

Going Solo

The journeys of self-employed people



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advice**

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Introduction

Self-employed people under the spotlight

The growth of and changes to self-employment over the past decade have been well-documented. The majority of people now entering self-employment are women and part time workers.¹ But there has been much less qualitative research into the stories and journeys that drive the new self-employed - and too little consideration of whether policy-makers might do more to respond to the particular challenges faced by some of those with lower savings, income and non-financial capital as they try to build their business. This report, based on semi-structured depth interviews with nineteen people, tracks the highs and lows of the self-employment journey. It also identifies specific areas where some self-employed people would benefit from additional advice and support, including from peers, to build up their business and to ensure that it continues to thrive in the future.

Summary of Findings

Deciding to become self-employed

- Routes into self-employment vary more widely than is commonly understood.
- Few of the self-employed people we interviewed followed the classic, 'entrepreneurial' model, with a planned move into self-employment to realise a business idea.
- A significant group had drifted into self-employment unintentionally. Reasons included unforeseen opportunities, a lack of options in employment, or caring responsibilities.
- Regardless of their route in, the majority of our interviewees felt very positive about self-employment, echoing previous research into satisfaction in self-employment.²

¹ Citizens Advice. [Who are the self-employed?](#) 2015

² RSA. [Salvation in a Start-up.](#) 2014

Starting out

- Starting a business from scratch is highly demanding.
- If the move is planned, time can be taken to accumulate the skills and savings which make this easier.
- However, those entering self-employment spontaneously do not always hold the financial and non-financial capital they need to prepare them for starting a business.
- *Improved advice and support at start-up could benefit many self-employed people who currently want advice but are unable to find organisations suitable for them.*
- *It should focus on the varied demands and investments needed to set up a business - particularly for those entering without previous skills and experience. This should include the practicalities of running a business, paying tax, invoicing, budgeting and ensuring sufficient contingency funds. Support from public agencies should also reflect the time it takes to establish a new business and the form of help people might need.*

Business as usual

- Our interviewees commonly struggled with fluctuating incomes.
- This causes difficulties in all parts of their lives, including regular budgeting, benefit claims, and meeting regular costs.
- *Many self-employed people would benefit from money advice and support while running their business, for example to smooth their earnings month to month. Those without savings in particular would benefit from budgeting advice, accessible credit products and more responsive support from the tax credit system.*

Work/life balance

- Flexibility to work around other commitments is one of the aspects of self-employment that people most appreciate. However, given the long hours and sometimes consuming nature of self-employment, this flexibility can sometimes lead to overwork, isolation, difficulties in balancing work and home lives, and even health problems.
- The clash between family and work commitments was a cause of concern, with some interviewees without dependent children suggesting they would find it too difficult to balance running a business with caring responsibilities. This may be one reason why the largest increase in self-employment is among people without dependants.³
- *Many self-employed parents could benefit from improved support with childcare costs. Forms of peer support may be particularly useful for self-employed people feeling isolated, or in need of help with balancing the demands of work and family.*

³ Citizens Advice. [Who are the self-employed](#). 2015

When things go wrong

- Some of our interviewees lacked the resources they needed to cope with common problems, such as illness or a temporary lack of work.
- *As for those starting out, advice and support is vitally important and should focus on budgeting, risk awareness and contingency planning.*

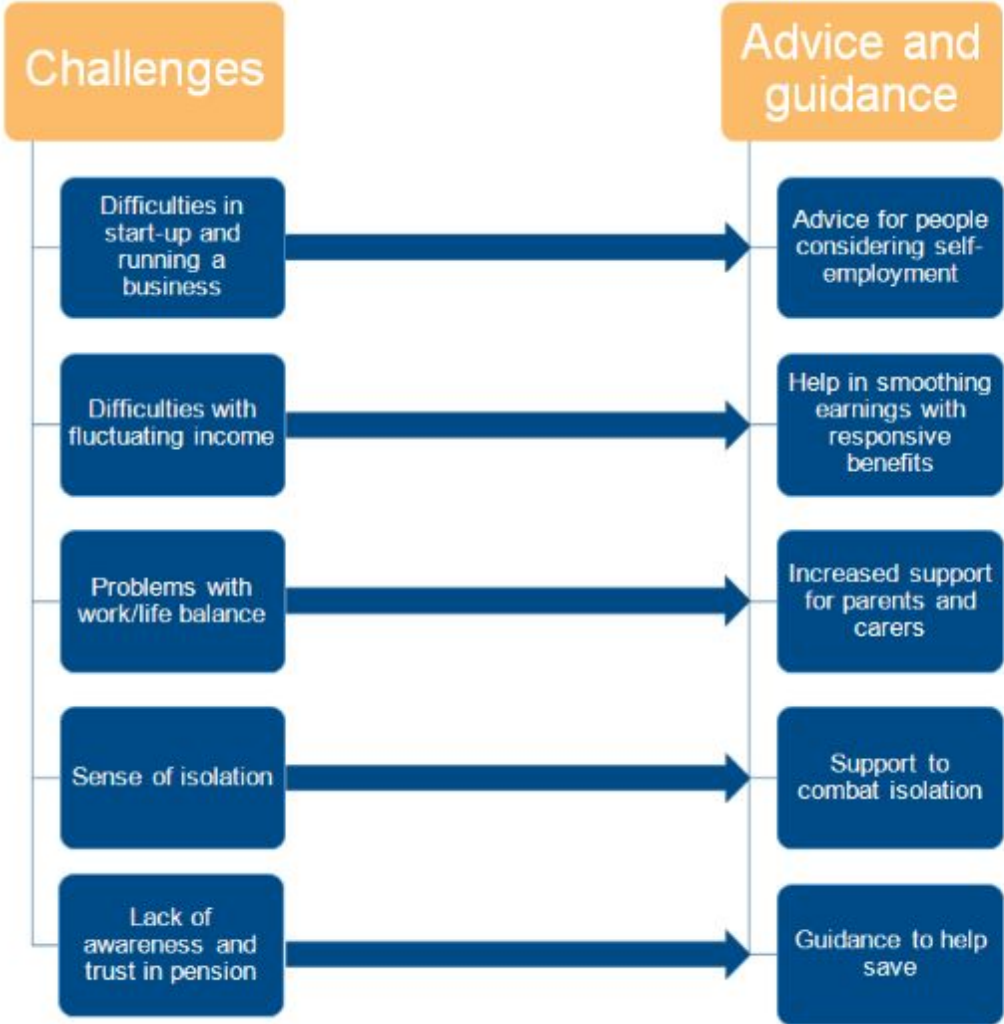
Retirement

- Several interviewees believed that they would continue to work past state pension age. This reflects an increase in the wider population, where now one in ten self-employed people are over 65.⁴ For some, this was because they enjoyed their work and wanted to stay active into older age.
- Others, however, felt that they will be working out of necessity, unable to afford to retire.
- Only one of our interviewees was actively paying into a pension, which is in line with our previous findings that only 17 per cent of self-employed people participate in any kind of pension, compared with over half (52%) of employees.⁵ For others, fluctuating income made it harder to regularly set money aside. Some favoured different savings methods, such as ISAs or property. Many expressed concern about their financial situation in retirement and the particular difficulties faced by self-employed people in this regard.
- *Self-employed people need greater support and encouragement to save, with a focus on retirement. There should be easier access to pension enrolment, more pension products tailored to self-employed people and more information on their wider savings options.*
- *Self-employed people should be given greater incentive to save, given the lack of employers contributions. This could be achieved through a scheme that would see the government match pensions contributions for up to 1 per cent of a self-employed person's gross earnings. This would be offered as part of a self-employed person's self-assessment return.*

⁴ Citizens Advice, [Who are the self-employed](#). 2015

⁵ *ibid*

Figure 1: Challenges in self-employment and opportunities for advice and support



The Journey

1: Deciding to become self-employed



Summary

- There is wide variation in the reasons for becoming self-employed.
- Self-employment has shifted from the classic model of entrepreneurship (a planned aspiration with a clear business idea) to encompass those who have:
 - chosen self-employment to fit with their wider lives and caring responsibilities;
 - moved into sectors of the labour market where self-employed opportunities are increasingly standard;
 - 'fallen into' self-employment in response to unforeseen circumstances;
 - experienced problems in regular employment or face barriers to labour market participation.
- Regardless of the route taken into self-employment, the large majority of our interviewees were positive about it, although the reasons they held for valuing it varied.
- The different routes by which people enter self-employment have knock-on effects on their experiences and prospects.

The rapid growth in self-employment over recent years poses an obvious question: why are more people becoming self-employed? While traditionally self-employment was associated with particular sectors or occupations comprising a small minority of the workforce, the growing numbers and increasing diversity of those involved mean that the start of the self-employment journey now varies widely.

In a recent survey conducted by Citizens Advice, 40 per cent of the public stated that they would like to be self-employed.⁶ This figure increased to nearly half (48 per cent) of 18-34 year olds. The number of people actually in self employment is significantly lower than this, especially among young people, where only 7 per cent are self-employed.⁷ This suggests that many who would like to be self-employed are encountering barriers that deter them. The first step, then, is to consider how people enter self-employment.

Understanding the decision to become self-employed is vital if we are to understand the paths later taken by self-employed workers. Those interviewed for this research tended to fall into three broad categories: those who had made a positive decision to opt for self-employment; those for whom self-employment had arisen spontaneously; and those who, less positively, had become self-employed because they felt they lacked other options. The systems and guidance required to help each of these groups develop their businesses will be quite different. It is therefore worth looking at the common characteristics of each in more detail.

A positive decision

The standard image of an 'entrepreneur' tends to involve a planned move into self-employment in order to realise a business idea. Several of our interviewees did fall into this category, although they were a minority. The desire to make money was not often raised as the primary focus for this group; these people tended to feel regular employment did not suit them and that self-employment allowed them to pursue a career they were better-adapted to or a business they felt passionate about. They preferred to take control of their own work and succeed or fail on their own merits.

"I did jobs I didn't like for four years, squirreled the money away, so that now I have ten years of being able to do what I want." Jo, 48, holistic therapist, self-employed for ten years

"I was always looking for a way out of employment... I know how to do it, I know how to make money and survive and make my own business so it was just finding the right one and making it work." Ben, 31, website content writer, self-employed for six years

⁶ Poll conducted by BMG for Citizens Advice 11-17 November 2015. Base size: 801 adults

⁷ ONS. *Labour Force Survey*. 2014

The second group who felt they had made a positive choice were those attracted to the way of working - particularly the flexibility - that self-employment allowed. Caring responsibilities were the primary driver here - including elderly parents and grandchildren. Several discussed the time needed to care for children, even those already in school, and the high costs of childcare. These issues are discussed in more detail in Chapter 4.

"Being self-employed at home was ideal when I had small children... You can work when they're at school or when they've gone to bed if you're busy" *Liz, 54, editor, self-employed for ten years*

"I've been self-employed since just after I had my son... I think it was easier for me... commuting is not feasible really because childcare costs are absolutely astronomical" *Louise, 43, designer, self-employed for 6 years*

"I had a full-time, fulfilling career... For family reasons, I turned into a self-employed person... working around looking after my father... Sometimes it occurs to me that for women it is difficult, when you have family and young children, to be fully employed, so a lot of women turn to self employment for those reasons." *Maria, 49, yoga instructor, self-employed for 5 months*

An unforeseen opportunity

In other cases, the start of the self-employed journey was less a planned decision and more the outcome of a particular set of circumstances. In positive cases, self-employment was an opportunity that arose; a Slovakian interviewee who volunteered for a local Slovakian community project was then offered regular work on a self-employed basis. Self-employment could also form part of a transition out of regular employment and into retirement.

"I took early retirement... but I was asked by old colleagues to do some advice and consultancy work... I didn't mean to become self-employed!" *Ahmed, 68, transport planner, self-employed for eight years*

In certain sectors, such as media, self-employment has become an increasingly standard working arrangement; one of our interviewees, working in media production, explained she had to become self-employed to gain promotion to a company directorship. Another who worked in childcare turned self-employed when she was offered a position as a pre-school director. Such experiences indicate the increasing normality of self-employed opportunities in certain occupations and sectors.

A lack of other options

Finally there was a group who became self-employed in less positive circumstances. Their decisions were taken largely because they lacked other options in the labour market. Most had previously been employed, but had experienced problems in their jobs. In some cases the decision to leave regular employment was voluntary, either early retirement or voluntary redundancy. Others were made redundant. In these cases, self-employment was associated neither with a long-term plan, nor an unexpected opportunity, but became the best means of entry into the labour market when employed work was hard to come by.⁸

For those who had voluntarily left employment, bad experiences in their jobs had been the primary driver of their journey into self-employment. Many then found they struggled to find something else in the regular labour market, with self-employment becoming the best alternative to unemployment.

"I emphatically did not want to work for my company any more... I took voluntary redundancy." Richard, 43, web designer, self-employed for two years

"[After I took early retirement] self-employment seemed to be the only thing I could do... I couldn't find anything else." Trevor, 61, leaflet deliverer, self-employed for eight years

Others felt they had disadvantages to overcome in the regular labour market. In some cases this was due to a lack of employment opportunities within their local area. Several mentioned they believed it was harder for them to access employment because they were not British nationals, often with English as a second language. Wendy, who had a long-term health condition preventing her from working regular hours, explained that self-employment had been the best means to participate in the labour market and achieve flexibility:

"I really feel I want to be actively involved in society, but in my case I need to be working for people who don't need me to be there the whole time" Wendy, 55, various businesses, self-employed for 18 years

Finally, a small subset of this group had spent time unemployed and had been encouraged to consider self-employment by Jobcentre Plus. Two had claimed New Enterprise Allowance.⁹ One, Beverley, who had been made redundant from her role

⁸ A minority of people are mis-categorised as self-employed when, in legal terms, many could be considered to be employed. The issue of 'bogus' self-employment is explored in our report [Neither One Thing Nor the Other](#). None of our interviewees fell into this category.

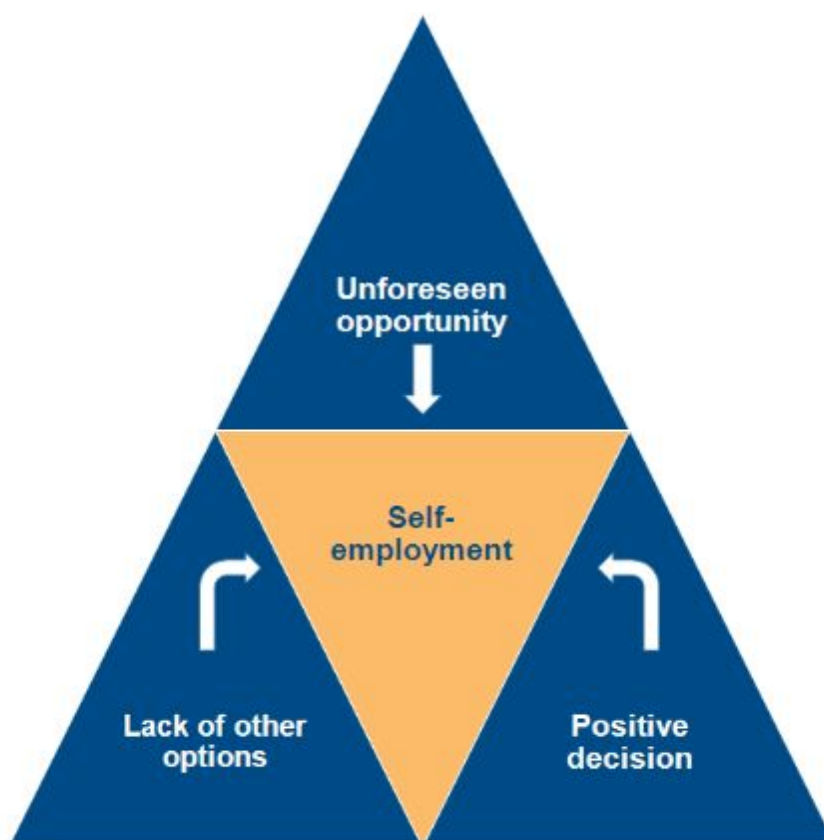
⁹ [New Enterprise Allowance](#) is a government programme offering financial and business help to those claiming Jobseeker's Allowance, Employment and Support Allowance or Income Support interested in becoming self-employed. Participants receive a weekly allowance for six months, access to a start-up loan and the chance to get advice from a 'business mentor'.

at a local authority after 26 years, initially decided to re-train for a career in teaching. However, her course lasted over a year and after she had been signing on at the Jobcentre for twelve months she was encouraged to consider self-employment rather than moving onto the Government's Work Programme scheme for those long-term unemployed.

"You can't be unemployed and be studying... so the option was either go to the Work Programme, or self-employment... From what I understood, if the Work Programme got you, they were then going to harass you until you found street-cleaning or whatever... So it was like they were saying that, you can take control of how you're going to work or they will control how you're going to work." *Beverley, 53, artist/trainer, self-employed for 2 years*

This group who had entered self-employment because they lacked other options tended to be those with lower earnings or struggling financially - even those who had been self-employed for several years. However, very few were dissatisfied with their decision; most recognised that it was the best course available to them and they appreciated the control and flexibility it offered, particularly in contrast to unsuitable employment options or job-seeking.

Figure 2: Motivations for becoming self-employed



2: Starting out



Summary

- Starting out as self-employed is highly demanding. Moving into self-employment may require developing additional skills or accumulating savings.
- As the self-employed population becomes more diverse, many newly self-employed people will not have the financial and non-financial capital they need in advance.
- The advice and support offered to those new to self-employment needs to reflect this.
- The focus should be on ensuring that public agencies such as Jobcentre Plus have a broad knowledge of self-employment and on encouraging networks amongst self-employed people themselves. If Jobcentre Plus recommends self-employment to an individual, they must have a duty to either provide training on the basics of running a business or refer to an agency that can provide this.

While the reasons people decide to become self-employed vary widely, all face challenges in getting their business up and running. This is clearly one of the most complicated and demanding aspects of self-employment. It also requires significant investments; these could be in the form of money, time or skills. The challenges these pose to those at the start-up stage will depend both on the extent of investments required, which vary from business to business, and on people's ability to make them. In this chapter, we explore how our interviewees experienced this process and the way in which advice and support could better assist self-employed people in establishing their businesses.

Financial investments

Securing initial financial investment is an obstacle all new businesses must overcome. For our interviewees, the extent to which this proved a challenge varied according to the type of business they were setting up, the degree to which they had planned and saved before becoming self-employed, and the capital they already had behind them.

Some businesses required less in terms of financial investment. For example, two interviewees worked as interpreters, using existing language skills and requiring little in the way of equipment - one pointed out she had only needed to acquire a cheap computer from a friend. Yet other businesses required much more in the way of upfront investment. Interviewees for whom self-employment was a planned decision had often saved this money prior to leaving regular employment.

"I saved up... I never spent all the salary I earned" Jo, 48, holistic therapist, self-employed for ten years

Those whose move into self-employment was more of a spontaneous move were less likely to have saved capital behind them. Some had other sources of income stability; three were receiving some form of pension income, others mentioned income from buy-to-let property or their partner's regular employment. However, those who lacked this often needed access to a form of credit to meet their initial costs. This was frequently mentioned as a struggle, more so when both the interviewee and their partner were self-employed.

The most easily accessible forms of credit mentioned by interviewees were informal loans from family or friends or access to a bank overdraft. However, one interviewee, Ben, who was running his second business, pointed out the risks associated with credit for upfront investment, particularly when many businesses fail. After losing money investing in his first, unsuccessful business, he had deliberately chosen to develop his second business - in website coding - in a sector where he did not need to make a large initial outlay.

"It was easy... they said 'here's your overdraft, get on with it'... [Moving onto my second business] was very difficult, I got into a lot of debt, because I had so much baggage from the first business." Ben, 31, website content writer, self-employed for six years

Several who had previously spent time unemployed had received some financial support from Jobcentre Plus. Public schemes such as New Enterprise Allowance (NEA) provide financial support for six months and Universal Credit does not set a 'minimum income' self-employed claimants must achieve for the first twelve

months. The money offered through schemes such as NEA was seen as useful for small early expenses, but others felt this support from the tax and benefit system ended relatively quickly, when in reality many new businesses take significantly longer than six or twelve months to generate real income. It will take, on average, three years for a self-employed person to be earning the equivalent of the national minimum wage from their business.¹⁰

"I had some support at the beginning from the Jobcentre. I think they gave me £100 under some scheme or other towards setting up my business. That went towards stationery and my website." *Wendy, 55, various businesses, self-employed for 18 years*

"After six months [when New Enterprise Allowance ends] you're meant to be trading, but I thought 'what do they mean by trading?' ... You can't be trading, you haven't built up enough of a reputation." *Beverley, 53, artist/trainer, self-employed for 2 years*

Where businesses had become more established, the ongoing need for financial investment tended to pose less of a challenge. Ella, an interviewee in her early 50s whose holiday rental business was established and generating significant income, pointed out that she had recently taken a bank loan and was now formally in debt. However, she was not concerned about this; she saw such investment as necessary and was confident the business was now successful enough to quickly recoup the money.

Non-financial investments

Start-up investments cannot be considered in monetary terms alone. Interviewees also discussed the wide-ranging skills involved in establishing a new business, such as finance, budgeting, marketing, networking and administration. Again, this varied according to the nature of the business, with those becoming self-employed in a sector in which they had previously worked reporting fewer issues. However, for those branching out, acquiring the full range of skills needed was seen as particularly challenging. Older interviewees, or those who had spent a long time in regular employment, discussed their occasional struggles when confronted with a rapidly changing labour market, particularly one in which becoming better known involved developing a strong online and social media presence.

Many of our interviewees had pro-actively sought help in acquiring these skills. This could be through published material - from Jobcentre Plus or HMRC, formal courses, or trade shows and community events. It could also be from family and friends; some older interviewees had received help from their children on setting

¹⁰ RSA. [Boosting the Living Standards of the self-employed](#). 2015

up websites or using social media. Several interviewees found accessing the right kind of guidance a struggle however, discussing the challenges they had encountered in trying to find courses which were relevant to their situation, pitched at the right level and affordable - particularly in the early stages of starting a business when money was tight.

"We got a few things from Federation of Small Businesses... but mostly they're not geared at the two person partnership that we are... Their version of small enterprise would be significantly larger, I think they're mostly looking at something between 5 and 10 people as being small." Grace, 50, media production, self-employed for 29 years

"I went on a few courses for small businesses - I think it may have been HMRC and it was free. I got some help from the council as well. They were all very informative - they taught about how to do accounts, market the business." Sonita, 55, nursery manager, self-employed for six years

"I'm trying to access support, but I'm not earning, so I didn't want to pay... In some places I have to pay and in other places I'm not eligible" Maria, 49, yoga instructor, self-employed for 5 months

Developing a stable financial base for the business and the wide range of skills required to get it up and running is highly demanding. Most require significant time before they become financially viable and some do not achieve this at all; recent studies have found that 55 per cent of new businesses do not survive beyond five years.¹¹ This was reflected in the experiences of our interviewees; around half had not been continuously self-employed in the same business, although they tended to remain self-employed. Some had seen previous businesses fail and others had spent periods unemployed or in short-term regular work when their business stopped generating income.

However, despite the struggles, many stressed the large amounts they had learned from starting a business; several had returned to self-employment after seeing a business fail, as they felt they were then better-equipped with the knowledge and skills needed to start a new one. In this sense, for many people, business failures should be viewed and built on as an inherent part of the process of becoming self-employed.

Advice and support

Interviewees discussed both the forms of advice and support they had received when becoming self-employed, and those they would have liked to have had. While

¹¹ RSA, [Growing Pains](#). 2014

most were generally positive about the training and support options they had used, a common theme was the struggle to find information which suited the particular needs and situations of the individual.

Some common areas for skills development mentioned by interviewees were tax, budgeting and marketing; the use of online platforms and social media were a particular challenge for older self-employed people. Yet this research also highlighted the diversity of skills and circumstances in the self-employed population. While those entering with savings or other forms of capital behind them may be more equipped to meet these investments, those entering self-employment spontaneously tend to require much more support. This makes it very hard to provide guidance that applies to the entire population.

"I would like a place that is like [Citizens Advice]... just for the self-employed, like with the most basic advice" *Peter, 52, tiler, self-employed for 25 years*

There was a general sense that there was more potential for peer support within the self-employed community. Many interviewees spoke of the help they had received from family, friends and former colleagues, but also worried that they were unable to give them anything in return. With self-employment increasing rapidly, interviewees discussed the help that the wider self-employed population could offer in mentoring, the sharing of skills and lessons and even buying and reviewing one another's services, helping new businesses develop market credibility.

"There's so many self-employed people out there and they're not buying from each other" *Beverley, 53, artist/trainer, self-employed for 2 years*

"I would have liked to have had a mentor... I think that should be someone outside your profession because they have a better overall view of things... someone to explain the necessary pitfalls of becoming self-employed." *Leon, 56, hairdresser, self-employed for 23 years*

"We need some sort of club... a group for self-employed people - it should be facilitated by someone, perhaps the local Chamber of Commerce." *Elaine, 61, education consultant, self-employed for two years*

For those who had moved into self-employment after being unemployed, there was a mixed response to the advice on offer from Jobcentre Plus. While those who had received support such as NEA appreciated the additional financial support, there was a general feeling that advisers lacked expertise and were not well-equipped to explain the process of becoming self-employed and the forms of support on offer.

"I should never have been signed off with my business plan... I knew nothing about market research and testing the market. Nothing like that was

discussed [with my NEA adviser]... Knowing what I know now, because I've been on other workshops myself, my business plan wasn't ready at all."
Beverley, 53, artist/trainer, self-employed for 2 years

"I had to go the long way to get things [at the Jobcentre] so I think they should tell people more" *Pam, 42, cleaner, self-employed for 5 months*

Most of our interviewees had been pro-active and innovative when seeking out advice and guidance in establishing their businesses. Those who had started unsuccessful businesses in the past discussed the lessons they had learned from the process. All acknowledged that starting a business brings significant challenges and - while help is currently available - most had suggestions on how it could be improved. These tended to focus on more personalised, face-to-face advice - through the Jobcentre, local business organisations, or through stronger peer networks between self-employed people themselves.

3: Business as usual



Summary

- