.12	1.35	1.30	86.7	40.2	49.6	50.4	Mid-independence
TV/film technical roles	1.27	1.42	1.25	1.44	1.49	80.6	36.5	48.2	51.8	Mid-independence
Legal and business professionals	1.33	1.27	1.12	1.18	1.38	79.7	52.8	70.7	29.3	Independent
Other jobs	1.36	1.33	1.24	1.28	1.58	78.4	40.3	59.6	40.4	--
Total	1.31	1.31	1.20	1.28	1.52	82.2	40.5	52.5	47.5	--

Source for Autonomy and Separate Bank Accounts: Understanding Society, Wave 6; Source for Number of Clients: LFS, Apr–Jun 2016; Source for Job vs Business: Family Resources Survey 2014/15.

^a Understanding Society asks respondents to say how much influence they have over different aspects of their jobs on a scale from 1 to 4, with 1 meaning a lot of autonomy and 4 meaning none.

⁹ This rating is based on an amalgamation of all indicators of independence including degree of autonomy over aspects of work; proportion who have more than one client; proportion who view themselves as having a business and whether they have separate accounts for work finances.

SECURE/INSECURE

The security/insecurity indicator is linked to the debate about the working conditions and job quality of the self-employed and how these relate to their subjective wellbeing and job satisfaction. Examining whether they are looking for alternative work as well as whether they have private pension provision is a useful measure of the extent to which the person is self-employed by choice and whether the work provides long term security.

PENSION

Private pension provision can be an indicator of financial wellbeing and security, as those in well-paying work with long-term security are more likely to arrange private pensions. We found that, in the case of Understanding Society, financial advisers, functional managers, medical professionals, and construction and property managers were most likely to have a private pension (Table 4). In the case of the Family Resources Survey, legal and business professionals, manufacturing managers, those in TV/film technical roles and construction and property managers were most likely to have a private pension.

LOOKING FOR ALTERNATIVE WORK

Respondents in the LFS are asked if they are looking for a different or additional job, and part-time workers are asked for their reasons for working part-time. We have created a composite 'want out' indicator based on those who are looking for a different or additional job, or who are working part-time because they could not find full-time work.

Respondents to the LFS in the October to December quarter are also asked to give their reasons for becoming self-employed, which include 'could not find other employment'. Those who gave this as their main reason for becoming self-employed were added to those who 'wanted out' to create an 'insecure' indicator. Table 4 shows the proportion of the solo self-employed in different occupations who 'want out', and who are 'insecure'. Those who are most likely to want out are cleaners, business associate professionals, tutors, and building labourers. Higher levels of those classified as insecure under our indicator are to be found among building labourers, cleaners, shopkeepers, drivers and tutors.

Table 4: Security/insecurity indicators of the solo self-employed

Occupation	Proportion with a pension		Want out of self-employment		Rating of overall security ¹⁰
	Understanding Society Survey (US) %	Family Resources Survey (FRS) %	Proportion looking for different/ additional job %	Proportion that became self-employed because they couldn't find other employment, plus proportion looking for different/ additional job	
Drivers	15.4	11.8	9.0	16.8	Insecure
Cleaners	14.3	14.3	18.4	23.9	Insecure
Shopkeepers	21.0	17.7	4.6	6.5	Insecure
Artistic occupations	13.7	22.7	11.0	14.7	Insecure
Car mechanics	7.9	24.0	6.5	9.7	Insecure
Builders	20.9	24.2	4.7	11.0	Secure
Farm workers	29.2	18.7	2.0	1.6	Secure
Tutors	26.7	8.1	13.6	16.6	Mid-security
Traders	18.5	5.1	10.9	18.1	Mid-security
Childminders and carers	10.7	12.3	7.3	7.2	Insecure
Building labourers	13.8	12.1	13.6	25.4	Insecure
Building operatives /drivers	25.0	2.8	4.0	15.1	Secure
Business associate professionals	31.5	21.8	13.8	15.8	Mid-security
Hair and beauty	17.0	10.4	6.5	11.0	Secure
IT and related professionals	32.7	28.6	8.0	7.0	Secure
Skilled makers	15.6	11.5	4.4	6.4	Secure
Gardeners	21.1	17.4	6.1	11.9	Secure
B&B and restaurant owners	18.2	4.2	1.7	7.5	Secure
Trainers and coaches	23.7	21.5	10.0	12.2	Mid-security
Manufacturing managers	23.1	38.9	2.7	6.3	Mid-security
Financial advisers	52.4	22.3	7.7	14.6	Secure
Medical professionals	39.0	13.5	6.4	5.8	Secure
Construction and property managers	38.5	31.3	1.6	5.4	Secure
Functional managers	50.0	29.1	5.3	6.7	Mid-security
Book-keepers	31.0	14.3	4.8	6.2	Secure
TV/film technical roles	37.8	38.1	9.8	12.2	Mid-security
Legal and business professionals	33.8	50.3	4.6	9.6	Secure
Other jobs	25.3	21.7	8.9	11.3	
Total	23.4	20.0	7.9	11.7	

Source for Private Pension Provision: Family Resources Survey 2014/15, and Understanding Society, Wave 6;

Source for Want out of self-employment: 'Looking for different/additional job' LFS, Jul-Sep 2015 to Apr-Jun 2016, four quarter average and 'Became self-employed because they couldn't find other employment, plus looking for different/additional job' LFS, Oct-Dec 2015.

¹⁰ This rating is based on an amalgamation of all indicators of security including whether the respondents have a pension and want to get out of self-employment.

SEGMENTS OF THE SOLO SELF-EMPLOYED WORKFORCE

Having identified the indicators and looking at how these relate to certain occupations, regression analysis was used to derive the segments of the self-employed workforce. Based on the main self-employed job/occupational groups, we identified nine segments in total in relation to earnings, independence-dependence, and security-insecurity.

This section of the report presents information on the characteristics of the nine segments of the solo self-employed workforce.

Table 5 presents the size of the segments, based on LFS data. Segment 3 is the largest, accounting for nearly a quarter of all solo self-employed, and 30 per cent of all those working in the nine segments. Segment 6 is the second largest, accounting for a fifth of all solo self-employed and a quarter of all those working in the nine segments. Segments 5 and 7 are the smallest segments.

Table 5: Snapshot of the segments: Characteristics, types of occupations and size

Segment	Characterised by	Types of occupations	Number	Proportion of solo self-employed (%)
1	Low pay, dependent, insecure	Driver and cleaners	348,200	8.9
2	Low pay, independent, insecure	Shopkeepers, artistic occupations and car mechanics	320,600	8.2
3	Low pay, independent, secure	Farm workers, builders, traders and tutors	889,900	22.7
4	Mid pay, dependent, insecure	Childminders and carers, and building labourers	156,500	4.0
5	Mid pay, dependent, secure	Building operatives/drivers	50,900	1.3
6	Mid pay, independent, secure	Trainers and coaches, IT and related professionals, financial advisers, business associate professionals, manufacturing managers, hair and beauty workers, skilled makers, gardeners, and restaurant and B&B owners	767,700	19.5
7	High pay, regulated, secure	Medical professionals	77,800	2.0
8	High pay, mid-independence, secure	Functional managers, construction and property managers, book-keepers, and TV/film technical roles	198,400	5.1
9	High pay, independent, secure	Legal and business professionals	162,400	4.1
All segments			2,972,500	75.7
Unallocated			954,800	24.3
All solo self-employed			3,927,300	100.0
Self-employed who employ others			754,700	--
Total self-employed			4,682,000	--

Source: LFS, Jul-Sep 2015 to Apr-Jun 2016, four quarter average. Notes: Segments 3 and 6 combine jobs that are mid or high on the independence and secure dimensions, and segment 8 combines jobs that are mid or high on the secure dimension as a way of reducing the 15 population cells down to a manageable number of segments.

SEGMENT 1:

LOW PAY, DEPENDENT, INSECURE

Characterised by low paid, dependent and insecure work, and comprises two sections of solo self-employed workforce – drivers, and cleaners.

PERSONAL CHARACTERISTICS

In terms of personal characteristics, around three quarters (74%) of the solo self-employed workforce in this segment are male, slightly higher than the average for all segments of 70 per cent. The average age of 45.3 years is slightly below the average of 46 years. Workers in this segment are generally less qualified than other solo self-employed workers; only 10 per cent have a degree, compared with 29 per cent of those across all segments, and 16 per cent have no qualifications, double the rate of eight per cent across all segments.

WORK CHARACTERISTICS

There is an above average degree of part-time working in this segment (37%, compared with 29% across all segments), and the proportion of workers with only one client or customer is also slightly above average (15%, compared with 14% across all sectors). This segment has an above average proportion of workers who have been self-employed for less than five years (44%, compared with 39% across all segments) and a below average proportion who have been self-employed for 20 years or more (14%, compared with 21% across all segments).

There are lower than average levels of autonomy and control among workers in this segment, reflecting the potentially dependent nature of the working arrangement. This is particularly the case for job tasks (mean score of 1.55 compared with 1.31 across all segments, where one is 'a lot' and four is 'none') and task order (1.57, compared with 1.28 across all segments). Furthermore, this segment has the highest proportion of workers who became self-employed because they could not find other employment (13%, compared with 6% across all segments). Furthermore, only 15 per cent of workers describe themselves as having a business rather than a job, which is much lower than the average across all segments of 41 per cent.

INCOME AND ECONOMIC CONTRIBUTION

Hourly earnings in the sector are below average; median earnings in the FRS were £6.70 per hour and average earnings in Understanding Society were £5.99 per hour, which compares with the averages across all sectors of £7.44 and £7.22 respectively. Earnings are also below the median earnings of employees in these jobs, which are £8.08 per hour in the FRS and £8.44 per hour in Understanding Society.

In terms of the economic contribution of the segment, it is estimated that the total annual earnings of all solo self-employed workers were between £3.9 billion and £5.4 billion in 2014/15, which represented just under seven per cent of the total earnings across all solo self-employed workers, and just under nine per cent of earnings across all nine segments.

There are low levels of workers with private pension provision in this segment; 13 per cent of FRS respondents said they had a private pension and 15 per cent of Understanding Society respondents said they have one, compared with the average proportions of 20 per cent and 23 per cent respectively.

JOB SATISFACTION AND WELLBEING

Workers in this segment have by far the lowest job satisfaction score, with a mean score of 5.04 compared with the average of 5.73 (1 is 'completely dissatisfied' and 7 is 'completely satisfied'); the next lowest score is for segment 2 at 5.62.

Job satisfaction among the solo self-employed is also lower than among employees in these jobs (5.22), and this is the only segment in which job satisfaction among the solo self-employed is lower than among employees.

Workers in this segment also report below average general wellbeing scores and above average anxiety scores compared with those in other segments. In comparison with employees in these jobs, solo self-employed workers are happier, but more anxious.

Imran Bhatt, 39, Driver

Imran has been a self-employed driver since December 2015 – prior to that, he worked for the BBC TV licencing team.

"The reason I became a self-employed driver was because my wife fell very ill and I needed to work flexible hours to support her. I knew I wouldn't be earning as much money as I would have in full-time employment – but being able to control when I worked was more important.

"In the beginning it was great as I was able to make enough money to pay the bills. But I find the long hours stressful and this is one of the biggest challenges.

"One of the other challenges is the business costs such as fuel, congestion charge in London and ensuring your car is in pristine condition, which can all add up. I was also involved in an accident recently, which although was not my fault, meant my insurance premium went up.

"Whilst you have control over the hours you work, you don't have as much control over how much you earn. There are days where I am just sitting in my car waiting for jobs. I love being self-employed and would not consider going back into employment right now; but I see being a driver as a stepping stone or a quick fix – something to tide me over while I get myself sorted."

SEGMENT 2:

LOW PAY, INDEPENDENT, INSECURE

Characterised by work that is low paid and insecure, but also generally independent. It is made up of three sections of the solo self-employed workforce: shopkeepers, car mechanics and people in artistic occupations.

PERSONAL CHARACTERISTICS

There is an above average proportion of female workers in this segment (35% compared with the average of 30%). The average age of workers in this segment is very close to the average across all segments (46.6 years compared with the average of 40.0 years). Workers are generally highly qualified – just over one third (35%) are graduates, above the proportion across all sectors of 29 per cent, and only seven per cent have no qualifications, below the average proportion of eight per cent.

WORK CHARACTERISTICS

The proportion of part-time work in this segment is the same as the average across all segments: 29 per cent. This segment also has the highest proportion of workers with more than one customer (94%, compared with 84% across all segments). More than a quarter (26%) have been self-employed for 20 years or more, compared with the average of 21 per cent.

Workers in this segment report relatively high degrees of autonomy and control over the various aspects of work. They report above average control over their job tasks and work manner, while their scores for the other aspects of their work are very close to the averages across all segments. Very few workers in this segment said they had become self-employed because they could not find other employment (3%, compared with 6% across all segments). Instead, the nature of the job or chosen career was the most common reason (30%, compared with 23% across all segments). This segment also has the highest proportion of workers who describe themselves as having a business (57%, compared with the average of 41%).

INCOME AND ECONOMIC CONTRIBUTION

Earnings in this segment are below the average across all segments, and around half the amount earned by employees in these jobs. Median hourly earnings in the FRS were £5.56 per hour, compared with the average across all segments of £7.44 and the average for comparable employees of £10.36, while median earnings in Understanding Society were £5.46 per hour, compared with the average across all segments of £7.22 and the average for comparable employees of £10.95.

Total annual earnings for all solo self-employed workers in this segment are estimated at between £2.3 billion and £5.0 billion, which represents between four and seven per cent of all solo self-employed earnings, and between five and eight per cent of total earnings across all the segments.

The proportion of workers in this segment with a private pension is similar to the average across all segments according to the FRS (20%), while there was a below average proportion of Understanding Society respondents in this segment with a private pension (15% compared with 23%).

JOB SATISFACTION AND WELLBEING

Job satisfaction in this segment is slightly below the average across the self-employed sector (5.62 compared with 5.73). It is, however, higher than the average satisfaction levels among employees in similar positions (5.47).

General wellbeing across this segment is at a similar level to the solo self-employed population, although this segment tend to be more anxious than average. Self-employed people in this segment are less satisfied and more anxious than employees in similar roles, but they feel the things they do in their lives are more worthwhile.

Tom Webb, 23, Musician

Tom is a part-time self-employed musician who writes his own music, tours with his band and supports a number of other artists. He is also employed on a full-time basis as an AV engineer and puts the money he earns from this towards his music.

"I have always loved music, but for bands in particular, it can be quite hard to get that big break. That is one of the biggest struggles of being a musician – you have to pay for your photoshoots, music videos, recordings etc., which is why I do it alongside another job and I have a good balance right now.

"For gigs, you have to pay the venue upfront and buy your own tickets to sell. And big venues like the Apollo, you can end up paying as much as £2,000 just to perform. There are times when we don't make any money at all – and when we do make some – it is very little. I avoid taking on gigs if I know I am not going to be able to sell enough tickets to cover the costs.

"People often think that if you have earned £1,000 from selling tickets for your gig, it is a lot of money. But when you take away the travel costs, venue costs, sound equipment and everything else, there is not much left to put into anything else, like savings for later down the line."

SEGMENT 3:

LOW PAY, INDEPENDENT, SECURE

Characterised by work that is low paid, but also generally independent and secure, this segment is comprised of four sections of the solo self-employed workforce: farm workers, builders, traders, and tutors. This is the largest segment of the self-employed workforce.

PERSONAL CHARACTERISTICS

Workers in this segment are predominantly male (87% compared with 70% across all segments), and the average age is the same as across all segments: 46.0 years. There is a large proportion of people in this segment whose highest qualifications are A-levels or equivalent (32%, compared with 24% across all sectors). There is also a below average proportion with degrees or other higher education qualifications (24% compared with 39% across all sectors) and an above average proportion with no qualifications (11% compared with 8% across all segments).

WORK CHARACTERISTICS

Around one fifth of this segment (19%) work part-time – below the 29 per cent average across all segments, while the proportion with more than one customer is similar to the average (85% and 84% respectively). This segment also has the highest proportion of workers who have been self-employed for 20 years or more (30%, compared with the average of 21%), and the lowest proportion who have been self-employed for less than two years (14%, compared with the 19% average).

The solo self-employed in this segment report relatively high degrees of autonomy and control across all five different aspects of their work – particularly in terms of job tasks and work order. The proportion who became self-employed because they could not find other work was the same as the average across all segments: six per cent. An above average proportion, however, reported going self-employed either to maintain or increase their income (15%, compared with 13% across all segments). The 37 per cent of this segment describing themselves as business owners is, however, slightly below the cross-sector average of 41 per cent.

INCOME AND ECONOMIC CONTRIBUTION

The median hourly earnings for this segment are slightly above the average across all segments, although this does not take into account factors such as types of self-employment, qualification levels and working hours, which were controlled for in the regression analyses described earlier.

According to the FRS, median hourly earnings were £7.88 compared with the cross-sector average of £7.44. Understanding Society reported the median for the segment at £7.70, compared with the cross-sector average of £7.22. The median earnings for this segment are, however, substantially lower than those for employees in similar positions: £9.64 per hour in the FRS and £11.26 per hour in Understanding Society.

Estimates of the total annual earnings for all solo self-employed workers in this segment range from £12.9 billion to £16.4 billion. This is between 20 and 24 per cent of all solo self-employed earnings and between 25 per cent and 31 per cent of earnings across all listed segments.

The proportion of the segment with private pensions is very close to the cross-sector average – in the FRS, 21 per cent compared with a 20 per cent average, and in Understanding Society, 23 per cent: the same as the average across all segments.

JOB SATISFACTION AND WELLBEING

Job satisfaction in this segment is the same as the overall average, 5.73, and significantly higher than job satisfaction among employees in comparable jobs (5.29). Views on subjective wellbeing are also close to the average across all segments, although workers in this segment are much less anxious than the average. Compared with employees in similar jobs, solo self-employed workers are happier and less anxious.

Mark Baker, 43, Arable Farmer

Mark has been in the farming industry for around 30 years and in 2007 decided to take the plunge and become a self-employed arable farmer.

"I have always been interested in farming from a young age. I chose to go self-employed in order to have more control over what I do. Farming involves long hours, but when you work for yourself, you can choose when you want to work and for how long. Although, if you don't put in the work, then you are not going to get anything out of it.

"To me, I see this as running a business. It is not just about doing the work, it's about making decisions and those decisions have a huge impact on you.

"As you are self-employed, you obviously take on the risk of potentially not earning anything for the year. In my first year, we were hit with a hailstorm which literally destroyed all the oilseed rape crop that year and severely damaged the other crops. The biggest challenge for us is always the weather.

"But I don't regret being self-employed – I am very satisfied with the work and wouldn't consider being an employee again."

SEGMENT 4:

MID PAY, DEPENDENT, INSECURE

Characterised by work that has average pay levels – taking into account factors such as type of self-employment and qualifications – but is also relatively dependent and insecure. This segment covers two sections of the solo self-employed workforce: building labourers, as well as childminders and carers.

PERSONAL CHARACTERISTICS

Just over half of workers in this sector (55%) are female, but this hides the difference between the two job types: building labourers are predominantly male, while childminders and carers are predominantly female. This segment has the youngest average age of all nine segments, at 42.2 years compared with the cross-section average of 46.0 years. There is also a below-average proportion of graduates in this segment (14%, compared with 29% across all segments) and an above average proportion of workers with no qualifications (10%, compared with 8% across all segments).

WORK CHARACTERISTICS

One in four self-employed in this segment (25%) work part-time – below the average of 29 per cent across all segments. This segment also has the highest proportion of solo self-employed who report having only one client or customer (36%, compared with 14% across all segments), and who have been self-employed for less than two years (31% compared with 19% across all segments). It also has the lowest proportion of workers who have been self-employed for 20 years or more (12%, compared with 21% across all segments), and an above average proportion of this segment became self-employed because they could not find other work (11% compared with 6% across all segments).

Workers in this segment report below average levels of autonomy and control over their work, particularly in terms of work manner (how they do their work) and work hours (the time they start or finish their working day). In fact, the degree of autonomy and control is lower in this segment than any other. The proportion of this segment who describe themselves as having a business is also below average (27%, compared with 41% across all segments).

INCOME AND CONTRIBUTION TO THE ECONOMY

This segment has the lowest median hourly earnings figures, although when controlling for factors such as type of self-employment and qualification levels the regression analyses showed they were average compared with other self-employed workers.

In the FRS, the median figure was £5.11 per hour, compared with a cross-sector average of £7.44, while Understanding Society set the median at £4.19 per hour, compared with an average of £7.22. These are also lower than the figures for employees in similar jobs: £7.67 according to the FRS and £8.82 according to Understanding Society.

Estimates of total annual earnings for this segment range from £1.7 billion to £2.2 billion, accounting for between 2.2 per cent and 3.7 per cent of the total earnings of all solo self-employed workers, and between 2.9 per cent and 4.8 per cent of the total earnings from across all nine segments.

Relatively few self-employed people in this segment have a private pension, with both the FRS and Understanding Society reporting just 12 per cent. This is significantly below the FRS average of 20 per cent and the Understanding Society average of 23 per cent.

JOB SATISFACTION AND WELLBEING

Workers in this segment report the highest average job satisfaction (mean of 5.95, compared with 5.73 across all segments), and they have much higher job satisfaction than employees in similar roles (5.37). Subjective wellbeing in this segment is fairly close to the cross-sector average, although solo self-employed workers in this segment tend to be less satisfied with their lives, despite feeling the work they do is slightly more worthwhile.

Claire Meek, 33, Childminder

Single mum of two, Claire, decided to become a self-employed child-minder four years ago so she could be at home with her children.

“When I first became self-employed, my hours depended on what the parents wanted and sometimes this meant I was working late. I did it because I wanted to make sure I was earning enough to support my family. But now I have more control, I don't work past 6pm – and I'm quite clear to parents about this.

“For me, childminding is like running a business. There is a lot of paper work to it, a lot of procedures that I make sure I have in place and the unpredictability of it adds a layer of uncertainty to my financial situation. But I love it and for now, being self-employed is the best option.”

SEGMENT 5:

MID PAY, DEPENDENT, SECURE

Characterised by work that is secure, has average pay levels – taking into account factors such as type of self-employment and qualifications – but that is also relatively dependent. Only one job category among the self-employed workforce falls into this segment: building operatives and drivers.

PERSONAL CHARACTERISTICS

Almost all workers in this segment are male, and they are generally relatively young (there is a mean age of 42.8 years compared with a cross sector-average of 46.0 years). In terms of education, this segment has the lowest proportion of workers with qualifications above A-levels (16%, compared with 39% across all segments), and the highest proportion of workers with GCSEs or other qualifications (52%, compared with 28% across all segments).

WORK CHARACTERISTICS

Very few people in this segment work part-time (7%, compared with 29% across all segments). This segment also has the second highest proportion of people with only one customer or client (32%), after segment 4.

This segment has below average proportions who have been self-employed for less than two years, or more than 20 years. In fact, two thirds (66%) of people in this sector have been self-employed for between two and 20 years, compared with 60 per cent across all segments. A high proportion of workers in this segment also reported becoming self-employed because they could not find other work (12%, compared with 6% across all segments).

The degree of autonomy and control is below average for most aspects of work in this segment, although solo self-employed people in this segment reported the highest level of control over how they work (work manner). This segment also has the lowest proportion of workers who describe themselves as having a business (11%, compared with 41% across all segments).

INCOME AND CONTRIBUTION TO THE ECONOMY

Median hourly earnings are slightly above average in this segment, at around £7.70 per hour according to both the FRS and Understanding Society, compared with cross-sector averages of £7.44 and £7.22 respectively. However, these are below the average £11 per hour employees in similar roles earn.

The total annual earnings of all solo self-employed workers in this segment are estimated at between £811million and £930million. That accounts for between 1.1 per cent and 1.4 per cent of all total solo self-employed earnings, and between 1.4 per cent and 1.9 per cent of earnings across the nine segments. The two data sources differ significantly over what proportion of the segment have their own private pensions.

According to the FRS, only three per cent have a private pension, compared with a cross-sector average of 20 per cent, while according to Understanding Society, 23 per cent have a private pension – the same as their cross-sector average.

JOB SATISFACTION AND WELLBEING

Job satisfaction in this segment is close to the all-segments average (5.69 and 5.73 respectively), although it is higher than among employees in similar roles (5.49). This segment's self-employed also report above average general life satisfaction (7.90 compared with 7.70 across all segments). Not only that: they also have the lowest average anxiety level of all the segments (2.46, compared with 2.81 across all segments). Compared with employees, solo self-employed workers in this segment are happier, more satisfied with life and feel the things they do are more worthwhile. Their anxiety, however, is slightly higher.

Damion Traves, 48, Building operative

Since completing his apprenticeship, Damion has been a self-employed operative in the building industry.

"For the last 25 years I have loved the freedom and autonomy of self-employment and being my own boss. I work extremely hard and I'm rewarded with a good wage that allows me to live comfortably and work as and when I please. But the construction industry is heavily regulated, so I always have to keep up-to-date with these stringent health and safety controls.

"Being self-employed, if I don't work I don't get paid, and there is always the potential for illness or injury in a physically demanding trade. I'm 48 now and I know that my body isn't going to go on forever. I've been training to become a teacher for when I can no longer keep up with the physical demands, but the course fees are extremely expensive.

"With the world of work changing drastically, access to tax-deductible training would allow me to upskill outside of my traditional field. It is very important to me that I have a way of improving my career prospects for when my body doesn't let me work on a building site anymore."

SEGMENT 6:

MID PAY, INDEPENDENT, SECURE

This segment is characterised by work that is secure, relatively independent and has average pay levels – taking into account factors such as type of self-employment and qualifications. It covers nine sections of the self-employed workforce: trainers and coaches, IT and related professionals, financial advisers, business associate professionals, manufacturing managers, hair and beauty workers, skilled makers, gardeners, and restaurant and B&B owners.

PERSONAL CHARACTERISTICS

This segment has a fairly even gender distribution, with female workers accounting for 42 per cent of the group, above the cross-sector average of 30 per cent. The average age of workers is also close to the all-segments average (45.3 years compared with 46.0 years). In terms of education, there is a relatively high proportion of graduates (36%, compared with 29% across all segments).

WORK CHARACTERISTICS

There is an above average proportion of part-time workers in this segment (37%, compared with 29% across all segments). On the other hand, this segment has a below average proportion of workers with only one client or customer (11%, compared with the all-segments figure of 14%).

Another distinctive feature of this segment is that it has the highest proportion of people who became self-employed for better work conditions or job satisfaction (24% compared with 21% across all segments), as well as a below average proportion who could not find other work (3%, compared with 6%).

This segment's solo self-employed report the highest levels of autonomy and control over their job tasks, work pace, task order and work hours, as well as the second highest level of control over their work manner, behind segment 5. This segment also has the second highest proportion of workers who describe themselves as having a business, after segment 2 (54%, compared with 41% across all segments).

INCOME AND CONTRIBUTION TO THE ECONOMY

Understanding Society's median hourly earnings figure for this segment is very similar to the cross-sector average (£7.16 and £7.22 respectively). According to the FRS data, however, hourly earnings for this sector are below average (£6.67 compared with £7.44). Of course, these simple median figures do not take into account factors such as type of self-employment and qualification levels. However, the median hourly earnings figures for employees in these types of jobs are much higher (£14.36 from Understanding Society and £12.91 from the FRS).

Total annual earnings for all solo self-employed workers in this segment are estimated at between £10.4 billion and £15.8 billion. As a proportion of total solo self-employed earnings, this accounts for between 18 per cent and 20 per cent, while as a proportion of total earnings across the nine segments, this accounts for between 23 per cent and 26 per cent.

The proportion of solo self-employed workers in this segment with a private pension is around the average for the sector: according to the FRS, 17 per cent compared with a cross-sector average of 20 per cent and according to Understanding Society, 25 per cent compared with 23 per cent across all segments.

JOB SATISFACTION AND WELLBEING

Workers in this segment report very high job satisfaction, only just behind the mean figure for segment 4, and higher than the average for all segments (5.94 compared with 5.73). It is also much higher than the figure for employees working in these types of jobs (5.40).

However, views on subjective wellbeing are broadly similar both to the average figures across all segments and to employees in similar roles. This segment's self-employed do, however, have a higher level of anxiety.

Ed Telling, 45, Photographer

Ed started out as a self-employed graphic designer in 2003 and then gradually started to move towards photography. By 2010, he had left graphic design behind and began focusing on event photography.

"Graphic design and photography go hand in hand, so I found clients through my contacts and word of mouth. I have a regular stream of clients and jobs throughout the year, although it does get quieter around Christmas and during the summer. It also helps that I have diversified my portfolio, and I try to collaborate with other photographers and share work when we have too much on.

"I have a lot of autonomy in how I work. Clients don't really control how I work, which is great and it would be a bit strange if they did!

"I definitely see myself as running my own business and have taken time out to focus on building my website among other things. I also try and save where I can, I put money into a pension or invest it."

SEGMENT 7:

HIGH PAY, REGULATED, SECURE

This segment, which is composed of self-employed medical professionals, is characterised by secure, high paid work that is also subject to a relatively high degree of external control. Therefore, this category has been termed as 'regulated' instead of 'dependent' work.

PERSONAL CHARACTERISTICS

This segment has the highest proportion of female self-employed people (68%, compared with 30% across all segments), and has the second highest average age (49.3 years compared with 46.0 years). It also has the highest proportion of graduates (87% compared with 29 per cent across all segments), with most of the rest of the workers in this segment holding higher education qualifications below degree level.

WORK CHARACTERISTICS

Just over half (51%) of this segment's self-employed work part-time, the highest of any segment (the cross-sector average is 29%). The proportion of this sector who report having only one customer or client, however, is very similar to the cross-sector average (15% compared with 14%).

This segment has a higher than average proportion of workers who have been self-employed for a relatively short period of time: 22 per cent have been self-employed for less than two years, and 45 per cent for between two and 10 years. This is compared with cross-sector averages of 19 per cent and 38 per cent. This segment also has the lowest proportion of people who are self-employed because they could not find other work (2%) and the highest proportion who are self-employed because of the nature of the job or their chosen career (36%).

Workers in this segment report relatively low levels of autonomy and control - most likely because of regulatory factors and practice hours. In particular, they report the lowest levels of control over their work pace and task order, as well as the second lowest levels of control over job tasks, work manner and work hours. The proportion of this segment who describe themselves as having a business is also the same as the cross-sector average: 41 per cent.

INCOME AND CONTRIBUTION TO THE ECONOMY

Median hourly earnings for solo self-employed workers in this segment are above average: £18.21 according to the FRS and £20.06 according to Understanding Society (compared with cross-sector averages of £7.44 and £7.22 respectively). These hourly earnings also correspond with employees in similar types or work, with the FRS average slightly above their employee figure of £16.67, and Understanding Society's average slightly below their employee figure of £17.02.

Total annual earnings for this segment are estimated at between £2.3 billion and £2.9 billion, which is about four per cent of all solo self-employed earnings, and around five per cent of earnings from across the nine segments.

The two sources give very different estimates of private pension provision in this segment. According to the FRS, 14 per cent of workers in this segment had a private pension, compared with a cross-sector average of 20 per cent. According to Understanding Society, however, 39 per cent had a private pension - the highest of any segment - compared with a cross-sector average of 23 per cent.

JOB SATISFACTION AND WELLBEING

Job satisfaction is slightly above the average for the all-segment average (mean score of 5.77 compared with 5.73). This is, however, much higher than among employees in similar jobs (5.45).

Despite higher anxiety, the self-employed in this segment not only feel their work is more worthwhile, but also report higher life satisfaction and happiness than the average across all segments.

There is the same pattern compared with employees in similar jobs. Although the self-employed in this sector have higher anxiety levels than their employee peers, they also experience greater life satisfaction and more of a feeling that what they do is worthwhile.

Durali Vyas, 25, Locum Optician

Durali is an optician, who chose to become self-employed (also known as a locum in the healthcare industry), at the beginning of 2017.

"I was getting married in the summer so I chose to become a locum optician for convenience. It made it easy for me to choose when I want to work and still have a high earning capacity.

"I love being self-employed and I'm 100 per cent satisfied with working for myself - it is the best thing for me right now. But there are some challenges you face when you locum - keeping up with and adhering to practicing standards is a constant, and managing finances can also be a little confusing.

"The industry I work in is highly regulated on the clinical side, but you can still work as many or as little hours as you like when you locum."

