

**On the edge:
low-income
self-employment
in Wales**

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Bevan Foundation, 145a High Street, Merthyr Tydfil CF47 8DP

info@bevanfoundation.org

www.bevanfoundation.org

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Summary

Self-employment in Wales grown in the last two decades, in line with a UK rise -amongst the greatest rises of the OECD countries since the millennium. By 2019, self-employment amongst the working age population in Wales accounted for 13.1% of total employment.

Self-employed people are increasingly represented across industries. From fast growing and innovative sectors to the supply of essential and welfare critical foundational services, they make contributions across the economy in Wales.

There are 168,400 people of working age (16-64) in Wales who rely on self-employment for an income and 191,000 aged sixteen and above who do. This is in excess of the entire number of workforce jobs in Welsh manufacturing and almost as many as people working in retail. Self-employment takes on an even greater significance in some places, accounting for over a quarter of employment amongst the male working age population in parts of rural Wales.

Understanding the financial well-being and resilience of self-employed people matters, as more people have come to rely on self-employment for an income. Yet median incomes from self-employment are around two thirds that from employment. While it is lucrative for some, there are also very many who experience financial vulnerability associated with insecurity of hours and earnings, and reduced levels of social protection from their self-employed status. This comes to the fore with illness, a change in personal circumstances, unexpected costs or a sudden drop in earnings. This is even more acute for self-employed people who are the sole earners in their households. Here its impact extends to a whole household and the pressure to support and maintain a household is greater. This is in contrast to self-employed people in households with more than one income or an additional income from PAYE employment, which appears to go some way to mitigating – but not altogether avoiding - the effects of income insecurity and variability.

The result is that there are self-employed people in real financial hardship who are sometimes unable to keep up with payments, forced to cut back - even on the most basic of items- resort to borrowing and get into debt. In turn, they are hamstrung by their financial situation and unable to build up a financial buffer for such events and make provision for old age and retirement.

This work has also been conducted under the conditions of the long-tail of the Covid-19 pandemic, which had an enormous effect on self-employed people's financial well-being. Some experienced an increase in earnings and hours while others lost out financially, leading to hardship and business closures. It highlighted the support available to some self-employed people but conversely lack of it for other who slipped through the cracks. Our research found variation in connectedness of self-employed people to financial support, both pandemic related and non-pandemic related, and was much higher amongst those associated with trade, umbrella bodies and trade unions.

While many self-employed people trade-off some financial well-being for wider well-being, this should not be a cause for policy makers to overlook the issue of low-income and insecure self-employment. Ultimately, a thriving and fair economy is one where work pays and where everyone has a minimum level of financial well-being and resilience, no matter what their employment status.

1. Introduction

The growth of UK self-employment created heightened interest in it in recent years. The 2017 Taylor Review of modern working practices dedicated substantial attention to the work status and experiences of self-employed people, recommending a range of measures to harmonise their tax and social protection arrangements and address the use of self-employment as a means for firms lighten their responsibilities in respect of people who would otherwise be employees¹. In the same year, reform of pension arrangements of self-employed people formed part of the Conservative's general election manifesto which saw them elected to government.

In Wales however, self-employment has enjoyed relatively little discussion and analysis, with a few notable exceptions². While space has been opened up for better understanding of the significance of micro-firms in Wales - partly as a result of analysis of the missing middle of medium size firms³ - this has not translated to further or wider discussion of the role of the sole traders and other self-employed people within this bracket, or to the heterogeneity of self-employment in Wales across sectors². Traditional economic concerns continue to dominate.

Consequently, the financial well-being and resilience of self-employed people in Wales remains overlooked and little understood by policy makers. While the Covid-19 pandemic has highlighted the plight of self-employed people, there is still a sense that it continues to have a low profile, even at the UK level. This has led one representative body to comment that the financial reality of life as a freelancer is little understood by policy makers⁴. Arguably, this applies to all forms of self-employment.

While self-employment can be highly financially rewarding for some, this was not the focus of our work. We were interested in understanding the experiences of people in low-income and insecure self-employment. This included who they are, what brought them to self-employment and what the impact of their self-employment is on their financial well-being and resilience.

This is relevant because while self-employed people experience a different regime in relation to tax and national insurance arrangements, they also have no sickness protection (unless privately arranged through insurance), are not auto-enrolled into a pension scheme, do not receive the same parental benefits as employed people and for some, are ineligible for "new style" (formerly known as contribution-based) Job Seekers Allowance. The differences in benefit entitlement between employed and self-employed people have been described as relatively small⁵, but taken together with low income and insecure self-employment, work to create financial insecurity that can push some self-employed people into poverty, financial crisis and an inability to meet their basic needs, invest in long-term financial security or to improve their financial outlook.

This report provides an overview of the financial well-being and resilience of people in Wales today who experience low-income and insecure self-employment. It aims to raising awareness of the issue and help inform future considerations of what policy options are available and appropriate in a devolved context to address it.

² i.e Welsh Government's Freelancer Pledge, associated with the creative sectors specifically. The Wales Freelance Taskforce found that a third of freelancers in this sector do not have sufficient income to live on.

2. Methodology

The findings in this report are based on a mixed methods approach, including both qualitative and quantitative approaches, and a literature review.

The quantitative methods used involved analysis of official statistics from 2010 to the present day on self-employment in Wales and across the UK. This analysis included the characteristics of self-employed people including age, sex, disability and industry. It included the incomes and earnings of self-employed people and the spread of self-employment within Wales, as well as some comparative analysis with other UK regions and countries. The official statistics used in this analysis included the Labour Force Survey, Annual Population Survey, Survey of Personal Incomes, Family Resources Survey and HMRC tax return data. The statistics used were accessed via Nomis, the Office of National Statistics and the UK Data Service.

The qualitative methods used in the formation of this report can be split in two approaches. The first involved interviews with key stakeholders working with and representing self-employed people in Wales. These included trade unions, professional associations, trade bodies, sectoral and regional welfare organisations and organisations providing other forms of financial and advice support to self-employed people. Fourteen stakeholder interviews were conducted over summer and autumn 2021.

The second approach involved one to one in depth semi structured interviews with people experiencing low-income and insecure self-employment. They took place at a location, time and date of the participants choosing including on site in their place of work, virtually and over the telephone in summer and autumn 2021. Interviewees were recruited with the support of the stakeholder organisations mentioned, as well as through direct recruitment via fieldwork and from participants who referred friends, family, colleagues and associates. They received a thank you for their time in the form of a voucher, direct payment or donation to a charity of their choice. Twenty-three interviews were conducted with self-employed people and were supplemented by the interviews with stakeholder organisations working with and representing self-employed people.

Interviews were conducted across a range of industries and self-employment models, including sole traders, self-employed people with employees, people working via a franchise model, limited companies, social entrepreneurs, freelancers, sub-contractors and people accessing work through third party platforms. Interviewees were from industries including care, retail, arts, construction activities, waste management, agriculture, transport and personal service activities.

For the purposes of this research, low-income self-employment was defined as earnings from self-employment of approximately £18,848 or less; two thirds of median gross annual pay in Wales. Occasional exceptions were made for self-employed people who had earned in excess of this as a result of a temporary increase in earnings due to the effects of the Covid-19 pandemic.

Where interviewees have been quoted in this report, pseudonyms have been used to protect their anonymity. In instances where no name is attributed to a quote, this is to protect the identify of the interviewee who may otherwise when identifiable where multiple quotes relating to their age, industry, location or household and financial circumstances have been used.

3. What drives self-employment?

As self-employment has grown over that last two decades, there has been increased interest in what lies behind the numbers of people who have a self-employed status. A review of the literature shows that there is no single or simple consensus in answer to this question. It has variously been attributed to possible entrepreneurial “pull” factors (as opposed to the dependency push of recessionary factors such as unemployment)⁶, the appeal of self-employment for the flexibility and work life balance it affords⁷, the wider casualisation of the UK labour market and falling job quality⁸, and the relative lack of better alternatives⁹.

This variation was reflected by the stories we heard from people about their routes into self-employment, demonstrating the homogeneity of self-employment itself. For some, it reflected a long-held aspiration or plan to work for themselves and pursue a business idea or dream. For others, their status was one they had by default in order to work in their industry or use their skills. There were others who said that negative experiences as an employee had driven them towards self-employment. For others, juggling work and caring commitments had become untenable and they had sought a way to reduce their working hours or work closer to home.

3.1. Being your own boss

One of the more positive drivers into self-employment is the appeal to someone of “being their own boss” and the freedom it can provide to choose their own hours, location, retain the money they make (rather than generate money for an employer) and work solo. The 2016 Deane review¹⁰ of self-employment asserted that for the majority of self-employed people, it is positive choice for these reasons, although not to be confused with being an “easy option” given the other challenges that come with being self-employed and the ultimate responsibility for someone’s business lying squarely with them.

Amongst the self-employed people we spoke to however, the advantages of flexibility were often only fully recognised once they entered and experienced self-employment. The positive choice of self-employment was often contingent on and relative to previous experiences as employees.

The concept of freedom was interpreted by many of our interviewees as being as much, if not more, about a “freedom from” as well as a “freedom to”

When I started this job it was just supposed to be a stand in job while I found a replacement. But because of the flexibility of picking your own hours, taking time off when you need to take time off, and nobody dictating over your shoulder, telling you what you to do. That kind of freedom, once you got used to it it's kind of hard to give up (Ash, self-employed taxi driver)

With having a baby I couldn't afford childcare so I started working evenings in Tescos doing a twilight shift from seven at night to one in the morning which was really difficult. I think I did it for about four or five years and we decided it was too much. (Laura, carer)

I was fed up of making money for other people basically (Lewis, career coach)

I didn't really fit in with working for somebody else... I was looking for a cause really (Claire, social entrepreneur)

Some of the same interviewees who told us about the benefits and freedoms that being their own boss afforded them had previously been in employee positions. They also referenced the challenges of not having immediate colleagues to bounce ideas around with in the same way as before, while others said they still considered that they had colleagues but in a different way, through informal networks, by contracting and through some collaborations. Those who referenced the concept of freedom and self-employment all indicated it was something they wished to continue in, as long as it was able to provide enough of an income for them to live on.

3.2. Casualisation of work

The casualisation, of work is not a new trend in the UK labour market. It is one that goes back decades, is found across many industries, and takes different forms including temporary and zero hours contracts, reduced workplace rights, work accessed through third parties (i.e. agency and platform working) and insecurity of hours and pay.

Casualisation can be observed both as a driver into self-employment from having previously being an employee, and as a factor in how some self-employed people access work, contracts and hours.

