

CENTRE FOR LONDON

# Supporting London's self-employed workers

*Erica Belcher and Nicolas Bosetti*



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# Summary

### Self-employment has become a common feature of London's labour market:

- 18 per cent of workers in London were self-employed in 2019, the highest proportion of all UK city regions. This compares to 15 per cent across the UK.
- In some sectors, over one-third of the workforce was self-employed: 52 per cent of household workers, 42 per cent of the construction workforce and 36 per cent of the arts and entertainment sector were self-employed.

### Although self-employment is sometimes seen as a lucrative way to earn a living, earnings are low for many:

- An estimated 55 per cent of self-employed workers in London are low paid, compared to 49 per cent across the UK.<sup>1</sup>
- Women, and people from Black and minority ethnic backgrounds, are more likely to be in low pay when self-employed.

### On top of this, self-employed people have been particularly affected by the COVID-19 crisis:

- 55 per cent of self-employed Londoners said that COVID-19 had negatively affected their income, compared to 44 per cent of employees.
- 38 per cent of London's self-employed workers said they are struggling to make ends meet, compared to 28 per cent of employees.

### Despite the challenges of the pandemic, our findings suggest that most want to remain self-employed – but many would like to see improved working conditions.

- **Poor client practices:** Self-employed workers tend to experience poorer treatment than employed Londoners – late payments and last-minute cancellations are rife.
- **Enforcement of rights:** Where protections do exist, they lack enforcement. Self-employed workers are responsible for challenging poor treatment themselves, but few can afford to do so.
- **Support, development, and training:** Self-employed workers have responsibility for their own professional development, but many miss out, as courses are costly and time off work is difficult to take.<sup>2</sup> This is a particular concern in sectors where minimum industry standards are specified and regularly updated – but also more generally for workforce productivity and long-term resilience.
- **Finding a workspace:** Working from home is not possible for many self-employed people. Even for those who can, having a dedicated workspace is often viewed as an essential part of professional identity. Yet adequate workspace in London is hard to obtain, and often unaffordable for many self-employed workers.

## Recommendations

Central government decides on tax and welfare issues, which lie outside the focus of this report. But the Mayor of London, boroughs and employers can act to support London's low-paid self-employed workers as the UK emerges from the COVID-19 crisis.

### **The Mayor of London should:**

- Encourage the adoption of a Client Charter of good practice by London employers who contract self-employed workers, and investigate the potential for an accreditation scheme. The Charter should be focused on:
  - Paying self-employed workers fair fees.
  - Paying self-employed workers on time and for last-minute cancellations.
  - Upholding anti-bullying, harassment and sexual harassment policies for self-employed workers, as well as complaints procedures.
  - Upholding health and safety standards for self-employed workers, as set out by the national Health and Safety Executive.
  - Offering mental health support schemes to self-employed workers, where they are also offered to employees.
  - Reviewing procurement processes to ensure these do not put self-employed workers at a disadvantage – particularly workers from under-represented and disadvantaged backgrounds.
- Offer grants to develop existing mentorship portals that support self-employed workers in the capital. The funding could help existing sites develop their network of mentors within the self-employed community, offering them reimbursement for their time and ensuring that support is better advertised.

### **London boroughs should:**

- Ensure that support available to self-employed workers is advertised to groups who are more likely to need it.
- Explore the development of online support and training courses for self-employed workers.
- Continue to secure long-term affordable workspace for self-employed workers through planning policies.
- Keep and publish a list of empty commercial spaces. Boroughs usually know which commercial units are vacant from their Business Rates Register. They should make this list user-friendly, so that potential workspace operators are aware of new opportunities.

**Organisations who contract self-employed workers should:**

- Sign up and adhere to the standards as set out in the Client Charter.
- Contribute to the cost of training and development for self-employed workers where this could increase opportunities for disadvantaged and under-represented groups, or where there is a mandatory requirement for professional standards to be maintained and updated.

**The UK government should:**

- Establish and fund a single body to improve the enforcement of labour market rights for self-employed workers. Central government has announced its intention to simplify the processes that allow workers to uphold their rights: it should ensure that these allow self-employed workers to raise concerns easily, as well as enabling the swift investigation of claims.

**Trade unions should:**

- Encourage employers to sign up to the Client Charter.
- Continue to collate and promote the types of support available to self-employed workers.
- Develop or strengthen peer-to-peer support for self-employed members.
- Explore the potential and viability of mutual support schemes for self-employed workers.

# Introduction

Until the COVID-19 crisis, London's large self-employed workforce was growing rapidly. In 2019 around 15 per cent of jobs and 18 per cent of people in London were self-employed, compared to 12 and 15 per cent nationally.

**Figure 1: Growth in self-employed and employee jobs**



Source: ONS, Workforce Jobs Mar 2005 to Jun 2020. Seasonally adjusted.<sup>3</sup>

A lot of work has been done to explain this growth in self-employment. Authors point to changing technology and industry structures, some of which are cyclical. These may include a lack of vacancies for employees since the global financial crisis of 2007-8, as well as a longer-term shift towards flexible employment and agile service delivery.<sup>4</sup>

A key policy debate around the growth of self-employment is about whether it is a positive development that should be encouraged or not. Self-employment can offer freedom and flexibility, as well as the satisfaction that comes with running a business – and many workers are indeed generally happy to trade tax advantages for lower welfare protections.

Others see self-employment as a way for clients to reduce their wage and tax bill.<sup>5</sup> The lack of protections and safety net means self-employment has a dark side. It risks pushing living standards and wellbeing downwards – particularly in sectors where quality of work and pay are low, and workers tend to have little or no savings to rely on.

This debate has been the subject of some high-profile reviews – notably the Taylor Review of Modern Working Practices,<sup>6</sup> which focused on changes to the tax and benefits system that could be enacted by central government. However, we know much less about how businesses and city governments could support self-employed workers at a local level.

The coronavirus crisis has in many ways demonstrated the point that self-employed people are left too vulnerable to economic shocks. Many saw their work pipeline collapse overnight, and will end up losing at least a year's worth of earnings.

This report focuses particularly on Londoners who are self-employed with low earnings, since they are more exposed to the risks of a self-employed career. We look at how self-employment has been working for them, what barriers they are facing, and how these can be tackled. As more and more people work outside traditional employment structures – by choice or necessity – how can we deliver a better deal for self-employed people?