SEGMENT 8:

HIGH PAY, MID-INDEPENDENCE, SECURE

This segment is characterised by work that is secure and highly paid, but is also mid-way between dependent and independent based on the available indicators. It is comprised of four sections of the self-employed workforce: functional managers, book-keepers, construction and property managers, and people in TV/film technical roles.

PERSONAL CHARACTERISTICS

There is an above average proportion of female workers in this segment (37%, compared with a cross-sector average of 30%). The average age of workers in this segment is relatively high (48.3 years compared with 46.0 years across all segments). In terms of education, just under half (46%) of solo self-employed workers in this segment have a degree or equivalent, above the all-segments average of 29 per cent.

WORK CHARACTERISTICS

The proportion of people doing part-time work in this segment is slightly above the cross-sector average (33% compared with 29%), as is the proportion of workers who report having only one client or customer (18%, compared with 14% across all segments).

The average length of time people in this segment have been self-employed is broadly similar to the sector average, although there is a higher proportion of people in this segment who have been employed for between 10 and 20 years (26% compared with 22%). There is also a lower proportion who have been self-employed for 20 years or more (17% compared with 21%) and a relatively high proportion of people in this segment became self-employed after they were made redundant (12%, compared with 8% across all segments).

The levels of autonomy and control in this segment are also broadly similar to the all-segments average, although a higher than average proportion of people in this group describe themselves as having a business (49% compared with 41%).

INCOME AND CONTRIBUTION TO THE ECONOMY

Median hourly earnings in this segment are above average. According to the FRS, they stand at £10.84 compared with the sector-wide average of £7.44, while Understanding Society report the figure at £9.95 compared with the cross-sector average of £7.22. However, both sources record the median hourly earnings figures for this sector below those of employees in similar roles (£13.68 according to the FRS and £15.83 according to Understanding Society).

Estimates of the total earnings across this segment range from £4.0 billion to £6.4 billion. That accounts for between six per cent and nine per cent of all self-employed earnings, and between eight per cent and 12 per cent of the total earnings from all nine segments.

In terms of saving for later life, this segment's self-employed are more likely than average to have a private pension. The FRS report the proportion with a private pension at 29 per cent compared with a 20 per cent cross-sector average, while Understanding Society reports 38 per cent compared with a 23 per cent average.

JOB SATISFACTION AND WELLBEING

Job satisfaction is slightly above the all-segment average (mean score of 5.77 compared with the cross-sector average of 5.73 for all segments). This segment's self-employed also report greater happiness and general life satisfaction compared with the cross-sector average, although their anxiety is above average too. Compared with employees in similar roles, the self-employed of this segment report not only greater happiness, but also more of a feeling that the work they do is worthwhile. They are, however, more anxious overall too.

Warren Tennyson, 30, TV casting director/ producer

Warren has been working as a freelance casting director and producer on and off for ten years. He started off working in Dublin for Irish TV, before moving to London five years ago.

"The nature of TV shows means they are always going to be made on a project basis. The pay is good, but I often work long hours in order to ensure I'm happy with the casting. Also, when I'm casting a reality TV show I'm there from relatively early in the process through to supporting people while they are being filmed. But once the filming wraps, my part in the production finishes.

"The work is fun and varied. Being self-employed means I'm able to work on a number of really different productions each year.

"It can be tough if there aren't any projects on for a while, but since I've established myself I often find projects through contacts I've built up. Working on a freelance basis is common in the line of work I'm in, and I wouldn't have it any other way. It's a really flexible and great way to work."

SEGMENT 9:

HIGH PAY, INDEPENDENT, SECURE

Characterised by high paid work that is both independent and secure, this segment covers just one section of the self-employed workforce: legal and business professionals.

PERSONAL CHARACTERISTICS

The proportion of females working in this segment is the same as the cross-sector average of 30 per cent. It is significantly above average in terms of age, however, with the highest average age of any sector: 50.0 years compared with the cross-sector average of 46.0 years. The self-employed in this segment are also more qualified than average, with 74 per cent holding university degrees – second only to segment 7 and well above the cross-sector average.

WORK CHARACTERISTICS

The proportion of people working part-time in this segment is very close to the cross-sector average (30% compared with 29%). An above average proportion, however, report having only one client or customer (19% compared with 14%).

The average length of time in self-employment is similar in this segment to the cross-sector average, with 18 per cent self-employed for less than two years and 42 per cent self-employed for 10 years or more – compared with 19 and 42 per cent respectively.

In terms of motivations, this segment has a high proportion of people who became self-employed for better working conditions or job satisfaction (24%, compared with the 21% cross-sector average). It also has the highest proportion of people who became self-employed after being made redundant (14% compared with 8% across all segments).

This segment's solo self-employed have comparatively high levels of autonomy and control – particularly in terms of task order, where they report the highest level of control of all the segments. They also report the second highest level of control over work hours – after segment 6.

In terms of self-perception, segment 9 has an above average proportion of people who describe themselves

as having a business rather than a job (53%, compared with the all-segment average of 41%).

INCOME AND CONTRIBUTION TO THE ECONOMY

This segment has the highest median hourly earnings, with the two data sources producing very similar estimates: £19.38 from the FRS and £19.55 from Understanding Society (more than twice the cross-sector averages of £7.44 and £7.22 respectively). These are very similar to the median earnings of employees in similar roles: £19.49 according to the FRS and £19.34 according to Understanding Society.

The data sources differ significantly on the total annual earnings of this segment: ranging from £4.2 billion to £10.0 billion. Set against the total earnings of the self-employed, this is a proportion of between seven and 14 per cent. As a proportion of earnings from the nine segments, it is between nine and 17 per cent.

In terms of saving for later life, people in this segment are more likely than average to have a private pension: 50 per cent compared with a cross-sector average of 20 per cent according to the FRS, and 34 per cent compared with 23 per cent according to Understanding Society.

JOB SATISFACTION AND WELLBEING

Despite high pay and security, job satisfaction is close to the cross-sector average in this segment (5.71 compared with the all-segment average of 5.73). However, the solo self-employed in this segment do have higher job satisfaction than employees in similar roles (5.40).

In terms of subjective wellbeing, solo self-employed workers in this segment report high general life satisfaction and low anxiety compared with other segments. They also have lower anxiety levels than employees in similar roles.

Oliver Cole, 41, Lawyer

Oliver has been a self-employed lawyer for the past five years and he is using his freelance experience to slowly develop his own business and invest in his future.

"I chose to be self-employed to have greater flexibility and control over my working life. Time spent working as a lawyer in private practice didn't provide the work-life balance that I was hoping for. Market forces also mean that companies are choosing more interim cover, and contract roles often come faster to market than permanent positions.