Some self-employed people work on a regular and sometimes exclusive basis for specific firms and are expected to comply with expectations such as fixed hours and the requirement to display company branding, yet enjoying few of the rights and protections that would be afforded to an employee with similar working arrangements. These include statutory sick pay and other work-related benefits. The case of "PAYE freelancers" (a status not recognized by HMRC) is another example of people whose tax arrangements are classed as PAYE employees, yet essentially, they have few rights as employees. This, according to some trades unions, is not a new phenomenon, but goes back decades¹¹

In recent years, flashpoints for casualisation have include the rise of the gig economy and third-party online platforms, with those using platforms finding themselves dependent upon them for work, constrained by the conditions of use, yet without any of the benefits of being directly employed. Recent cases such as battle over the employment status of Uber drivers as "workers" or "self-employed", played out through the High Court, exemplify how some cases of labour casualisation have achieved high profile. Arguably it was not the casualisation of labour itself that made it newsworthy, but the resistance to it and its escalation to the highest court – both fairly exceptional factors in themselves. It has previously been observed that "the current ways of categorising workers are creaking under the weight of a changing economy"¹²

While the gig economy is useful shorthand for wider trends and offers stark examples of the impact of casualization, it should not be taken as indicative or representative of other experiences in self-employment. Research shows that the gig economy still accounts for a small proportion of the overall rise in self-employment that has been witnessed in recent years¹³.

Casualisation is also seen in cases of short term or insecure contracts, or the inability for an employee to establish the level of job security they desire. For some self-employed

people we heard from, they saw the move to self-employment as a way to establish better security of work. Some people we heard from had changed employee job several times or had been unable to obtain a permanent contract.

Conversely, insecurity of work had operated as a push and a pull factor both in and out of employment and self-employment, with some self-employed people expressing a clear preference to be in an employee position for the very same reasons

I was always the last one in and the first one out and I was moving jobs every year or so. You can't live your life like that can you? (Ceri, childminder)

Oh yeah I always saw it [self-employment] as an option however I didn't want the lack of security. I would have preferred to work for someone (Joel, barber)

This reflects a wider issue around job security in the labour market that cuts across types of work statuses, albeit for different reasons.

3.3. Unemployment and redundancy

Many studies have rejected the notion that unemployment has acted as a driver of self-employment, at least since the millennium. Of the people we interviewed, few had gone directly from unemployment into self-employment. More significant a factor amongst interviewees was having previously been employed and made redundant. The drivers behind redundancy included the liquidation of the firm they worked for, lack of funding for their post, a company re-structure and redundancy following bullying and harassment in the workplace.

For those who had experienced redundancy, it clearly acted as a strong driver into self-employment, either through not wanting to experience such as stressful and anxious period again, or for initiating a re-consideration of the paths available to them to continue to use their skills. Amongst these experiences of redundancy were both positive and negative perceptions of it as a driver into self-employment. These were strongly linked to their experience of the redundancy process itself.

I sulked for about 6 months and thought "well who is going to want me now at my age". Then I realised that I had skills and networks. My friend printed me up some business cards and I haven't really had to look for work since. (Jacqueline, rural planning consultant)

Redundancy was certainly the thing that provided me with the best opportunity for doing what I'm doing now. I never thought I would have it in me to do it. I had a bit of a redundancy because I'd been there so long so it gave me the buffer I needed and the time to plan the "what next" (Anthony, communications and events freelancer)

To be frank, not by choice...the redundancy process is brutal. I'm not self-employed because I wanted to be. I'm self-employed because there was no alternative (Bernadette, arts practitioner)

3.4. The "default" option

For some self-employed people, their work status is simply one that they perceive as the only one available to them, albeit for a variety of different reasons. These are linked both

to experiences or views of work as an employee and to their particular industry and trade. In certain industries such as construction, creative industries, care work, some trades and agriculture self-employment is simply the default or at least dominant work status in order to practice in that particular occupation or sector.

I didn't give up a sensible job to run my own business. I went into it early because it was the only option to work in the industry (Joanne, creative practitioner)

For others, personal circumstances such as having a criminal conviction meant that they felt working for themselves was their only option as their past excluded them from gaining employee positions. Similarly, we heard from people who experienced disability discrimination and bullying and harassment as employees, which had the "push" effect of deterring them from employee positions altogether.

It sort of happened accidentally. I never thought that I would be able to be self-employed but...I had no other option. I was scared...in case I experienced the same thing again. I decided to pursue it and for someone not to have that control over me again (Emma, designer, self-employed two years).

4. Who are the self-employed in Wales today?

Self-employment in Wales has experienced an increase in the past two decades. This mirrors a trend seen across the UK whereby self-employment has grown, even more so since the last economic downturn of 2008-2009¹⁴. Given that the increase - especially amongst the solo self-employed - has been one of the highest amongst the OECD countries¹⁵, self-employment is of particular interest for what drives it, who the self-employed are and where they work.

4.1. Self-employment in Wales and the UK

The growth of self-employment in Wales is of interest given the country's historic economic challenges and the dominance of traditional economic concerns. Large employers have been crucial to certain places and regions, often linked to the wider importance of certain industries to certain places, which continues to remain the case in some parts of Wales. The airline industry for example plays a fundamental role in the economy of northeast Wales as does the steel industry for parts of south Wales. Nationally, public administration, education and health and social work account for a higher proportion of workforce jobs in Wales compared to the UK.

According to the most recent available data³, there are 168,400 people of working age (aged between 16 and 64) in Wales who are self-employed, resulting in a self-employment rate amongst the working age population of 12.4%. When including people who work beyond retirement age, the number of self-employed people rises to 191,000. While this is a reduction on 2019 rates of self-employment, it nonetheless exceeds the total number of workforce jobs in Welsh manufacturing and is almost as great as the number of jobs in retail and wholesale. People who carry out self-employed work on a casual or ad-hoc basis but remain unregistered do not appear in these statistics on self-employment.

³ Annual population survey quarterly release for the period July 2020-June 2021

While rates of self-employment amongst the working age population in Wales do not exceed UK rates, they have followed a broadly similar trajectory to UK and English rates, albeit at slightly lower levels. In Wales, self-employment peaked at 13.7% in the period April 2014-March 2015 and had earlier converged with the UK rate during the last economic downturn of 2008-9, which saw a significant increase in self-employment levels.



Source: Annual population survey via Nomis

Wales’s rates of self-employment have consistently exceeded Scotland’s, which remain low compared to the rest of the UK, while Northern Ireland is the only UK nation to have exceed UK rates of self-employment, having earlier experienced peaks of 15%-16% in 2006-7 and 2010-11 and maintaining rates in line with and exceeding the UK average since 2017-18.

The Covid-19 pandemic had an almost immediate impact on self-employment across the UK, with all four UK nations seeing a drop in self-employment since the introduction of the first set of UK wide-restrictions in March 2020 and a large reduction in new entrants into self-employment¹⁶. At the time of writing, levels of self-employment remain below pre-pandemic levels across the UK including in Wales, which prior to the pandemic, had already experienced a fall in self-employment. There are some signs that the drop in self-employment since the pandemic has experienced a plateau, with Wales seeing a slight uptick compared to previous quarters in the period July 2020 to June 2021.

Presently, the possibility of the re-introduction of further Covid-19 related restrictions into late 2021 and early 2022 remain, as does wider uncertainty in the UK economy. Therefore, it is unclear whether further economic disruption as a result of the pandemic or other economic forces lies ahead and if the fall in self-employment since March 2020 is reflective of a temporary effect of the pandemic or part of longer-term trajectory.

4.2. Self-employment by local authority

The overall rate of self-employment in Wales masks a wide variation in self-employment in different places. For example, parts of rural Wales such as Powys, Gwynedd and Ceredigion consistently have some of the highest levels of self-employment amongst the working age population, regularly exceeding the Welsh rate of self-employment and reaching around 15% over the last ten years⁴. This is triple the levels of self-employment in other parts of Wales such as some local authority areas in the south Wales valleys.

The rate of self-employment in Powys for example is regularly the highest in Wales and exceeded 20% at various periods between 2014 and 2018. Conversely, many other local authority areas in Wales, particularly in south Wales, have self-employment rates below the Welsh average, with rates below 6% and as low as 4% in some authorities prior to 2015. Aside from the rural areas discussed, only Cardiff, the Vale of Glamorgan and Rhondda Cynon Taff have had levels of self-employment that have converged with or exceeded the Welsh average in the past decade.

Broken down by sex, self-employment takes on an even greater significance for the male working age population in rural Wales, accounting regularly for over a quarter of employment in Powys and over a fifth in other rural areas.

Living in a rural area was something some self-employed people reflected on in our interviews in respect of their ability to access work and on wage levels.

If I lived in Cardiff I think I would have more chance. But living in rural Wales, it's hard. As I don't have the car, if I was to come to Cardiff for the day I have to take the first bus at 6.38 and get the last bus at 6.10pm. It's a long day on a journey that by car takes one hour and ten minutes.

I live in a really rural area and that has an impact because wages are low. There is so little work that you have no choice (but to charge less).

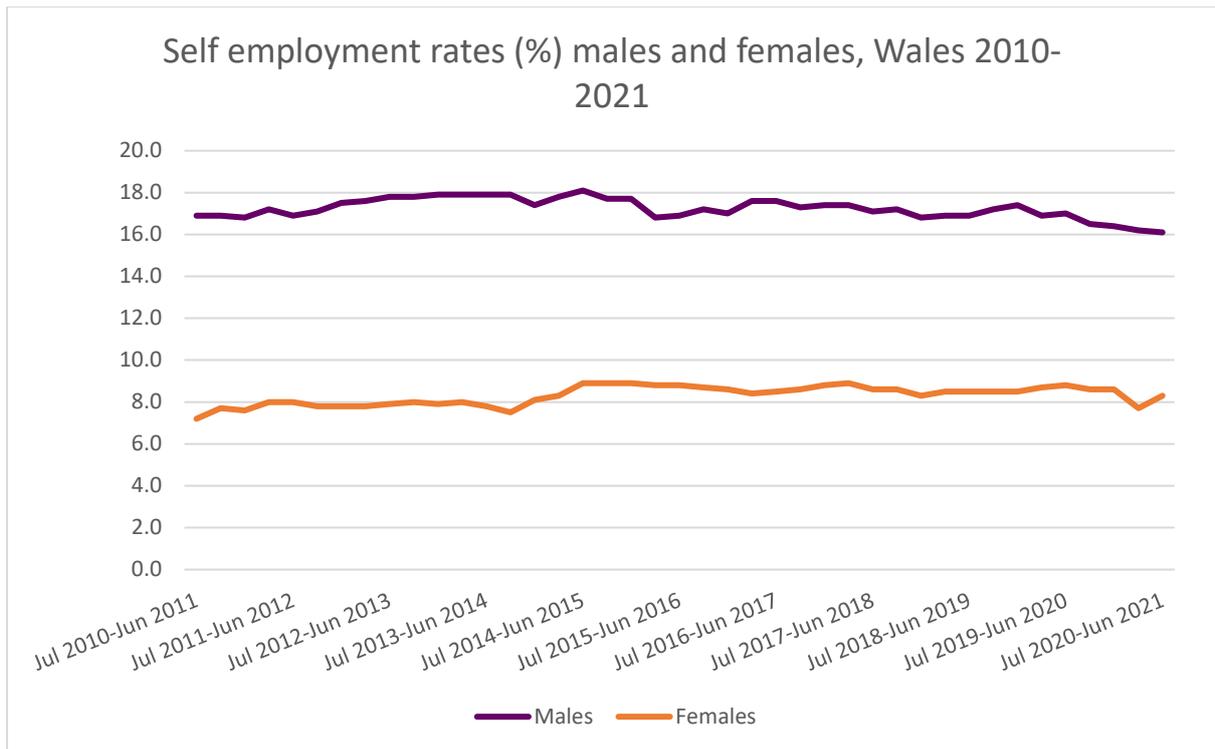
⁴ Local authority areas of Ceredigion, Gwynedd, Pembrokeshire and Powys have seen some of the highest rates of self-employment in Wales in the past decade.