### Research methods

The report is based on analysis of surveys and literature on self-employment in London. We also used qualitative research, holding a focus group with 12 low-paid self-employed workers in November 2020. Participants were recruited from a social media call-out, and were screened to ensure that the focus group was diverse in terms of gender, ethnic background, sector and occupation. Participants included a videographer, cycle instructor, writer, actor, teacher, stage manager, producer, and healthcare worker. Our recruitment method made it easier to recruit from some sectors than others: therefore, in some areas where we lacked participants, we conducted expert interviews with organisations providing support to self-employed workers in that specific sector. These interviews also informed our policy recommendations.

### Defining self-employment

We define self-employment as working flexibly with several clients rather than for a specific employer who pays a regular wage. As such, self-employment comes with different risks and benefits than employment: self-employed people may pay less tax, but cannot claim employment protections such as sick pay, maternity/paternity pay or pension contributions. They can also face other risks such as personal liability.

The experiences of self-employed people are varied. Amongst other factors, they depend on the legal status under which they operate, on whether they also receive income from employment, and on whether they work as sole traders or through a limited company.

The definition of self-employment is not always a clear-cut one. For example, in recent years UK government legislation has tightened the rules for operating as self-employed, in order to reduce the number of workers claiming self-employed status to lower their tax liability.

The distinction between employment and self-employment is also made more complicated by the growth of the gig economy, in which workers have generally been regarded as independent contractors. However, the debate as to whether they are employees continues.<sup>7</sup> Though they have flexibility over their working hours, the platforms they use to obtain work set their prices and allocate customers, and for this reason the Supreme Court ruled in February 2021 that Uber drivers are employees and as such are entitled to employee rights. As this is a matter for national regulation, these workers are not within the scope of this study.

# 1. Who are London's self-employed workers?



London has the UK's largest concentration of self-employment, with around 900,000 self-employed workers in 2018. This section offers a picture of London's self-employed workers, building on existing research and publicly available data.

### **Self-employed jobs are not evenly distributed across sectors**

London's self-employed workers are not evenly spread across sectors (see Figure 2). Data from 2018 indicates that in three sectors, self-employment represents over one-third of the workforce – accounting for 52 per cent of household workers, 42 per cent of construction workers and 36 per cent of the arts and entertainment sector.

### **Self-employed Londoners work in a variety of occupations**

Self-employed workers exist at all occupational levels, but self-employment is much more common among machine operatives (particularly in passenger and goods transport), skilled trades (which include construction, vehicle maintenance and hairdressing), and managerial occupations.

**Table 1: Self-employment in London, by occupation, 2018**

Occupation	Number of self-employed jobs (thousand)	Proportion of occupation who are self-employed
Skilled trades occupations	141,000	44%
Process, plant and machine operatives; elementary occupations	135,000	23%
Managers, directors and senior officials	137,000	22%
Associate professional and technical occupations; administrative and secretarial occupations	219,000	17%
Professional occupations	178,000	14%
Caring, leisure and other service occupations; sales and customer service occupations	52,000	9%

Source: ONS Annual Population Survey, Table T12a Employment by occupation (SOC2010) and flexibility.

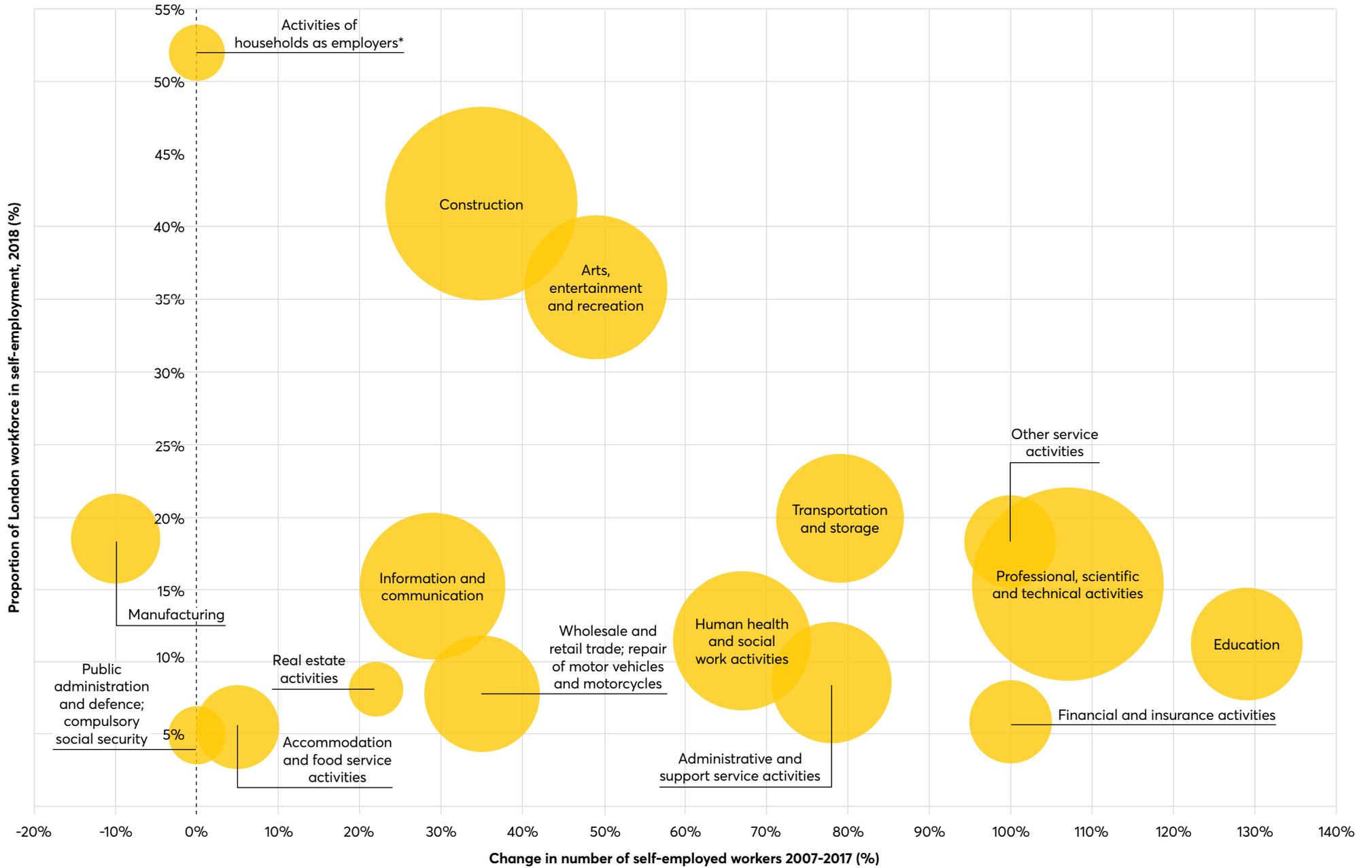
### **Self-employed workers are more likely to be low earners – and are unlikely to be saving for retirement or benefiting from other sources of income**

Self-employment is sometimes seen as a lucrative way to make a living, and there are more high earners among the self-employed than among employees. But the bulk of London's self-employed workers earn low or middle incomes from self-employment. The most comprehensive study of earnings to date found that 67 per cent of London's self-employed earn a full-time equivalent wage below the London Living Wage, and 55 per cent earned an income below the poverty threshold (compared to 49 per cent outside London).<sup>8</sup>

However, there are a few caveats to these findings. As people start to earn more through self-employment, some find more tax-efficient ways to manage their income, for example by taking it as dividends. Some who obtain an income from self-employment also supplement it with other streams such as property income. Self-employment income is also more likely to go undeclared – especially in professions where activity tends to be cash-based – and such income would be absent from tax return data. Shadow economic work is estimated at 10 per cent of UK GDP and occurs most in London's skilled trades and household services.<sup>9</sup>

**Figure 2: Self-employment in London, by sector**

Bubble sizes represent number of London self-employed workforce jobs



\*Undifferentiated goods-and services-producing activities of households for own use

Source: ONS, workforce jobs by industry (SIC 2007) - seasonally adjusted. N.B Industries with fewer than 5,000 self-employed workers have been removed.

Despite these limitations, the study of incomes quoted above also established that many low-paid self-employed Londoners could not rely on other sources of income to support themselves, because:

- Few self-employed Londoners were also earning income from employment (only six per cent did).
- Few self-employed Londoners were earning income from sources other than employment. Just 15 per cent earned over £1,000 from other sources of income such as pensions, property, or dividends – compared to 24 per cent in the UK as a whole.
- Nationally, self-employed workers were more likely than employees to live in a poor household (28 per cent versus 19 per cent).<sup>10</sup>

On top of this, we found that pension scheme participation was at 10 per cent among London's self-employed workers, compared to 68 per cent for employees.<sup>11</sup> This gap isn't surprising – employees are automatically enrolled in employer pension schemes, and there are ways of building a pension other than investing in a scheme (such as investing in property).

Pensions are a matter for UK government policy and therefore outside of our study, but the lack of pension savings may point towards a bigger problem: the extent to which self-employed Londoners can save and build resilience.

Other data suggest that a large minority of self-employed workers aren't managing to save. According to the Wealth and Assets Survey, 32 per cent of self-employed people do not have enough financial savings to cover a 50 per cent reduction in their income for three months.<sup>12</sup> This group would not be able to protect themselves against the risks and potential costs associated with self-employment.

### **Women and people from minority ethnic backgrounds are over-represented among the low-paid self-employed**

The vulnerability outlined above is more likely to affect women and people from minority backgrounds.

Women are more likely than men to work part-time and have a low income when self-employed. This is particularly the case for Black, Asian, and Minority Ethnic (BAME) women. 60 per cent of BAME women in self-employment are low-paid, compared to 48 per cent of White women and 42 per cent of White men.<sup>13</sup>

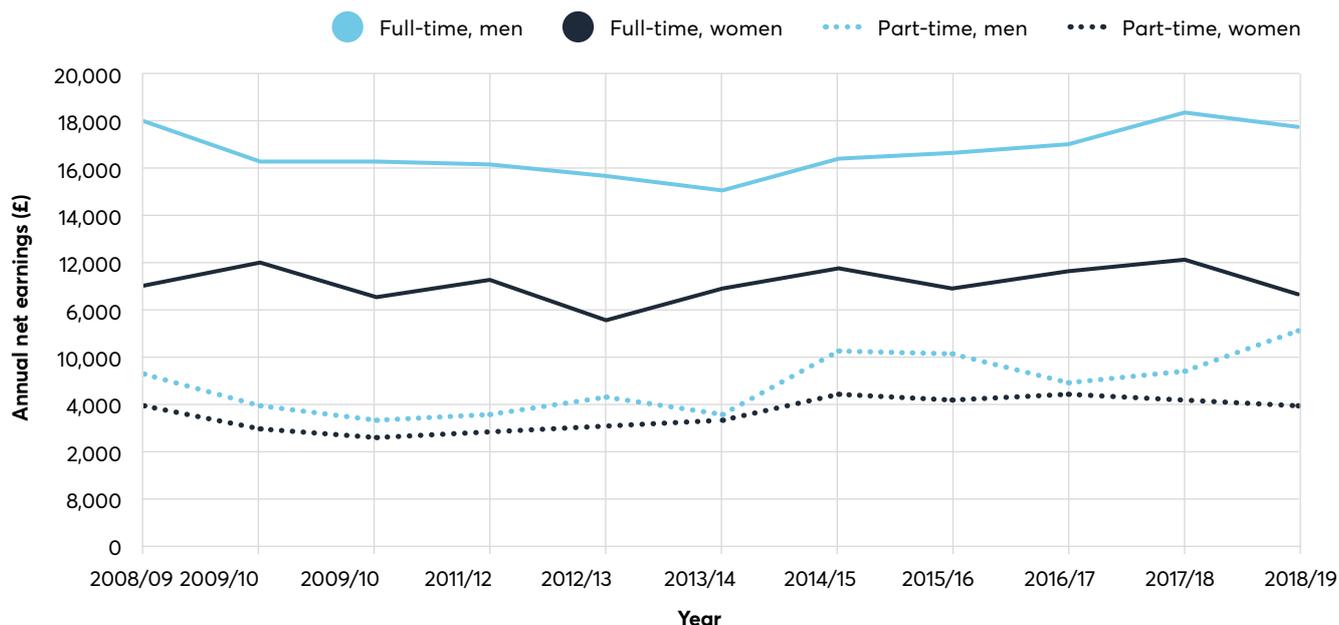
According to a previous study published in 2016, 28 per cent of self-employed workers in London were women, but women represented 33 per cent of the low-paid self-employed.<sup>14</sup> Since then the gender pay gap among self-employed workers has slightly widened (see Figure 4).

Women are three times more likely to report poor mental health than men, and this figure has been increasing.<sup>15</sup> 25 per cent of self-employed women suffer from loneliness due to working remotely, compared to 16 per cent of men. Women are also more likely to provide unpaid care for children, friends, and family, which has a consequent effect on working hours and pay. Despite these challenges, many women enter self-employment for positive reasons, such as having greater control over working hours, a choice of where to work, and a better work-life balance.<sup>17</sup>

Levels of self-employment vary among different ethnicities. Pakistani and Bangladeshi men who are economically active are more likely to be self-employed than other groups, and the work that they do is more concentrated in sectors such as transport and catering.<sup>18</sup>

Evidence on the earnings of self-employed people from ethnic minorities is scarce. One study found that nationally, self-employed workers from ethnic minority groups earn less, work longer hours, and have lower job satisfaction than White British workers who are self-employed.<sup>19</sup> Among ethnic minority groups, self-employed Bangladeshi and Pakistani workers face a smaller pay penalty than Black African and Chinese groups.

**Figure 3: Median net self-employed earnings by gender (2018/19 prices), 2008/09 to 2018/19, UK**



Source: Family Resources Survey, 2018/19, Self-Employment, Department for Work and Pensions, Family Resources Survey, 2018/19, Self-Employment section.<sup>15</sup> N.B only includes people who are self-employed in their main job.

While the motivation for entering self-employment varies from person to person, some suggest that people from BAME groups may enter self-employment to overcome the barriers they have experienced elsewhere in the labour market – such as a lack of information about the employment options available to them, and discrimination.<sup>20</sup>

### Self-employed workers tend to experience greater job satisfaction than employees

While some workers have been pushed into self-employment due to a lack of secure employment opportunities,<sup>21</sup> research indicates that self-employed workers tend to have higher levels of job satisfaction, higher levels of overall wellbeing and lower anxiety than employees – despite having lower average earnings.

To exclude the possibility that this finding is due to people with higher levels of life satisfaction being attracted to self-employment, one study compared the reported job satisfaction of people who had become self-employed as a result of losing employment. The researchers found that people experienced an improvement in job and life satisfaction compared to when they had been employed, despite having lower earnings on average. The authors of the study also found that wellbeing has improved more among self-employed workers than among employees in recent years.<sup>22</sup>

Of course, data on wellbeing tracks averages, and there are professions where job satisfaction is low and anxiety levels are high. Although research suggests that hitherto there has been no specific wellbeing cost associated with self-employment, it is possible that financial strains during the COVID-19 pandemic have changed this calculation – a question we explore in the next section.

### Self-employed workers have been more exposed to the COVID-19 crisis

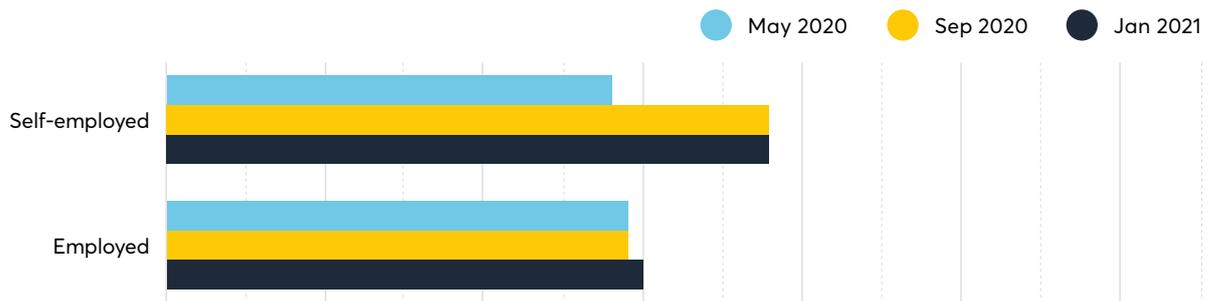
For a range of reasons, self-employed workers have been more exposed to the economic shock caused by the pandemic than employees. This is partly because self-employed workers are over-represented in locked-down sectors, but it is also due to their contracts or supply arrangements being easier to terminate than for employees – as well as patchier provision of income support.<sup>23</sup>

The UK government has compensated some of this loss by introducing a Self-Employment Income Support Scheme (SEISS) which offered four grants calculated against a self-employed worker's past earnings. Though such a scheme is unprecedented, and many workers received some level of financial relief, there were three groups of self-employed workers who were not eligible: those who started self-employment during the 2019/20 tax year, those whose main income was not from self-employment, and those whose trading profits were above £50,000.<sup>24</sup>

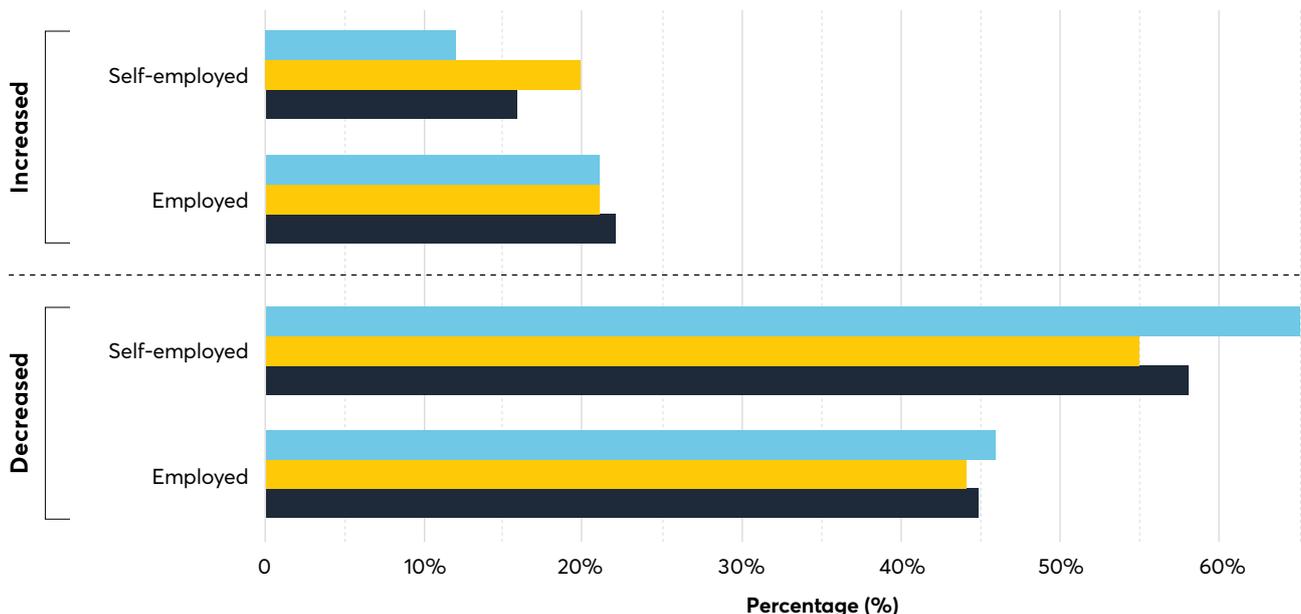
In London, HMRC estimated that 630,000 of 900,000 self-employed workers were eligible for support under SEISS in spring 2020. Those who were not eligible could fall back on Universal Credit instead – for which the Minimum Income Floor was suspended to allow low-earning self-employed workers to receive support.<sup>25</sup>