"The biggest challenge I face is continuity between assignments or new roles. Having too much downtime can be frustrating and a bit stressful. But having control is very satisfying and the high earning potential makes it a rewarding way of working."





CONCLUSIONS AND RECOMMENDATIONS

KEY FINDINGS

In this project, we set out to gain a clearer understanding, from the publicly available official datasets, of the different segments of the UK's solo self-employed workforce. Based on our analysis, we were able to delineate nine distinct segments, ranging from low-paid, dependent and insecure work, through to high-paid, independent and secure work.

The rise of self-employment has created challenges for public policy. This has been exacerbated by a lack of research into the sector and the widespread belief that all self-employment can be treated in a similar way. Meanwhile, uncertainty about who exactly is self-employed and who is not has left groups of workers open to exploitation.

This report should help to overcome these challenges by quantifying – as far as the datasets allow – the scale of the potential problems associated with certain self-employed segments, such as low incomes and high levels of dependence or insecurity. It will also help by detailing the composition of the self-employed segments where these issues are most prevalent.

A SECURE AND INDEPENDENT SECTOR

The majority (53%) of the solo-self-employed workforce exhibit high levels of independence and security. This covers people across segments 3, 6, 7, 8 and 9. They are, by and large, much happier in their work than employees in similar roles, and have a high degree of control over their working practices.

People in these groups report high levels of autonomy in different aspects of their work, including their choice of task and their way of working, suggesting that they are genuinely self-employed.

The two largest groups in the solo self-employed sector, segments 3 and 6, showed high levels of independence and security. These groups total approximately 1,657,000 people – 42 per cent of the solo self-employed workforce. They include groups like tutors, builders, financial advisers, IT professionals and restaurant owners.

While solo self-employed workers in these two segments are largely satisfied and secure, earnings across these groups are in the low to medium range relative to the whole self-employed earning spectrum, and substantially lower than employees in comparable roles.

AN UNCERTAIN MINORITY

Our research also delineated three segments (1, 4 and 5) – accounting for about 15 per cent of the solo self-employed total – where the self-employment status is unclear due to low levels of autonomy. The segments of the solo self-employed workforce that fall into this category include drivers, cleaners, childminders and carers, as well as building labourers and operatives/drivers.

Although we carried out a detailed analysis of the levels of independence and autonomy in the various segments of the self-employed sector, it was not our aim to compare our findings with the levels of independence among employees. Further research is needed to determine the factors contributing to low levels of independence, and whether or not this is a sector-wide issue that could be solved by reclassifying workers' status.

THE INSECURE COHORT

One in five (21%) solo self-employed workers – amounting to over 825,000 people – have been classified as being in insecure work. Spread across segments 1, 2 and 4, they are the UK's cleaners, drivers, carers and labourers, as well as those in artistic occupations.

The people in this group tend to be less qualified, with limited autonomy. They are also much less likely to have financial security, such as a private pension.

There may be a need for a particular policy focus on segments 1 and 4 because people in these segments have low degrees of both independence and security.

RECOMMENDATIONS

SECURE THE FREEDOM OF THE SELF-EMPLOYED

Policymakers must recognise that while it is important to improve the position of dependent and insecure workers, it is also essential that any policies introduced do not put at risk the independence, autonomy and job satisfaction enjoyed by the legitimately self-employed.

Nor is it just protecting the freedom of the legitimately self-employed: they should also be encouraged. One way to do this would be to improve access to training and professional development opportunities. Introducing this support would ensure that self-employment remains a positive career choice, with room for growth and progression.

CLEAR THE STATUS CONFUSION

Clarifying self-employed status would help to ensure the genuinely self-employed maintain their independence. Because, while ‘employee’ and ‘worker’ are both defined in UK law, there is no comparable statutory definition of self-employment. A statutory definition would give the genuinely self-employed the legitimacy they deserve.

SUPPORT THE INSECURE

Our report highlighted a section of the self-employed workforce who have only a limited amount of security compared with the rest. This group urgently needs support through incentives for pension uptake and reforms to the welfare system.

The insecure segments of the solo self-employed workforce may find themselves in a more vulnerable position as they near retirement if they do not have adequate savings to support them in later life. Therefore, a review of the pension system, and exploring the possibility of introducing more flexible pension solutions for the self-employed, may be one way of encouraging uptake and improving the position of these segments.

There could also be a more general review of the welfare system for the self-employed. This could include options such as reforming parental benefits to boost security for independent professionals, as well as reviewing Universal Credit to account for volatile and fluctuating incomes.

IMPROVE THE QUALITY OF WORK THROUGH TRAINING

The research has highlighted that there is a proportion of low-earning segments which need support to help achieve higher pay. One way of doing this is to provide better access to training and skills development opportunities. Skills development may help improve pay prospects, and could allow the less autonomous self-employed either to move into more independent roles or build themselves a broader base of clients.

To address this issue, the government should look into the tax treatment of training for the self-employed and explore ways to collate online training information, making it more accessible. As well as this, further research into ways to enable people in lower-paid segments to enhance their earnings is also required.

DIFFERENTIATED POLICY FOR A DIVERSE SECTOR

Ultimately, this report has highlighted that the self-employed workforce is not a homogeneous group. On the contrary, our research has shown that it is made up of numerous, diverse segments, and policymakers should recognise that a one-size-fits-all approach will not effectively serve the self-employed.

Instead, to properly address any challenges that arise in this area, policymakers must develop policies that recognise the varied needs of this sector's many constituent segments.

In fact, by segmenting the sector according to independence/dependence and security/insecurity, this report has already addressed two key policy issues. By analysing the sector in detail, we have not only outlined the true scale of the issues, but also clarified which segments of the self-employed workforce are disproportionately affected by them.

Finally, as well as discouraging harmful approaches, this report has opened the door to positive policies, making it possible to provide real and effective support for those who need it, without negatively impacting the rest of the UK's growing solo self-employed community.

APPENDICES



APPENDIX 1 – LIMITATIONS

It should be noted that in approaching this research there were some limitations in the available literature and data on the self-employed, which have been highlighted below.

LITERATURE

The available literature does relatively little to address certain questions to do with segmentation for the following reasons:

- Much of the large literature on self-employment avoids the question altogether by treating the self-employed as a largely homogeneous group. We have therefore focused the review on the literature that examines different characteristics of the self-employed.
- Those studies which do acknowledge the huge diversity of the self-employed often confine themselves to listing examples of the different ‘types’ of self-employed without attempts at quantifying their importance.
- Even where studies attempt to develop a classification system for the types of self-employed, the typologies established rarely focus directly on addressing the policy-relevant questions identified from the outset of our report. Rather, they tend to be driven mainly by occupational/sectoral classifications, or by the personal characteristics of the individual self-employed within the different sub-groups.
- Much literature is inevitably backward-looking and fails to reflect recent developments including the proliferation of part-time self-employment, the ‘gig economy’ and the penetration of self-employment into job types previously the preserve of employees.
- Given these deficiencies, we have chosen to use the findings of the literature review to inform our understanding of the self-employed, but we are not publishing the literature review itself as part of this report (which focuses on the data analysis) and it has not been used to directly shape any of the outcomes or conclusions of this report.

DATA

The official data sources currently available suffer from important deficiencies for our current purposes:

- Most importantly, they are based on employment or labour force surveys that ask a similar set of questions of employees and the self-employed. As they currently stand, these questions do not cover the key factors necessary to segment the self-employed in ways that address the policy questions identified in our report.¹¹ To overcome this, we have addressed these factors indirectly, using proxy indicators or constructing compound indicators from responses to a range of questions designed for other purposes.
- Sample size is also a problem with the survey datasets used for our research. Although self-employment has been growing, it remains a minority group within the working population. So, although it is normal practice to weight the data and gross it up to the population size, the relatively small number of self-employed on which the survey data is based limits the degree to which reliable statistics can be calculated for many sub-segments of the self-employed. To overcome these limitations, the LFS analysis combined four quarterly datasets to produce an annualised dataset with a larger sample size, and the linear regressions on hourly earnings combined two annual datasets from the FRS, and the US, to boost sample sizes as the models using one dataset only produced relatively few significant differences between the different job types.

These limitations should be borne in mind when interpreting the research findings and drawing conclusions from them. Nevertheless, we hope our study will be able to contribute to, and build on, the existing literature. While there have been a number of attempts at segmenting the self-employed workforce, the typologies established up to now rarely focus directly on addressing policy-relevant questions related to the diversity of the self-employed sector, or the specific circumstances and needs of the various different types of self-employed worker. We hope our study will go some way to addressing these issues.

¹¹ The International Labour Office is developing a revision to the International Classification of Status in Employment (ISCE-93) which governs official labour force statistics, which adopts a new approach to recoding self-employment and employee status, taking into account factors such as the types of economic risk to which the job-holder is exposed and the type of authority/autonomy exercised by the job-holder. This new approach, when finalised, will make the kind of segmentation exercise being attempted here much more straightforward.

APPENDIX 2 – DESCRIPTION OF THE SECTIONS OF THE SELF-EMPLOYED WORKFORCE

Section	SOC Major Group	SIC Section	Main jobs
Builders	5. Skilled trades occupations	F Construction	Carpenters, plumbers, electricians, painters and decorators, bricklayers
Drivers	8. Process, plant and machine operatives	H Transport and storage	Taxi drivers, van couriers, HGV drivers
Legal and business professionals	2. Professional occupations	M Professional, scientific, technical activities	Management consultants, lawyers, accountants, architects
Business associate professionals	3. Associate professional and technical occupations	M Professional, scientific, technical activities	Photographers, designers (graphic, product etc.), translators/ interpreters, marketing and advertising workers, health and safety consultants
Shopkeepers	1. Managers, directors and senior officials	G Wholesale, retail, repair of vehicles	Shopkeepers (eg clothing, newsagents, corner shops, second hand stores), owners of mail-order/internet sales businesses
Artistic occupations	3. Associate professional and technical occupations	R Arts, entertainment and recreation	Artists, musicians, actors, authors, sports/ fitness instructors at sports centres etc.
Hair and beauty professionals	6. Caring, leisure and other service occupations	S Other service activities	Hairdressers, barbers, beauticians, animal beauticians, grooms
Cleaners	9. Elementary occupations	N Admin and support services	Cleaners (domestic, factory, office, shop), window cleaners, security guards
Medical professionals	2. Professional occupations	Q Health and social work	Dentists, GPs, private doctors, podiatrists, physiotherapists, other therapists
Farm workers	5. Skilled trades occupations	A Agriculture, forestry and fishing	Farm workers and agricultural contractors/ technicians in mixed farming, beef cattle, dairy cattle and sheep, marine fisherman/ trawlers
Tutors	2. Professional occupations	P Education	Academic tutors, vocational tutors, cultural and creative tutors (music, dance, performing arts etc.)
IT and related professionals	2. Professional occupations	J Information and communication	IT consultants, web developers and designers, software programmers, journalists, editors
Childminders and carers	6. Caring, leisure and other service occupations	Q Health and social work	Childminders, care workers, home carers

Section	SOC Major Group	SIC Section	Main jobs
Skilled makers	5. Skilled trades occupations	C Manufacturing	Skilled craft workers across all of manufacturing e.g. cabinet makers, blacksmiths, dressmakers, cake makers, jewellery makers, machinery repairers
Gardeners	5. Skilled trades occupations	N Admin and support services	Gardeners, landscape gardeners, garden designers
B&B & restaurant owners	1. Managers, directors and senior officials	I Accommodation and food services	Owner/managers of B&Bs, restaurants etc.
Construction & property managers	1. Managers, directors and senior officials	F Construction	Construction managers, property developers, property managers
Trainers and coaches	3. Associate professional and technical occupations	P Education	Sports coaches, personal trainers, dance trainers, music trainers, IT trainers
Car mechanics	5. Skilled trades occupations	G Wholesale, retail, repair of vehicles	Car mechanics, auto-electricians, vehicle technicians, panel beaters, body shop technicians
Functional managers	1. Managers, directors and senior officials	M Professional, scientific, technical activities	Managers/directors in a range of activities including marketing, sales, advertising, finance and business consultancy
Building labourers	9. Elementary occupations	F Construction	Building labourers, hod carriers, electricians mates, ground workers
Book-keepers	4. Administrative and secretarial occupations	M Professional, scientific, technical activities	Book-keepers, payroll managers
Manufacturing managers	1. Managers, directors and senior officials	C Manufacturing	Engineering managers, production managers
TV/film technical roles	3. Associate professional and technical occupations	J Information and communication	Film editors, theatrical agents cameramen, sound engineers
Traders	7. Sales and customer service occupations	G Wholesale, retail, repair of vehicles	Market traders, stall holders, door-to-door sales persons, car dealers, van sales people
Financial advisers	3. Associate professional and technical occupations	K Financial and insurance activities	Financial advisers, mortgage advisers, pensions consultants, insurance brokers
Building operatives/ drivers	8. Process, plant and machine operatives	F Construction	Semi-skilled jobs in construction such as cable layers, dry liners, scaffolders, riggers, digger drivers, plant operators



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