Self-employment rate and count 16-64 year olds, by local authority to June 2021		
Local authority	Self-employment rate	Self-employment count
Powys	17.8%	13,100
Ceredigion	14.9%	7,000
Denbighshire	13.3%	7,100
Pembrokeshire	13.1%	9,200
Monmouthshire	12.0%	6,300
Conwy	11.8%	7,500
Gwynedd	11.8%	8,700
Isle of Anglesey	11.2%	4,300
Wrexham	10.8%	9,300
Carmarthenshire	10.0%	10,600
Cardiff	9.4%	23,200
Bridgend	8.3%	7,200
Caerphilly	8.1%	9,100
Rhondda Cynon Taff	6.7%	9,900
Newport	6.6%	6,000
Swansea	6.1%	9,400
Torfaen	5.8%	3,200
Merthyr Tydfil	5.6%	2,100
Vale of Glamorgan	5.5%	4,100
Flintshire	5.2%	4,800
Neath Port Talbot	4.9%	4,300
Blaenau Gwent	4.8%	2,100

Source: Annual Population Survey accessed via Nomis

4.3. Sex

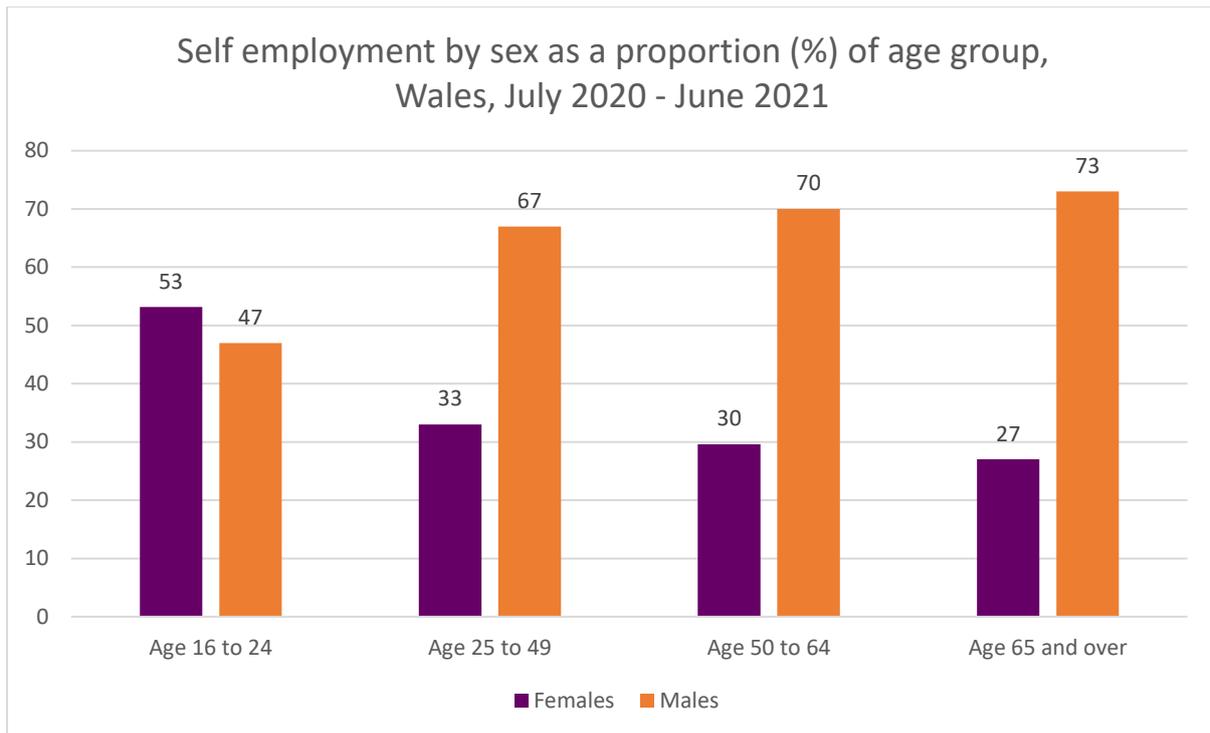
Men in Wales are more than twice as likely to be self-employed compared to women. According to the most recent data, there are 113,800 self-employed men and 54,600 self-employed women of working age in Wales. Amongst those aged 16 and over it is 130,200 and 60,900 respectively. This reflects a UK wide trend of self-employment being more prevalent amongst men. The gap in self-employment rates between the sexes is persistent, with self-employment rates amongst the male working age population in Wales varying between 17% and 19% and rates amongst the female population between 7% and 9% over the last decade.



Source: Annual population survey accessed via Nomis

Of the total self-employed population in Wales of working age, men therefore account for a staggering 67.6% of it and women for just 32.4%. Even accounting for self-employment amongst all ages, there is little change to these proportions. According to the latest data for the period July 2020 to June 2021, 16-24 year olds see women account for the greatest proportion of the self-employed population in their age group (53%) compared to other self-employed age groups. However, it should be noted that this is exceptional compared to previous data releases, which, over the four previous quarters, averaged around 22%.

Patterns between the sexes amongst other age groups have remained more consistent. Women aged 65 and over account for the smallest proportion of the self-employed population within their age group (27%). Amongst age groups aged 50 to 64 and 25 to 45 the disparity is marginally less, but reflects the wider trend of men accounting for around two thirds of overall self-employment.



Source: Annual Population Survey accessed via Nomis

Similarly to the variation in self-employment levels in different parts of Wales, self-employment rates amongst men and women and the differences between them also vary by local authority area, although some trends persist across the board. For example, in every local authority area in Wales, male self-employment exceeds the local combined self-employment rate for men and women for working age, while for women the opposite is the case, falling below the combined rate in every local authority.

However, the extent of differences between male and female self-employment also vary. Those areas with the highest overall rates of self-employment also have the highest rates of female self-employment, with nearly all rural local authority areas having female self-employment rates above the all-Wales female average.

Except for Flintshire, it is predominantly the urban and semi-urban local authority areas of south Wales that have female rates of self-employment that are below the all-Wales average. The gap between male and female self-employment is smallest in Neath Port Talbot. However, it should be noted that its overall rate of self-employment is one of the lowest in Wales. Amongst areas with higher rates of self-employment, Gwynedd and Wrexham have the next smallest differences in rates between men and women.

Amongst some self-employed women that we heard from, the need for more flexibility in their working hours had driven their choice to become self-employed. This was especially the case for those with young children and caring responsibilities who had often switched career or moved from employee positions. With the exception of just one woman, all the self-employed people we heard from who had been self-employed since the start of their working lives were male.

Male and female self-employment rates by local authority, July 2020 – June 2021			
	All self-employment (%)	Female self-employment (%)	Male self-employment (%)
Powys	17.8	11.5	23.5
Ceredigion	14.9	10.6	19.1
Gwynedd	11.8	9.2	14.5
Denbighshire	13.3	8.6	17.9
Wrexham	10.8	8.3	13.4
Pembrokeshire	13.1	7.7	18.6
Monmouthshire	12.0	7.5	16.6
Conwy	11.8	7.5	15.7
Cardiff	9.4	6.7	12.1
Carmarthenshire	10.0	6.2	13.6
Isle of Anglesey	11.2	5.9	16.3
Caerphilly	8.1	5.3	11.1
Newport	6.6	5.0	8.1
Swansea	6.1	4.8	7.3
Neath Port Talbot	4.9	4.5	5.3
Torfaen	5.8	3.9	7.8
Bridgend	8.3	3.7	12.9
Vale of Glamorgan	5.5	3.7	7.5
Flintshire	5.2	3.2	7.2
Rhondda Cynon Taff	6.7	2.6	11.1
Merthyr Tydfil	5.6	2.6	8.7
Blaenau Gwent	4.8	2.0	7.5
Wales	8.9	5.8	12.0

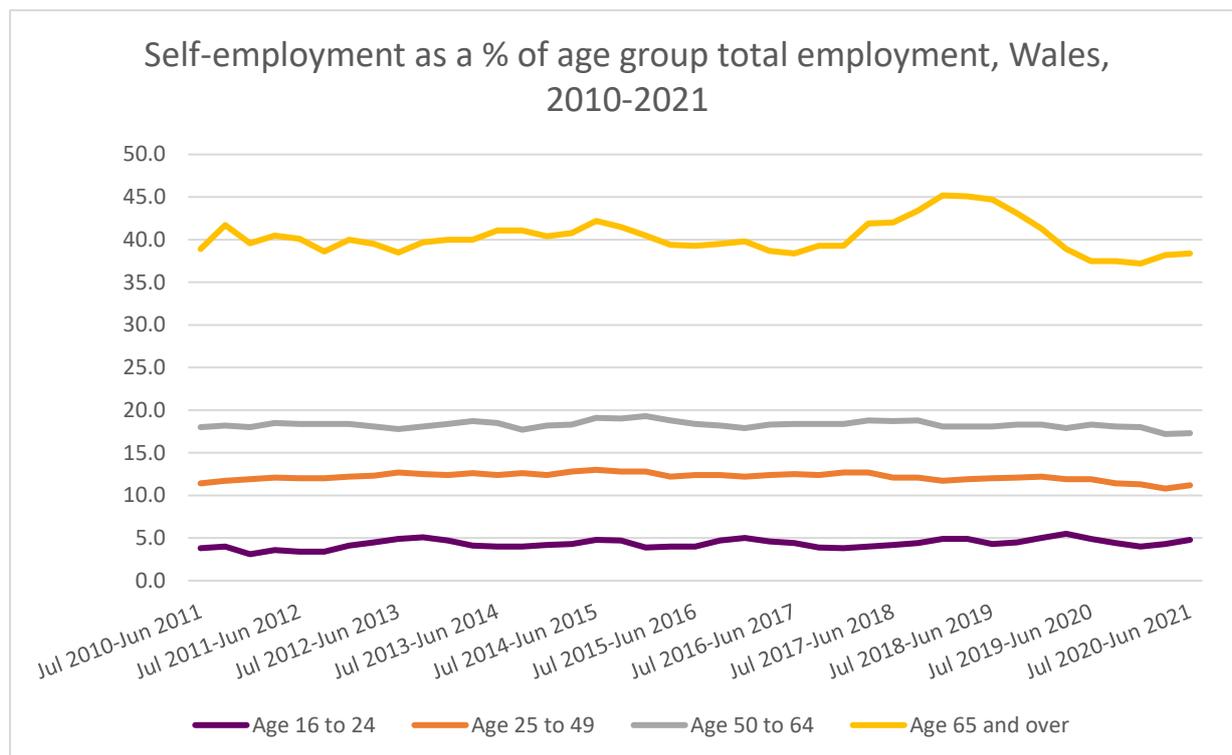
Source: Annual population survey accessed via Nomis

4.4. Age

The chances of someone of working age being self-employed are more likely the older they are. The self-employment rate in Wales as proportion of total employment amongst 16-24 year old's stood at just 4.8% in the period to June 2021. In the same period in the previous year (July 2019-June 2020) it was 4.9%, having dropped during the pandemic in successive quarters and recovered slightly in the latest quarter. Although rates of self-employment amongst this age group are low, it is also a group that has seen increases, having stood at a rate of just 3% in the period April 2006 to March 2007. This suggests there may be some trend toward more young people entering into self-employment, which was also reflected by some organisations we heard from that support people in self-employment.

People aged between 25 and 49 are twice as likely to be self-employed as their younger counterparts, and the self-employment rate amongst this group as a proportion of employment stood at 11.2% in the period July 2020-June 2021. While the longer-term

trend amongst this age group has also been toward increasing self-employment, the rate has remained steadier in comparison to other age groups.



Source: Annual Population Survey, accessed via Nomis

The employment rate amongst working 50-64 year olds is even higher in the same period at 17.3%. This is exceeded only by the 65+ age group at 38.4%, where nearly two in every five people who are working will be self-employed.

Self-employment amongst people aged 65 and above also sees the greatest fluctuations, suggesting a fluidity of entrance and exit that may be associated with retirement, semi-retirement and “topping-up” of incomes as and when required. The rates of full-time and part-time working in this age group also fluctuate although there are not large disparities between the two.

The correlation between self-employment and age was reflected by some interviewees we spoke to. Some talked of the risk associated with being self-employed and only felt they were able to “take the risk” of becoming self-employed later on, having previously worked in employee jobs. They attributed the ability to become self-employed to having the safety net of a partner with a separate income, having children who were now older or having built up some finances to enable them to take the leap into self-employment.

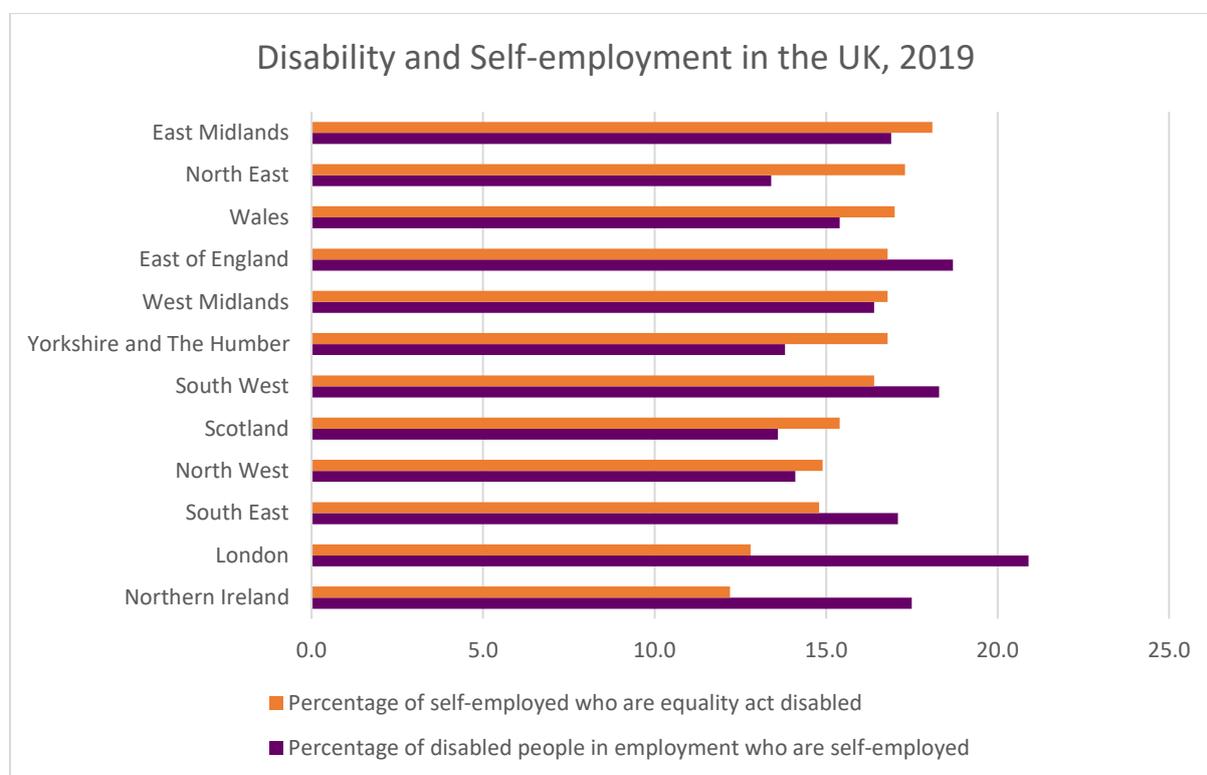
4.5. Disability

In the period July 2020 to June 2021 there were 27,200 people of working age classed as disabled under the Equality Act that were self-employed. Of these, 16,700 were men and

10,500 were women, which broadly reflects the differences in numbers of self-employed disabled men and women since 2014⁵

The most recent data available on disability and self-employment at national (NUTS1) level for Wales is from the 2019 Annual Population Survey. This shows that in 2019, there were 33,000 self-employed people in Wales classed as disabled under the Equality Act, accounting for 17% of the self-employed population. Alongside the East Midlands (18.1%) and North East (17.3%), these were some of the highest levels of representation of disabled people in regional and national self-employed populations in the UK.

Across all parts of the UK, including Wales, the proportion of disabled people in employment who are self-employed exceeds the overall proportion of people in employment who are self-employed, demonstrating a slightly higher likelihood to become self-employed if someone is disabled. However, when considering the proportion of disabled people in employment who are self-employed, Wales had a more moderate rate of 15.4% compared to some other parts of the UK.



Source: Annual Population Survey accessed via the Office of National Statistics

Some studies have suggested that self-employment offers greater opportunities to accommodate disabilities¹⁷. This was something that disabled people we spoke to also suggested was a factor in them continuing in their self-employment, and they told us how it allowed them to manage their disability in a way which suited them. However, of the primary drivers into self-employment in the first instance had been industry specific (having to be self-employed to participate in the industry) and due to disability discrimination in the workplace, suggesting the full realisation of benefits of being self-employed only took place once they were established in it.

⁵ APS data on sex, disability and self-employment by country is available from 2013-14 onwards

4.6. Self-employment by industry

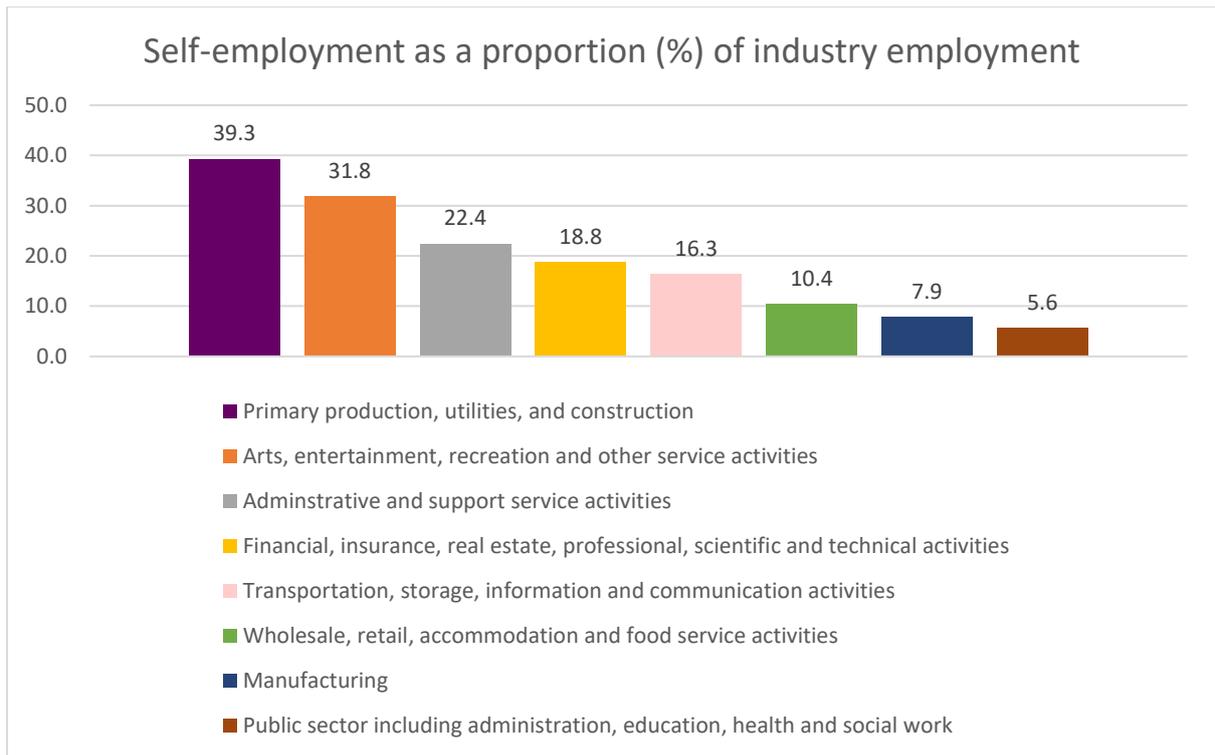
The biggest industries for self-employment positions in Wales are in primary production, utilities and construction, in which almost two in every five people employed are employed on a self-employed basis. In 2019 there were 64,000 people working in these industries, which also include the agricultural industries. In the period July 2020 to June 2021 there were 38,358 self-employed jobs in construction and 23,817 in agriculture, forestry and fishing. Amongst the people who participated in this research from the construction and agricultural industries, self-employment was viewed as the default and norm for their work, reflecting that most of their peers in the industry had the same employment status.

Given the high levels of self-employment in rural Wales, it could be assumed that agricultural and associated sectors account for a significant proportion of this. However, as Henley and Lang noted in 2017, stripping out the sector from the rural grouping of Welsh local authorities only reduced the self-employment rate at the time from 18.4% to 16.3%, which may suggest a “culture” of self-employment that is more predominant in rural Wales¹⁸. It may also be linked to a local lack of good employment options, or both. While there are other parts of Wales with lower jobs density rates than rural Wales, job quality and the lack of proximity or ability to travel to other areas for work may also be a factor at play in rural Wales to a greater extent than urban areas that also face jobs challenges, as rural isolation and distances to centres of employment can be greater.

Second to primary production is arts, entertainment, recreation and other service activities. In 2019 there were 56,000 people working in a self-employed basis in these industries. Of these, many will be classed as working in the creative economy, which in 2019 employed 29,000 people on a self-employed basis in Wales. While the creative economy accounted for 13.7% of overall self-employment in Wales, over one in three people employed in arts, entertainment and recreation industries work on a self-employed basis, reflecting an industry that is geared toward self-employment. This broadly reflected the response rates we had amongst interviewees when recruiting self-employed people for research interviews and in their insights on the way that the industries they work in operate.

Arts and entertainment stood out particularly for the amount of self-employed people who said the only way for them to get work in such a competitive industry was through having a self-employed status. Those who had been working in the industry for decades reflected on how they had migrated from employee positions to a self-employed position in order to remain within the industry and gain work within it.