Centre for London's quarterly Snapshot of Londoners survey highlights how the pandemic and its associated recession have pushed more self-employed people in poverty. Six months into the pandemic, 55 per cent of self-employed workers had seen their income negatively affected by COVID-19, compared to 44 per cent of employees<sup>26</sup> – and the proportion of self-employed workers struggling to make ends meet jumped from 28 to 38 per cent (see Figure 5). A national survey conducted by the Resolution Foundation in January 2021 confirmed that the crisis has dealt a particularly heavy blow to self-employed people. 14 per cent of UK self-employed people were no longer working, compared to six per cent of employees – though a subset of employees who were on atypical contracts

**Figure 4: Proportion who say they are struggling to make ends meet**



**Figure 5: My disposable income has (increased / decreased) because of the COVID-19 virus**



Source: Savanta. Polling of 1,051 London residents conducted by Savanta. Results were weighted to be representative of London's population.

are about as likely to have lost activity or income as self-employed workers.<sup>27</sup> Among the self-employed, the survey found that older and low-paid workers were more likely to have stopped working altogether, thereby showing that the pandemic is worsening some pre-existing inequalities. We also know from our own [Snapshot of Londoners](#) that women are more likely to have lost working hours and income during lockdown, further worsening gender inequalities.

Unsurprisingly, the financial woes of many in self-employment have contributed to a deterioration of their mental health. According to a survey by IPSE, the association for the self-employed, the number of self-employed workers reporting “poor” or “very poor” mental health has increased from six per cent to 26 per cent since the beginning of the pandemic.<sup>28</sup>

Despite the financial difficulties they had experienced during the pandemic, most (but not all) of our focus group participants said they wanted to remain self-employed.

#### **Focus group participants:**

“Even after the pandemic I’d still go back into self-employment. No time feels wasted and every second of work is towards something that I want to do.”

“It sounds like a lot of people here do something that they love, and we are willing to put up with longer hours and be paid less because of it. But I would not have it any other way.”

“I’ve invested my life savings into my business and they’re now burnt. And I don’t think the freelance marketplace is going to be able to sustain me, so my hand is forced and I’m going to have to go back into full-time employment.”

Nonetheless, the pandemic has changed perceptions of self-employment. A survey of self-employed workers conducted in September 2020 found that 64 per cent were either “less likely” or “unsure” they wanted to be self-employed or freelance workers in the future.<sup>29</sup> We do not know whether this change in attitudes will be a long-term one – but we would expect people who have faced financial difficulties during the crisis to be more reluctant to rely on self-employment in the future.

As discussed above, even those for whom self-employment is a choice face barriers to leading successful careers and making the most of London’s labour market opportunities. The next section explores these barriers in more detail.

### Case study: Self-employed workers in arts and entertainment

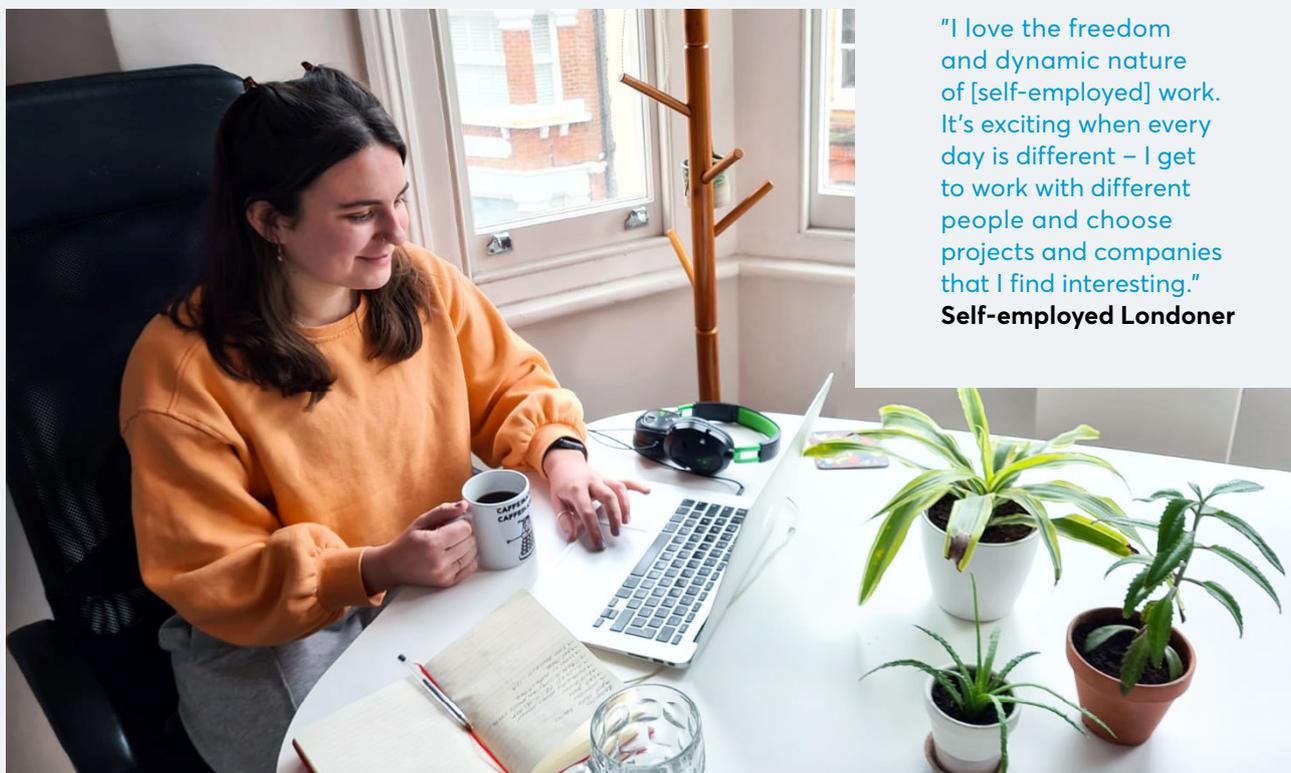
Freelancers are essential to London's creative industries and world-renowned cultural institutions. They make up one-third of London's creative workforce. In fact, it is common for organisations to work with more freelancers than employees. For example, before the COVID-19 pandemic the National Theatre contracted with 1,900 freelance workers a year in addition to its employee workforce of 1,178.<sup>30</sup>

Organisations in London's creative industries generally receive funding on a project-by-project basis. Many of them also operate on a seasonal basis, including London theatres, festivals and concert halls. As a result, opportunities for permanent, full-time employment are limited, and contracted or commissioned work is far more common.

Self-employed workers in the arts tend to be high-skilled but relatively low-paid. Although two-thirds of creative freelancers hold a university degree, average income is under £20,000. London's creative freelancers take on a range of different roles, from sound engineers to script writers and dancers. Over half (56 per cent) of creative freelancers work in museums, music, performing and visual arts.<sup>31</sup>

Short-term contracts and irregular cashflow can have a deleterious effect on a person's mental health, and workers in the creative industries are more likely to experience mental illness than the general population. Workers in the creative industries are also subject to high levels of sexual abuse, bullying and discrimination.<sup>32</sup>

In addition, the lack of advertised positions and reliance on a network of contacts to get paid work can reinforce barriers to entry. In 2016, BAME workers represented around only 23 per cent of the sector (compared to 36 per cent of London's total workforce) and 95 per cent of London creative industries workers came from advantaged backgrounds.<sup>33</sup>



"I love the freedom and dynamic nature of [self-employed] work. It's exciting when every day is different – I get to work with different people and choose projects and companies that I find interesting."

**Self-employed Londoner**

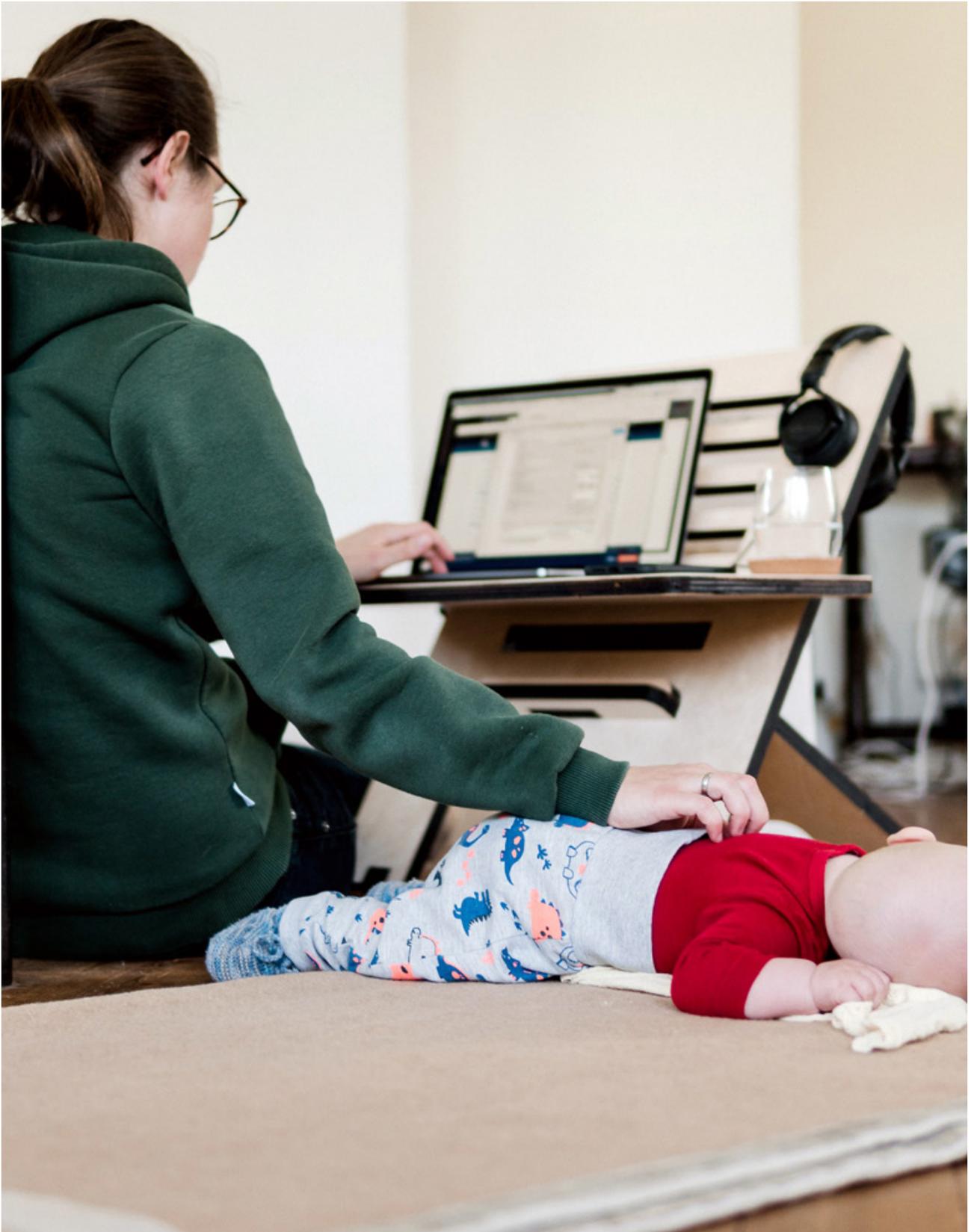
### Case study: Self-employed workers in construction

Almost half of the capital's construction workers are self-employed, making up the largest group of self-employed people of all industries in London. Pressure on costs as well as changing demand for labour and skills has caused this self-employed workforce to grow – though a level of self-employment has always been a feature of London's construction industry.

Many self-employed people are subcontracted through a construction agency. Subcontracting allows developers to staff each project differently, and for a limited period. Each construction project needs flexibility and people with different skills: for example, a new station such as Crossrail requires more electricians than a residential tower block. Developers do not have full knowledge of the wage that self-employed workers receive through an agency, which creates a high level of insecurity and leaves workers at risk of poor treatment.

Questions have been raised about this model of self-employment, and some say that many of these workers are falsely self-employed. Though these workers are classed as self-employed, trade unions say they work under employment terms and should be entitled to employment rights.

## 2. A fair deal?



As we have seen, people tend to value the benefits of self-employment. But they also face challenges to having successful careers and making the most of London's labour market opportunities. Self-employed workers in the capital are more likely than employees to have earnings below the poverty threshold, without the security and benefits of employment or any meaningful income from other sources. More than half of London's self-employed workers have been financially set back by the recession – some of them without government support.

In this context, supporting low-paid self-employed workers to grow their earnings and recover from the pandemic should be a priority. Despite being well motivated, however, low-paid self-employed workers often encounter barriers to realising the benefits of self-employment. Some of the challenges they face are specific to self-employment and are usually more acute among people on low incomes.

A review of existing studies, focus groups and interviews suggests that the following barriers are undermining the quality of working life for self-employed Londoners:

- **Poor client practices:** Late payment and last-minute cancellations affect their financial situation, and they are at greater risk from bullying, harassment and breaches of health and safety laws.
- **Difficulty finding work:** Procurement processes can unknowingly exclude self-employed workers.
- **Finding adequate and affordable workspace:** Most say that having an office or workspace is essential, but prices remain very high.
- **Lack of support, development and training opportunities:** Self-employed workers are responsible for their own development, but access to learning and general support is unequal.

### 1. Poor client practices

Self-employed people often complain that they experience working practices that would be unacceptable in an employer-employee relationship. These practices range from late payment and requiring significant overtime, to last-minute cancellations, bullying and sexual harassment.

Despite the popularity of platforms to find work and ensure prompt payment, freelancers speak of having to constantly chase payment of their invoices. IPSE, the association for the self-employed, found in one survey that freelancers spend on average 20 days a year chasing payments.<sup>34</sup>

#### Focus group participants:

"I was once told by a client that they wouldn't pay me a day's work because I arrived a few minutes late."

"You work that money into your monthly budget, and that can be £500 a week suddenly gone if they cancel."

Generally, self-employed people have less power in the working relationship than their client, leaving them especially vulnerable to poor – and sometimes even exploitative – working practices.

Concern about these practices was mentioned by several members of our focus group, but opportunities for redress are limited. Self-employed workers are left responsible for challenging poor employment practices with their client directly, or through a small claims court, but many lack the funds to proceed down this route and have no way to enforce appropriate treatment themselves. And where rights and protections for contractors do exist on a

par with employee rights – in the case of health and safety for example – they often lack enforcement. There is not a single enforcement body to uphold employment rights for employees or self-employed workers.

Trade unions can offer support in challenging poor client practices, but trade union membership is lower among self-employed people. About seven per cent of self-employed people nationally belong to a union, compared to 23 per cent of employees<sup>35,36</sup> – though union membership has seen a slight uptick in recent years, particularly in the creative industries and construction.

Quite often, however, the main barrier to accessing support is not knowing that it exists. For example, most attendees of our focus group were unaware of the support options available to them when presented with a list of examples (including mentoring, free courses and seed funding). We expect awareness of support options to vary widely across groups and sectors.

## 2. Finding work

One of the drawbacks of self-employment is that it can feel like you are “applying for work constantly”, as one of our focus group participants put it. Some procurement processes require a significant amount of “free work” to win bids, and this puts small businesses and freelancers at a disadvantage since they cannot afford to carry out large amounts of unpaid work.

According to surveys of freelancers by IPSE, finding work remains one of the main challenges of self-employment – and one-third of people under the age of 35 have been asked to submit an unpaid piece of work as a prerequisite to winning a contract. There is UK government guidance on improving market access for small businesses, but more needs to be done to increase take-up of good practice.

## 3. Finding adequate and affordable workspace

Not all self-employed workers need a dedicated workspace, though many regard it as an essential part of their professional identity. Yet adequate workspace in London is often unaffordable for many self-employed people.

The issue of finding workspace that is suitable and affordable came up strongly in our focus group and interviews:

### Focus group participants:

“Clients base a lot of their decision on trust and having an office can really help establish that. Working from home does not appear so professional and doesn’t let you win those larger clients.”

“I often found myself with three hours between meetings and I needed somewhere quiet to work that wasn’t a coffee shop. A way to think about using that vacant space for coworking models would be really helpful.”

The issue of finding adequate and affordable workspace was particularly acute for those not engaged in office work, such as artists or makers. For example, according to research commissioned by the Greater London Authority, the number of artists’ workspaces has declined sharply over the last decade, while prices have increased.<sup>37</sup> 57 sites (24 per cent of the total) are currently at risk of closure within the next five years. This is because so few occupiers own the freehold to sites (around 13 per cent) and are therefore vulnerable to changes of use or redevelopment should the landowner want to move the provider on. In 2014, 56 per cent of sites charged an average of £11+ per square foot for artists’ workspace: by 2017, this had risen to 79 per cent of sites.

"A studio is an integral part of an artist's identity, a defined workspace that is just there for their creative pursuit"

**Affordable workspace provider**

The COVID-19 crisis may be changing norms and expectations around workspace, and the resulting increase in central London commercial vacancy might provide an opportunity for meanwhile use. This may in turn bring office rents down to a level where more self-employed workers can afford them (though competition with residential uses may mean more commercial spaces are converted into homes). But ensuring a long-term supply of affordable workspace is essential.

#### 4. Lack of support, development and training opportunities

##### **Development and training**

Unlike employees, self-employed workers have responsibility for their own professional development. But many miss out as courses are costly and time off work is difficult to take.<sup>38</sup> This is particularly the case among low-income self-employed workers.<sup>39</sup>

Some self-employed workers can take part in training (or self-train) in their free time – but professional development is easier for workers in the knowledge economy than for occupations that require technical skills and qualifications. We have heard of occupations (for example in transport, construction and professional services) in which clients require industry-mandated certifications and updates to qualifications without offering to cover associated costs. Absence of formal training in such occupations risks undermining the progression into better-paid work.

"We are told constantly to pay for our own education to keep up with the new standards that come in. And on top of it, you're taking time out of your day to do that work and to be assessed."

**Focus group participant**

One sector where technical skills are dominant is construction. Yet the CITB suggests that for financial reasons, self-employed workers in construction engage in less training than employees:

"Keeping their skills up-to-date beyond basic induction training is very challenging because if they are learning or training, they're not earning."

**Industry training provider**

This is concerning for a sector with such a large share of self-employment in London (42 per cent). The lack of upskilling in construction has been the subject of extensive reviews, which show that it has limited the take-up of new technologies in housebuilding. And crucially, workers who have less training may also be at greater risk of injury, since much training in construction is about how to work safely.

The UK's weakness in lifelong learning for adults is well known. Adults generally receive little financial support to undertake continuous professional development (or switch career) independently of an employer – unless they lack essential qualifications, in which case they are eligible for a free course. The introduction of the apprenticeship levy in 2017 has widened their appeal to adults – but one must enter an employment contract to do an apprenticeship.

## Support

Of course, the skills required to be successfully self-employed don't just involve having or upgrading a formal set of qualifications. Learning how to prospect for new work, pitch and then manage client relationships is key to the job, and "not underselling yourself" is essential to making a living. Yet peer-to-peer support and courses are limited.

Being self-employed can also be very solitary work. Besides not having a team to interact with and learn from, some self-employed workers are overworked and do not take time off, which negatively impacts both their wellbeing and their productivity.<sup>40</sup>

### Focus group participants:

"People do a job they love so they are willing to put up with longer hours. Love and passion for our jobs is to blame. If you're self-employed and you are not part of a union (I am not part of one I think that's fairly common) – you don't have anyone overseeing and you self-sabotage, and one day it catches up with you."

"I've been joining the self-employed section of a union, because I needed help with a tax form – I had made a costly mistake. But I learned other things from talking to others who are self-employed. You can be lucky enough to take on lot of work but it can also burn you out. Resisting that is very tough. Being confident, knowing what you're worth and refusing to go below that is a really tough thing to do."

To address issues of support and development, some member organisations have been expanding their offer to self-employed people, for example through support services or peer groups. Peer-to-peer support works better if both parties have an interest or background in common (or have faced similar challenges) – yet we were told that these specifics are quite often overlooked by mentoring schemes.

# 3. Recommendations



The Mayor of London, London boroughs, employers and central government need to do more to support London's low-paid self-employed workers as the city emerges from the COVID-19 crisis.

**The Mayor of London should:**

- Encourage the adoption of a Client Charter of good practice by London employers who contract self-employed workers, and investigate the potential for an accreditation scheme. The Charter should be focused on:
  - Paying self-employed workers fair fees.
  - Paying self-employed workers on time and for last-minute cancellations.
  - Upholding anti-bullying, harassment and sexual harassment policies for self-employed workers, as well as complaints procedures.
  - Upholding health and safety standards for self-employed workers, as set out by the national Health and Safety Executive.
  - Offering mental health support schemes to self-employed workers, where they are also offered to employees.
  - Reviewing procurement processes to ensure these do not put self-employed workers at a disadvantage – particularly workers from under-represented and disadvantaged backgrounds.
- Offer grants to develop existing mentorship portals that support self-employed workers in the capital. The funding could help existing sites develop their network of mentors within the self-employed community, offering them reimbursement for their time and ensuring that support is better advertised.

**London boroughs should:**

- Ensure that support available to self-employed workers is advertised to groups who are more likely to need it.
- Explore the development of online support and training courses for self-employed workers.
- Continue to secure long-term affordable workspace for self-employed workers through planning policies. There are clearly competing demands on developer contributions, but as we have highlighted, access to affordable workspace has been an increasing challenge for London's self-employed. Whilst the pandemic may have taken pressure off some workspace costs, the city could also lose some of its workspace providers to the recession.
- Keep and publish a list of empty commercial spaces. Boroughs usually know which commercial units are vacant from their Business Rates Register. They should make this list user-friendly, so that potential workspace operators are aware of new opportunities.

### **Organisations who contract self-employed workers should:**

- Sign up and adhere to the standards as set out in the Client Charter.
- Contribute to the cost of training and development for self-employed workers where this could increase opportunities for disadvantaged and under-represented groups, or where there is a mandatory requirement for professional standards to be maintained and updated.

### **The UK government should:**

- Establish and fund a single body to improve the enforcement of labour market rights for self-employed workers. Central government has announced its intention to simplify the processes that allow workers to uphold their rights: it should ensure that these allow self-employed workers to raise concerns easily, as well as enabling the swift investigation of claims.

### **Trade unions should:**

- Encourage employers to sign up to the Client Charter.
- Continue to collate and promote the types of support available to self-employed workers.
- Develop or strengthen peer-to-peer support for self-employed members.
- Explore the potential and viability of mutual support schemes for self-employed workers.

### **Further considerations: safety nets and mutual support**

This report has not discussed tax and benefits policy, as this has been the subject of previous work and is a matter for central government. However, we know that the tax treatment of self-employed work and the social safety net available to the self-employed has a large impact on wellbeing. It is also likely to remain a key policy issue, after the unprecedented state support paid out through the Self-Employment Income Support Scheme (SEISS).

One option for providing more social protection without eroding the autonomy that self-employed workers value could be to develop a mutual insurance system that workers could opt into.

Currently, self-employed workers can choose to become employed by an umbrella company, rather than setting up their own limited company. The umbrella company acts as intermediary between worker and client, offering some of the protections of employment as well as support with administrative work. At present umbrella companies charge relatively high premiums for these services – and so are used by higher earners.

While any self-financing mutual insurance system is likely to involve high premiums – thereby remaining out of reach for the low-paid self-employed – there might be a lower-cost model of umbrella employment, perhaps on a not-for-profit basis, that offers self-employed people on middle incomes some of the protections of employment.

Trade unions could explore whether there is appetite for such schemes among self-employed workers, who would be best placed to develop them, and (crucially) how much state sponsorship they would require.

## Conclusion

Whilst many derive real satisfaction from self-employment, the risks and challenges are also significant. Many self-employed workers feel they are being taken advantage of by their clients, and a large section of the self-employed workforce is low-paid, unable to build up sufficient savings for rainy days.

The COVID-19 crisis has been devastating for the finances of many self-employed workers, and they will take years to rebuild. Addressing the issues that were holding them back even before the crisis will be more important than ever during the recovery period – especially as businesses returning to growth are likely to rely on freelancers before they are able to recruit again.



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