Over one in five people working in administrative and support service activities will be working on a self-employed basis in Wales and just under one in five work in financial, insurance, real estate, professional, scientific and technical activities. In professional, scientific and technical activities alone, there were 21,666 working on a self-employed basis in the period to June 2021.



Source: Annual Population Survey 2019

As the Resolution Foundation has noted, on a UK level, more knowledge-intensive service sectors have seen the biggest proportionate increases in self-employed jobs since 2008. However, they are also sectors that have seen increases in employee jobs, reflecting a broader trend “towards an increasingly service-led economy”¹⁹.

That self-employment is observed across so many sectors his demonstrates that although there are clearly industries and sectors in which it accounts for a greater proportion of employment, the homogenous nature of self-employment in Wales should not be underestimated. Across almost every industry, there are people who depend on self-employment for an income.

5. Experiences of self-employment

The day to day running of a self-employed business, from start up to growth and even to closure reveals much about the material conditions in which self-employed people work, and how location, hours worked, industry, customers and other factors all have a direct impact and are bound up with earnings, personal and financial well-being and resilience.

Experiences of periods of sickness without protection, ability to take breaks, time off and to navigate and access support were just some of the issues that self-employed people we spoke to talked about.

Many referred back to the trade-off between financial well-being and their decision to become self-employed in relation to their experiences. One interviewee summarised what she saw as the unique nature of the conditions of her self-employment compared to employee positions. Despite the downsides and challenges, self-employment was also something she said loved would not consider giving up.

My working conditions are shocking. No holiday pay, no sickness pay. It's really full on. I start early in the morning and finish at 8 at night. Although there's lots of good things about it, you couldn't employ anyone to do this job because it would be completely unacceptable, there's no breaks, you run to the toilet as quickly as you can and run back again!

5.1. Support into self-employment

Knowing other self-employed people was often a factor in people's decision to enter into the world of self-employment. Nearly everyone we interviewed had a friend or family member who was already self-employed.

However, there were some people who hadn't known anyone who was self-employed. In these cases, the support of an umbrella organisation or body related to their sector was fundamental to them taking the step into self-employment, with interviewees suggesting they would not have taken the plunge into self-employment without the level of support – both financial and administrative- that they had received and continued to receive from these bodies.

Back then I wasn't very confident. Because we didn't have any extra money, I wouldn't have taken the risk. But because there was no financial risk to me – all I had to do was show up and put the work in, that's what helped me

Navigating the new world of self-employment – for those not involved with an umbrella body or industry networks – was usually done on an ad-hoc and informal basis and reliant on friends and family. This reflects other research which has found that newly-self employed people turn to informal networks and sometimes know very little about self-employment on going into it²⁰

I just muddled through that myself or spoke with other people who are doing something similar (Heledd, waste and recycling business owner)

I think people just expect people who are self-employed to know what they are doing or be savvy enough. But everyday normal people set up as self-employed.

There isn't a basic "how to" guide or a how to guide with links to the things you might want to look at (Tania, childminder)

I still really struggle with it. Knowing what to do. I know people to ask but I still don't know how everything works. Also it's relying on the goodwill of a friend who is an accountant to ask them to tell me where to look or how to fulfil this obligation (Emma, designer)

5.2. Working hours

There was huge variation in hours amongst the self-employed people we spoke to. For some interviewees, this could be attributed to the type of self-employment they were in. For example, people working in child and care work and some forms of agricultural and retail work tended to keep very fixed hours that were based around a regular routine. The flexibility that is said to be one of the benefits of self-employment was also challenged by some of these interviewees who outlined how the nature of their business came with strict requirements.

It's up against the clock, I've got a meat product in a chiller van, I can't just say well I don't feel like doing it.

For others such as freelancers, hours depended on the influx of current work and commissions. It was amongst this group that we heard most that they would like more hours but also that they often felt they didn't charge enough or factor all their time into their charging structures.

Amongst both newly and well-established self-employed people there was a clear tendency towards "front loading" of hours in the early years of their self-employment as they set up and became established. Interviewees who were well established in their self-employment indicated that they had been able to reduce their working hours as their self-employment matured. More recently self-employed people appeared to accept long hours as coming with the territory of getting set up.

For the first nine years we were working thirteen hours a day, seven days a week and we had two kids in that time ... but in the last five years both of us have been able to take more time off (Shona, 25 years self-employed)

This last weekend I had two days (off) and I didn't turn the computer on. That's unusual. ... I don't have a regular work pattern. (working) evenings and weekends I accept it as part of being young (the business) and setting up. I'm hoping that quite soon I will be able to delegate a little bit more (Susan, newly self-employed)

It's in excess of forty hours but it won't always be like this. I keep telling myself it will get easier (Heledd, newly self-employed)

Seasonality and large variations in hours were also a factor for some self-employed people including freelancers, and those whose work was linked to seasonal behavior in other industries such as retail and general peaks and troughs in custom. One self-employed person who blended their independent self-employment with platform working described how platform working was a useful filler in for seasonal lulls in business.

I like to keep them [platform opportunities] going because you never know when you're going to need them, like I was saying earlier about different seasons (Andrew, construction and assembly).

In the lead up to Christmas I can be working 10, 12 hours a day, probably longer than that, every day (Emma, designer).

At its peak, I work sixty to seventy hour weeks. That's the extreme end. At its lowest it's fifteen to twenty hours (Anthony, communications and events freelancer)

The hours that self-employed people don't receive remuneration for was also a recurring theme in our interview work. This included self-employed people with fixed premises who relied on customer footfall for their earnings. They described the "dead time" that exists when business is quiet and custom slow, yet are unable to generate income with this spare time due to the need to stay on premises and essentially wait just in case of footfall and custom. Essentially this was a lack of hours but an inability to compensate for it in other ways. This contrasted to some self-employed people without premises who supplemented their main self-employment with another form of work which was either an additional form of self-employment or PAYE work. This is illustrative of some observations about the underemployment of solo-self employed people that have been made elsewhere, with one study describing them as "an increasingly marginalised group that effectively operate as a reserve army of potential employees for employers and an insurance option for those without better jobs opportunities"²¹.

There were also the unpaid hours that many freelancers, people from the creative and personal services industries described. This was often linked to the additional hours that go into the behind the scenes work of research, preparation of services such as the design and planning of classes and workshops, or even unpaid, uncoded travel time.

There are the hours where I am paid to do work and then there are all the other hours which are the development of research and investment of time. Non-paid hours. Think they call it the sweat equity (Fran, freelancer)

Those who worked unpaid hours alluded to a conflict they experienced between wanting to charge for these hours but also needing to keep their prices competitive. There was the additional factor for some of enjoying and feeling satisfied by some of the unpaid aspects of their work, saying that they paid or not, those hours were ones they would continue to put into their self-employment.

5.3. Sickness

Periods of ill health or needing to take time off for medical reasons was something that many interviewees said they simply tried to avoid. However, when changes in health or sickness had been unavoidable, they had a shock effect and often disrupted or set back financial well-being, as very few had any form of sickness or insurance arrangements to cover such circumstances. A number of interviewees referred to an unwritten rule as they saw it, to "not get sick"

The reality is that if you are self-employed and really ill you'll have to make it up when you get back (Jayne, creative freelancer)

There was one month when I was poorly...we pay rent to my mother-in-law and we asked her if we could not pay that month because of the amount my income had dropped. I was off for a week and a half and I didn't get any form of sick pay. It was the recovery as well – they say no lifting – well my job is to lift! (Sam, carer)

The contingency of self-employment in relation to personal health and sickness can also be seen in extreme cases where it demands someone give up their self-employment, especially in physically demanding roles

The first surgeon that saw me flatly said "you will have to get another job and give up what you do. You won't be doing that again". Hurting myself with this injury has come as a bit of a shock

5.4. Breaks and time off

The absence of holiday pay provision in self-employment means that for self-employed people, taking time off has a direct financial consequence through a drop or stop in earnings and loss of work from their self-employment, especially for the solo self-employed who have no one else to keep their business running if they are away. Some also referred to the cultural expectations of their industry which limited the time off they felt they could take and even the pattern of their working week.

For eleven years I didn't have more than a week and I worked five Christmas days out of that. There was no concept of weekends at all.

One well-established self-employed person spoke of the "double cost" of taking a holiday:

I haven't had a holiday in five years. If you think a holiday is going to cost you X amount, it's going to cost you twice that amount because it's work lost as well (Mick, tiler)

For a newly self-employed person who had previously been an employee, the adjustment to this had been considerable. They felt that there was also a personal cost and risk to them if they did not take time off, as their overall well-being suffered to the point where they could not run their business efficiently

Six months in I felt I needed to take some time off when I realised I hadn't had any time off. Your time off is solely your responsibility so if you don't take care of yourself your business isn't going to function

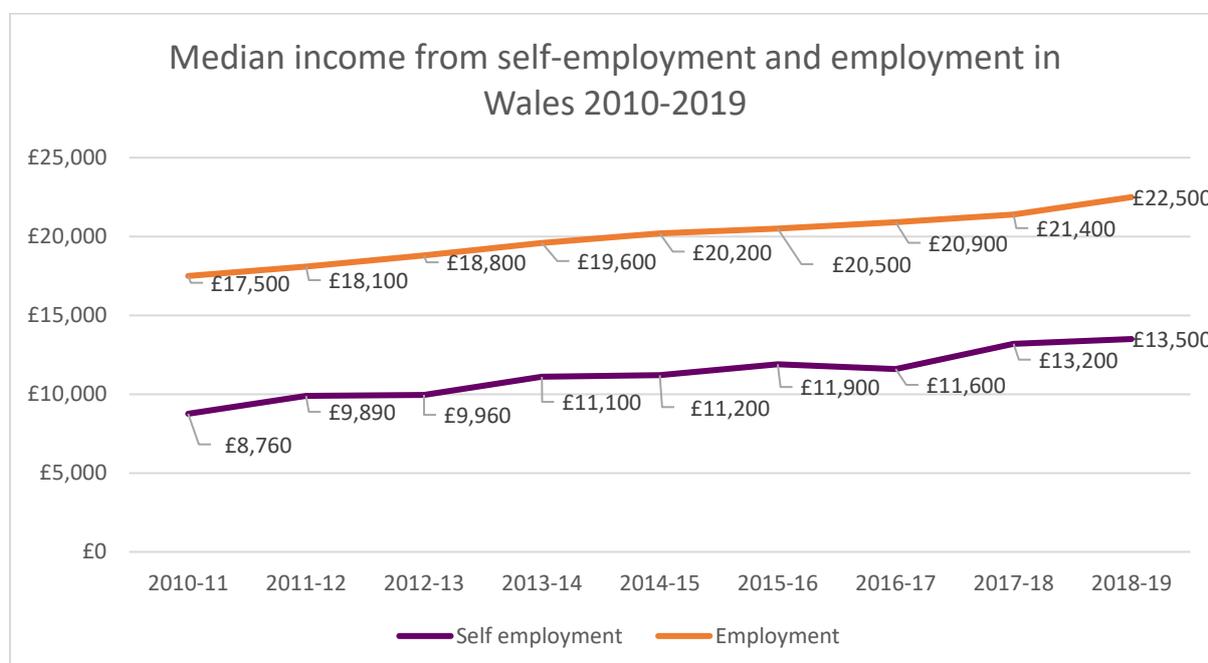
6. Financial well-being and resilience

Financial well-being can range from how well someone gets by on a day-to-day basis with having enough to live on, keeping up with financial commitments and planning for the future. Resilience refers to the ability to cope financially when faced with sudden changes in circumstances unexpected cost or drop in income. A number of self-employed people we heard from had previously experienced or were experiencing real financial hardship as a result of their self-employment. The factors that influenced this ranged from the impact of the Covid-19 pandemic to late payments to not enough hours or custom, which in turn had an impact on their overall financial well-being and their ability to cope with these changes or invest in their long-term financial resilience.

6.1. Earnings and Income

The incomes of self-employed people reflect a marked difference between having an employee status and a self-employed status, with income from self-employment in Wales consistently and significantly below income from employment, as it is across the UK.

The most recent data available from the tax year 2018-19⁶ indicates that the median annual income from self-employment was less than two thirds of that of income from employment in Wales. It shows income of self-employed people of just £13,500 compared to £22,500 for employed people. Data from the last ten years also demonstrate that while median annual earnings of employed people have followed a fairly steady trajectory, earnings of self-employed people have fluctuated to a greater extent, even seeing a decrease in the 2016-17 tax year.



Source: Survey of personal incomes, tax years 2010-11 to 2018-19

⁶ Survey of Personal Incomes tax year 2018-19

Looking across the UK, for the 2018-19 tax year, income from self-employment in Wales was the second lowest amongst the twelve UK countries and English regions, second only to Northern Ireland. More recent data⁷ indicates that median net weekly earnings for self-employed people in the period 2019-2020 were £296 per week compared to £373 for employed people in Wales. Median net weekly earnings in Wales are the lowest earnings from self-employment across the UK with the exception only of the West Midlands. This should, however, be understood in the wider context and relative to wider earnings patterns in Wales, which has some of the lowest earnings in the UK. In the period to April 2020, Wales had the third lowest median gross weekly employee earnings of the twelve UK countries and regions⁸.

There is also a significant gap in earnings based on sex and age. In the period 2019-2020 there was a gap of £55 in median net weekly earnings between men (£330) and women (£275) in Wales, representing a slight decrease for men and an increase for women on the previous year.

Self-employed young people aged 16-24 earned on average just £222 net per week compared to 25 -34-year-olds who earned £371, the highest earners amongst all age groups, followed by self-employed people aged 65 and over who earned £347 per week⁹

While the gap between income from self-employment and employment is marked, data for the last decade indicate that the gap has in fact narrowed. In 2010 self-employed people's income in Wales from their work was approximately half that of employed peoples. Since then, there has been a gradual increase to around two thirds, peaking in 2017-18 at almost 62% of income from employment, falling slightly to 60% in the 2018-19 financial year.



Source: Survey of personal incomes, tax years 2010-11 to 2018-19

⁷ Family Resources Survey 2019-20

⁸ Annual survey of hours and earnings 2020

⁹ Family Resources Survey 2019-2020

Compared to other parts of the UK, the gap between incomes from employment and self-employment in Wales is smaller than that in Scotland, Northern Ireland and London, but larger than that in all other English regions, with self-employed people in the East Midlands whose incomes from their self-employment is just over 65% of that of their employed peers.

Like the distribution of self-employment, income from self-employment also varies considerably across Wales, with median incomes from self-employment being highest in Wrexham (£15,800) and lowest in Carmarthenshire at just over half of that (£8,120). Some local authority areas with lower rates of self-employment see some of the highest median incomes from their self-employment. Despite rural Wales having some of the highest rates of self-employment in Wales, many rural local authorities conversely have some of the lowest incomes from self-employment. This reflects some of the insights from our research with people living and working in parts of rural Wales who had reflected on the low wages in their locality, which for some translated into them charging less in order to reflect local circumstances and customers' ability to pay.

Median annual incomes (£) from self-employment and employment by local authority, 2018-19		
	Self-employment	Employment
Wrexham	15,800	23,600
Caerphilly	15,500	23,300
Bridgend	15,400	23,000
Blaenau Gwent	15,300	20,200
Rhondda Cynon Taf	15,300	23,300
Monmouthshire	15,100	24,800
Swansea	14,900	22,900
Merthyr Tydfil	14,800	21,200
Torfaen	14,600	21,300
Cardiff	14,000	23,900
Conwy	14,000	20,300
Flintshire	14,000	22,500
Neath Port Talbot	13,700	23,200
Denbighshire	13,300	21,400
Vale of Glamorgan	13,300	25,000
Newport	13,000	23,100
Powys	13,000	20,800
Gwynedd	12,600	21,200
Pembrokeshire	12,400	20,200
Ceredigion	12,200	21,400
Isle of Anglesey	8,670	22,200
Carmarthenshire	8,120	21,100
Wales	13,500	22,500

Source: Survey of personal incomes tax year 2018-2019

The incomes from some forms of self-employment should not be taken in isolation. We heard from self-employed people whose self-employment was part of a blended approach to their finances, complemented or topped up by PAYE employment and vice-versa. This was also the case for self-employed people of or beyond retirement age, who used their self-employment to “top up” their income in addition to their pension.

Amongst many people we spoke to who had previously been in employee positions, going into self-employment had resulted in a drop in earnings. There was a strong relationship between time spent in self-employment and perceptions of overall financial well-being. With the exception of sole-earners, interviewees more well-established in their self-employment generally felt that their finances had improved over the years. Some interviewees attributed this to having built up a reputation, client base, or simply feeling more confident in charging what they saw was a fair amount for their services;

I seem to be earning more than ever before (Ioan, 40 years self-employed)

It just seems to be getting better for us apart from Covid (Jane, 15 years self-employed)

This contrasted markedly with newly self-employed people or those who had been self-employed for a few years and sole earners who has experienced more financial difficulties.

I've gone for nearly two years here without having a tidy wage (Joel, 5 years self-employed, sole earner)

It's been a massive drop (from employment) and it's led to what most people would call poverty – well it is poverty. (Bernadette, 3 years self-employed, sole earner)

For some their challenges were related to the level of investment and work in establishing their business and building a client base or getting work without a “track record” yet. Some newly self-employed people that were attempting to earn income through tendering for contracts outlined the difficulty of being an unknown quantity, not yet having three years of accounts and testimonies from clients. In this respect some had received feedback from potential clients that they weren't a “safe bet” when it came to contracting.

Others alluded to the adjustment they had had to make in experiencing a drop in income when going from regular and often higher wages in employee positions to self-employment. However, people's attitude to their financial circumstances was often bound up to their wider feelings about the trade-off they had made between financial well-being and other non-pecuniary benefits related to job satisfaction and personal well-being in becoming self-employed;

Financially I'm not satisfied because I'm struggling, but everything else is better. Working for myself and doing something I'm passionate about. The sacrifice has been worth it to have a better quality of life and for my well-being. (Emma, 2 years self-employed)

This is reflective of some of the literature that outlines the complexities around income, well-being and self-employment, with some suggesting that the intangible, non-pecuniary benefits of self-employment act in a compensatory manner for lower earnings, even for those who are “pushed” into self-employment²².

6.1.1. Charging and rates

Some self-employed people talked about how their inability to charge fair rates for their time, skills and investment in their business had affected their financial position. Often this related to keeping rates competitive and acceptable to customers. This worked both in relation to the locality in which they traded and within their particular industry. This was not the case across the board however. For self-employed people with trade body and trade union representation in sectors with some level of collective bargaining, some had benefited from “industry agreements” on hourly and daily rates, such as in parts of the creative industries. Even within the creative industries though, there were other parts of it where interviewees told us they felt obliged to keep their rates low. In the instances when we heard of increases in daily and hourly rates, they were relatively small increases. For people who were new to self-employment, knowing what to charge had also affected their finances

I've definitely gone in too low. But being brand new to self-employment I didn't know what level to go in at and what too high would be

My daily rate is the same as it was in 1999. And that's the case across the industry

I would like my earnings to be more but I have to be realistic. I have increased my fees by twenty five pence per hour just to bring it in line with other providers in the area and to match it to the Welsh Government's childcare offer

Some self-employed people we heard from also felt strongly that when clients and custom come mainly from people who are in employee positions, the lack of understanding of self-employment creates situations where they are perceived to be overcharging.

People who are employed and who employ people have no concept of what a self-employed daily rate should be 'cos they can't conceive you are paying your own tax, paying your own NI, your own health, your own overheads, your subscription and membership and insurances, all those things

6.1.2. Late and non-payment

Some interviewees experienced long waits for payments or non-payment either as one-off events or as regular features of their self-employment. One self-employed person described how non-payment by one customer had resulted in them being owed £800 in the run up to Christmas, and the embarrassment of having to attempt to resolve the matter through chasing the client;

I kept it quite close to myself because I was embarrassed that I had let myself get into that position. I felt like I was begging. I felt worse than I felt in my entire life, it was awful.

Self-employed people who sourced work through third parties they outlined how they could wait between eight and twelve weeks for payment from agencies that supply the work. Not only did this seem a long wait in relation to the completion of work, but for some interviewees meant they found it harder to keep track of their finances and to chase for non-payment in instances when so much time had elapsed since doing the work. In one particular case, a six month wait resulted in one interviewee resorting to the threat of action through a small claims court in order to finally receive payment.

One of the most extreme cases we were told about in relation to non-payment was an interviewee who had worked on a creative production for six months. Alongside all the other people who worked on it, she had never received payment. Despite concerns about late payment whilst doing the work, she was persuaded to continue with the project by being told that if she left it would endanger the entire project and therefore the remuneration of other people working on it. This illustrates that despite the benefits of “being your own boss”, some self-employment involves working as part of a much larger team and in effect experiencing some of the same pressures and loyalty to colleagues, projects and even organisations as if in an employee position.

6.2. Day to day finances

When discussing day to day finances, most people we heard from said that they felt they “got by”. Few said they were able to regularly afford extras or luxuries. Some had experienced or were currently experiencing periods of difficulty in their day-to-day finances which affected them in a number of ways, including struggling with keeping up with payments and bills, despite this often being their first priority. Research from Citizens Advice has suggested that self-employed families are almost twice as likely – where all adults are employed – to be behind with a household bill and also more likely to be in poverty²³. This is something that was certainly reflected in some of the insights from the self-employed people we heard from

Bills have to be paid first and anything left over, well, that’s a bonus (Mick, tiler).

There’s been a few times times when I haven’t been able to pay my bills and I’ve had red letters. There’s been quite a few times where that’s happened but you don’t really talk about it because it makes you feel like a failure, so you just ride it out (Joel, barber)

Even if you make more money, you budget on the lower side of things (Ash, taxi driver)

Before I got the PIP I would get a bill through the post and I wouldn’t be able to open it because I got scared I couldn’t pay it. I still get that but it was worse before PIP because I would get more and more bills through and there was nothing I could do to pay it (Fran, freelancer)

The kids have stuff they need but you go without yourself, don’t you? (Sarah, carer)

Cutting back was the most common response to dips in income and unexpected costs. For one self-employed person we heard from, cutting back had extended into practices that put their business at risk. They described how when things were really challenging financially, they would turn off the alarm to their premises to save money on utility bills. Amongst self-employed people on the lowest incomes, some mentioned the need to cut back on even the most basic essentials at home. It was striking how many self-employed people we heard from accepted such circumstances, continued to remain positive about their work and optimistic that things would get better.

Little things - like I never turn the heating on now, apart from when family or friends come over and complain that it’s cold!

I know my financial situation is dire but as long as I've got a roof over my head and life, I'll manage

Several relatively new self-employed people we spoke to had invested significant amounts of personal finances into their business to start it up. These amounts ranged from £7,000 to £15,000, which had left them with very little in the way of additional funding other than what they earned through their self-employment or through benefits they were entitled to. One participant described the overall effect of this investment on her approach to money:

Because I've had to put so much money into this [business], I remember last year, literally training myself to live without money. It was like, pay your bills and you don't spend anything other than that.

One interviewee was in the process of winding down their business and had already sold off key elements of it. This was the result of a combination of being hard hit by the pandemic and health issues. Taken together, they said it was unlikely they would be able to continue their self-employment as it was and were facing the stark prospect of resorting to selling something to raise income.

The truth is at the moment I'm thinking will I have to sell something. It's a huge step to take and not a place you want to be at 55. I didn't think I would have to re-assess quite so dramatically

6.3. Accessing support

Accessing support such as benefits, tax credits and support related to the Covid-19 pandemic was something many self-employed people had done, either in recent times mainly due to the pandemic or further back when they had experienced a drop in earnings or financial difficulties. However, navigating and understanding support available is not something self-employed people – especially solo self-employed who have little connection to a trade or umbrella organisation – always find easy. As a consequence some risk losing out on support they might be entitled to.

6.3.1. Benefits

A number of interviewees were in receipt of Universal Credit, had applied for it or been eligible for it previously. There was a wide variety of experiences amongst those who had gone through the application process or were in receipt of benefits. Some who had been in regular receipt of it told us they found it straightforward and simple, especially the use of the online journal system to update their earnings details. Others who had applied for it for a short period or due to a sudden change in circumstances had a different experience, especially when navigating the eligibility element.

I was on UC for part of the pandemic and it's such a headstress. I had to go on it because I wasn't earning enough money. I found it very complicated to fill in and get done. On it for three months, not long. It not a lot of money and you really feel like you're being grilled, like they're investigating your life.

Where some people had experienced difficulty was when their savings, earnings or other assets had been an issue. A number of self-employed people we spoke to had found themselves without income during the pandemic yet were unable to claim benefits support due to savings thresholds. While some of the savings were for personal use,

others were for investment into their business to realise plans to either improve or, for newly self-employed people, to start their business. Some self-employed people referred to how money they had ringfenced and built up over years – including a gratuity payment on finishing in their former employment - had instead been used essentially to survive the pandemic.

It's all completely gone now. We had quite a healthy little pot of money. It's literally put food on the table and kept the lights on. We were penalised because we couldn't claim. We've never claimed anything and the one time we really needed help they were like "no sorry we can't help you"

I don't qualify for any support because I'm foolish enough to have some savings, or I did have savings. The last year we have been burning through our savings... Where am I going to be in six months when I don't have any savings left and UC then isn't going to cut it?

One support organisation also suggested that even for those self-employed people it worked with who were eligible for Universal Credit, the the taper of sixty-three pence in every pound works to prevent them from building up reserves again, thereby affecting the longer-term financial resilience of self-employed people and ability to create a buffer.

Previous experiences of navigating the benefits system had put some interviewees off accessing support entirely. One self-employed person in the care industry described applying for support as a new single mother and being "investigated" for applying for multiple support streams; an experience she found traumatic at the time. A self-employed couple who had been in receipt of tax credits described how the £2,000 that they received and spent subsequently had to be paid back. Another self-employed couple had a similar experience and described how the interplay between repaying tax credits and the variation of their earnings in different financial years affected them.

Normally I would be bordering on paying some tax, then when I had the tax credits, I paid £2,000 which is about what we had. So we had the tax credits and spent it and then we had the tax bill and then had to find £2,000 from somewhere, so it actually made my finances worse (Mick, 61, Tiler)

What they sometimes do is they take it out of the tax credits they are paying you, which isn't very helpful because you need kind of need that money cos you've spent that money they've been giving you. If you're not earning enough it's a bit of a blow (Mel, 36, childminder).

Navigating and having awareness of the wider set of social protections, benefits and grants potentially available to self-employed people and their households revealed a mixed picture. In the case of UK-wide provisions such as maternity entitlements, one interviewee told us she had very little idea what support would be available to her if she chose to have a baby.

While some people we heard from were in receipt of elements of the Welsh benefits system – the elements of a social safety net devolved in Wales – such as school uniform grants and free school meals for their children – others remained relatively unaware of it. This included low awareness of support such as the Education Maintenance Allowance for example.

6.3.2. Pandemic support

Many people we heard from had accessed support schemes related to the pandemic. Most obviously, numerous interviewees had accessed multiple rounds of the UK Government's Self-Employment Income Support Scheme (SEISS), which to date has provided £82 million of support to 39,000 claims made by self-employed people in Wales. For those that had, they described the fund as having made a critical difference to their financial well-being and the difficulty in the early days of the pandemic when it was not yet clear that there would be support for the self-employed. The vast majority of those that had been in receipt of the SEISS had accessed the first two to three rounds that were made available between May 2020 and January 2021.

Every day we were pretty much waiting for Rishi Sunak to come on and give an announcement.

I was really grateful to get the SEISS. We would have really been in a mess otherwise...an absolute lifesaver.

However, not all self-employed people that we interviewed had applied for or were eligible for SEISS, and the scheme came in for serious criticism for gaps in eligibility affecting more recently self-employed people and those for whom self-employment was not their principal source of income. Amongst the people we heard from who were on some of the lowest incomes, they did not see it as an option "worth" applying for, especially since it was subject to income tax and self-employed national insurance contributions. Even amongst those who had applied and received some support, their low earnings meant they received very little. This illustrated how some people who needed the support the most were least likely to access or be eligible for or benefit meaningfully from it.

I didn't really earn a lot in the build up to the pandemic, so I didn't put myself in for that because you've got to pay tax on it as well, so I thought, pointless. If I had applied and gone for it, it wouldn't have been enough and then I'd have had to pay the tax back on it

I got two payments of £500 from the government. Because my self-employed earnings were so low I was entitled to very little

People we heard from who derived their incomes from a blend of PAYE employment and self-employment told us they had fallen between two stools when it came to some pandemic support. One described the "hinterland" between employment and self-employment, with their earnings from self-employment too low to qualify for support and their PAYE earnings not providing enough to live on.

Access to pandemic support also illustrated the importance of the "connectedness" of self-employed people and the risks of relative isolation. While the SEISS enjoyed national coverage from major news outlets and promotion via outlets such as HMRC bulletins, research from the Centre for Economic Performance suggests that even a year into the scheme, almost a third (31%) of the self-employed people it surveyed were not sure whether they were eligible or not²⁴. This demonstrates that even where awareness is good, understanding of basics such as eligibility remained an issue.

Grants distributed in a devolved context – i.e. those funded by the Welsh Government – received far less media coverage compared to the SEISS. Self-employed people who

applied for or had received Welsh Government funded support described how they had heard about it either through representative bodies or for those that didn't have them, through friends and word of mouth. One self-employed person who received multiple rounds of local authority administered support described hearing about it just before it was due to close by chance, from a business in the same locality. Another told us they missed out on the first round of some grant funding as their local authority had told them about it the same day it was closing. Some self-employed people we spoke to were also unsure of which grant it was that they had received.

Welsh Government pandemic support included business rates relief, the Economic Resilience Fund which provided grants of approximately £10,000 to businesses including micro businesses, the Wales Cultural Recovery Freelancer fund which provided grants of up to £2,500 for freelancers, and the Start Up Grant of up to £2,500 for newly created businesses. Some of these were administered through local authorities.

Amongst self-employed people who accessed the Welsh Government's Wales Cultural Recovery Freelancer fund, they described it as a lifeline and perceived that it was distributed fairly:

It was like a statement of support and recognition of what we do. There was a significant amount of trust involved in the way funds are distributed. It felt understood that people wouldn't play the system and the money would go to people who really needed it

This contrasted however with some organisations' perceptions of other funding streams which required evidence of the money having been spent first in order to re-claim it. For newly self-employed people with low or no income, this was particularly challenging. One support organisation told us about newly self-employed people who had approached it for funding in order to make a purchase and provide receipts in order to qualify for grant funding. They had also been told of some newly-self-employed people who were advised to borrow money from family if necessary.

The difference in perceptions around the impact and reach of various pandemic support schemes made to self-employed people also varied. One interviewee emphasised the difference between their own personal financial well-being and that of their business. They talked about as what they saw as an unfairness between support for the employed and the support they had received as a self-employed person:

At least when you are in a job or on furlough you get paid regardless. My money [Welsh Government business grant] was for my shop. It wasn't for me. I didn't have money for me.

6.3.3. Borrowing

Nearly every self-employed person that we heard from expressed an aversion to borrowing, seeing it as a last resort, often citing the uncertainty about when they would be able to pay it back.

That's the thing...you've got to be able to know you can pay it back haven't you?

However, this did not mean that they had not borrowed or would not consider it in the future. For those who could, borrowing from family was nearly always the preferred option, although even then, some interviewees that had borrowed from family explained

how they had disguised or downplayed the level of hardship they were experiencing even to those close to them.

I'm leaning on my parents but they are also in the same boat

For others, borrowing from friends and acquaintances was the next best thing, including one self-employed person who said they would "speak to some people" if they really had to resort to borrowing money. Only amongst agricultural sectors did we hear that the bank was most likely to be the first and most common lender to go to, with interviewees citing ongoing and established relationships with the bank being built into the way of doing business amongst some in the sector such as farmers. The higher rates of overheads that are experienced by some in the sector, such as farmers, is also likely to be a factor.

There were a number of self-employed people we interviewed that had an aversion to borrowing and debt due to previous experience. One interviewee had come to rely on using their overdraft to get by financially for a period. However, changes to overdraft charges of April 2020 meant that their bank increased the APR on their overdraft to just under 40%, which had a significant effect on their financial well-being and put them off going into their overdraft again. We also heard from one person who had experienced bankruptcy and another who had entered into a formal debt solution through an Individual Voluntary Arrangement (IVA). Both were as a result of their self-employment.

6.4. Preparedness and planning for the future

Preparedness for unexpected costs, drops in earnings or planning for long-term financial security including retirement appears to be a particular issue for self-employed people.

In our interview work this was an area of greatest worry and vulnerability for interviewees. When we asked how prepared they felt they were for a drop in income or unexpected outgoings, the vast majority said they were not. While a minority had other assets they could draw on, most did not have the level of preparedness and arrangements in place they felt they need. When asked what they would do in such circumstances, responses ranged from looking for low-wage employee roles, selling something, cutting back, borrowing or for those who had any, using up savings.

You're only one tiny step away from the edge, you know, the washing machine going wrong, a repair to the car, if that came on top of a bug, you are close to the edge constantly and it's always there in the back of your mind.

All my money is in the house, the van and the tools. If it came to it, I would have to sell them.

It would literally be a case of trying to get a job at Lidl or anywhere...I've done those jobs before...it would be a case of, we are just going to drown

For those that did have a greater level of preparedness, much of it was linked to their wider household arrangements and often a partner who provided additional financial stability or buffer. While this put them in a stronger position when it came both to day-to-day financial well-being and their longer-term financial resilience, it also highlighted the contingent nature of both, and that a change in these circumstances themselves would have serious implications for them as an individual.

My name is not on any of it, nothing's in my name because I've never earned enough. It's in my husbands, including the house. (Jayne, 54, freelancer)

Me personally, no. Really, I just need to not ever get divorced! As a family we have the buffer but not for me individually (Sam, social entrepreneur)

For self-employed people we talked to who were the sole earners in their household, many referred to the "pressure" of their situation. When they experienced a drop in earnings, a change in circumstances or unexpected costs, such changes clearly had a more profound effect on their business, financial well-being and ability to respond

Doing this on your own is all fine and dandy but when things go wrong, even slight things going wrong, it can be catastrophic for a business, especially when there's no one else to pick up the slack. (Sandy, farmer)

For sole earners living with dependent adults and children in their household, it was often a source of additional anxiety and of course, responsibility. Other research has suggested that amongst families in poverty where someone is self-employed, the largest group is families where there is one self-employed adult and one non-working adult.²⁵

Coupled with a downturn in earnings as a result of the Covid-19 pandemic, sole-earners who were affected told us about how they felt the disruptive effects even more acutely:

We have no other income other than what I bring in. It's a massive pressure...its really hard (Bernadette – dependent partner and two children)

You've got all your bills to pay just before Christmas, then you're not allowed to buy presents you haven't got because you didn't have the money because the pandemic's been happening. That to me [the pandemic] was a massive, massive bill because I'm a parent (Joel, single parent to one)

Something like that (getting ill), you can't work, there's only you to rely on and a week's wages have gone out of the month (Cath, dependent partner and two children)

6.4.1. Savings

There was a variety of responses from the self-employed people about their approach to savings, with the majority finding it difficult to save on a regular or substantial basis. A minority were able to save something on a regular basis while a significant proportion weren't saving anything at all. Regardless of their current savings status, all self-employed people we heard from recognised the value of having savings in acting as a buffer for unexpected circumstances and costs.

Because we are both self-employed we've always been aware that one of us got injured or couldn't work there's no sick pay but there's the mortgage to pay and food to put on the table. We've always been really conscious that we need savings behind us (Laura, carer, 15 years self-employed)

The highest monthly amount of saving we were told about was £250 a month. This was a regular and fixed amount by someone who was well-established in their self-employment, having been self-employed for over twenty-five years. It reflects how their level of financial security had improved as their business was well-established and they

were able to employ staff. This was well in excess of the sums that other self-employed people told us about, which ranged between £10 and £80 per month.

Amongst those who saved, ad-hoc saving was the most common way of saving. This was especially the case amongst self-employed people who experienced variation in their earnings including the impact of seasonality. The emphasis was on saving as and when it was possible, rather than aiming for a fixed amount each week or month.

I try and put aside something every week, even if it's a fiver, a tenner, twenty pounds, put it aside just in case (Ash, taxi driver)

A number of people we spoke to had previously had more savings but due to periods of financial difficulty including the pandemic had much reduced or no savings. Some people found themselves having to live off their savings in times of financial hardship and for some this meant they did not see themselves being able to save in the near future

None whatsoever. I spent all my money during Covid. I had to sell my car. (Maya, performing artist)

I don't see me saving anytime soon because... I can't even save for Christmas at the moment (Joel, barber)

It doesn't take long for savings for disappear. I've got through a lot and I know how quickly they go and how impossible they are to replace (Sandy, farmer)

6.4.2. Insurance

Of the self-employed people we interviewed, just a handful had insurance to cover themselves should they become ill or experience an unexpected loss of earnings. They were all people who were well-established in their self-employment by at least ten years. Many others had not heard of products such as earnings insurance, let alone considered it.

For those that had considered some form of insurance, the cost of getting by day to day and the risk of policies that did not pay out resulted in them opting not to take out additional insurance protection. We even heard this from people who had experienced a significant drop in earnings that had resulted from hospitalisation, on the basis that they saw that period of sickness as a one off that would not happen again.

It's not an option. I don't want to pay something I might never get anything from. I would rather not pay, I've been off once since I've been self-employed, I don't want to – as I see it – waste money – for something I might never actually use

They are so expensive and in lots of cases they don't pay out anyway. If you've got any spare money to pay for an insurance policy you're just better off putting that away yourself and knowing it's there if you need it.

Amongst the self-employed people we heard from who did have insurance, some had decided to opt for it from day one of entering self-employment, while for another, the event of their spouse also becoming self-employed spurred them to take out income protection for themselves as the higher earner of the two, illustrating that low income households with multiple self-employed earners are still likely to go for partial rather than full coverage.

My husband became self-employed too in 2016. And then I decided one of us should have some kind of back up if we got sick or injured. I put in place an income protection plan so that if I had to take time off I'm covered for all my wages. It's a small amount I pay every month and it covers me for up to £1,000, something like that.

6.4.3. Pensions and retirement

One of the most consistent findings from speaking to the self-employed people we interviewed was the lack of provision they had made for retirement beyond national insurance contributions. Research from the Institute for Fiscal Studies has shown that the proportion of self-employed people in the UK paying into a private pension scheme has been in decline for the last two decades, to the point where by 2018 just 16% of self-employed people were doing so²⁶. This compares markedly to the introduction of auto-enrolment for employees and the same research indicated private sector employees are four times more likely to be investing in a pension than a self-employed person. As the House of Commons Work and Pensions committee noted in their work on self-employment, this "risks storing up grave problems of potential hardship"²⁷

The majority of people we heard from said they had thought about planning for retirement but did not feel in a financial position to pro-actively take further steps to make provision. They indicated that the cost of paying into a pension scheme was not affordable on their current earnings which meant they did not have any private pension scheme or other investments for retirement.

How would I pay a pension? I earn £300 a week gross. So how do I pay a pension out of that? (Jayne, 54)

Reflections about provision for retirement were clearly bound up with a level of anxiety about the issue. For many people we spoke to, they said it was something they wanted to get around to focusing on but at the same time it was too much of a worry or easier to postpone thinking about or acting on when balanced against getting by day to day. Some also commented that understanding their options and getting the right advice or product was also a challenge.

Sometimes I worry about it and other times I don't even let myself think about it because you can't worry too far ahead. Let's just worry about getting through this month. It just gets kicked down the road

It's also something a lot of us don't understand either. It's really difficult, I think I'm a fairly bright person and have done a lot of different things in my life but even I look at it and think "oh god I'll look at that tomorrow, can't do that today".

One self-employed couple that we heard from who had looked into pension schemes told us that the products they had looked at didn't suit their needs and emphasised the importance of flexibility and being able to use part of it for other purposes or eventualities

We looked at self-employed pensions but we're not quite sure if they suit what we want it for- they aren't as flexible as we would like them to be (Andrew, 44 construction and assembly)

The desire for flexibility was also discussed by self-employed people who had some pension provision from previous employment. Some indicated their desire to "dip into"

these funds for different reasons. One interviewee who was new to self-employment said he would take money out early from his pension if he could help his current financial well-being, and another spoke about her plans to invest her pension from her previous employment into a new venture. This indicates that retirement savings amongst the self-employed for those that have them are often seen and used as a more general financial buffer or "rainy day" rather than a specific or strictly ringfenced provision in itself.

We also heard from a number of female interviewees who had discovered their national insurance contributions on their state pension were below the required amounts, which they associated with periods of their self-employment. They had considered taking money out of their private schemes from previous employment to pay the top up necessary for their state entitlement. This shows that for some self-employed people, in this case women, even the most basic of state entitlement is not guaranteed.

While many interviewees suggested that retirement was a long way off, those close to retirement age felt they had already "missed the boat" on making provision for retirement, commenting on the irony that when they were finally in a position to invest in a retirement fund, they weren't able to:

I've lately been looking at pensions and I'm now too old to start a pension fund. They don't want to know because I would have to pay so much that it's not worth it. I'm not very happy. In that the years gone by I couldn't afford it. Now I can afford it and it's not there. I am annoyed basically because I suppose the day I retire is the day I die. (David, 57, plasterer)

One self-employed person in their thirties even indicated their sense of a generational shift when it came to pensions provisions

I think our generation, there's a general understanding that you're going to have to keep working and keep supporting yourself (Lewis, 34)

7. Conclusion

There are hundreds of thousands of people in Wales who are reliant on self-employment for an income, either their sole source of income or for some as part of a blended approach to work, combining PAYE work with self-employed work. Median incomes from self-employment are significantly lower than those from employment, and some self-employed people face the additional pressures of precarity and variation of hours and income volatility.

While self-employment can be lucrative and financially rewarding for some, there are also many who face a struggle to get by day to day, and even more who are unable to make provision for their long-term financial well-being. Should an unexpected cost be incurred, a sudden drop in earnings experienced or a change in personal circumstances, many self-employed people face financial crisis, hardship and in the most extreme cases, the folding of their business and the prospect of debt. Low income and precarious self-employment means that for those who experience it, they are unable to build up a personal "buffer" as a means to compensate the reduced social safety net available to them in comparison to employed people.

The impact of low income and precarious self-employment is not limited to self-employed individuals. It extends to partners, children and other dependents within a household. While households with additional sources of income appear to be more resilient and have a greater level of financial well-being, the pressure and financial vulnerability of sole-earner self-employed households is marked.

Contrasted against this financial vulnerability, however, are self-employed people who enjoy and are rewarded by what they do and would not consider giving up self-employment. For them, it is seen as a positive choice. For self-employed people who enter into it for want of other options or as a result of previous experiences as an employee, it raises wider questions about the quality, availability and experience of work in Wales. Forced self-employment should not be designed into any element of the labour market and requires the attention of policy makers to ensure this is not the case.

The Covid-19 pandemic caused huge disruption to the economy and society and saw an additional drop in the numbers of self-employed people in Wales. While it is too early to say if the downturn in self-employment is bound up exclusively with the impact of the pandemic, it has been noted that "if damage is long-standing and reflected in future business start-up and growth levels, then the urgent attention of policy makers will be required"²⁸. We suggest that the urgent attention of policy makers is required regardless.

Whether self-employment is a good or a bad thing is not the question. For those who enjoy and chose their self-employment it is likely to be seen as positive, while for those who would not choose to be self-employed, the reverse may be true. There is still more to learn about self-employment in Wales, and given its homogeneity across sectors and places, further research and understanding of self-employment could considerably aid policy makers ambitions to grow and develop parts of the Welsh economy and improve well-being. In Wales, creating and incentivising good work is firmly on the policy agenda. Alongside this should be the financial well-being and resilience of all economically active people, including the self-employed.

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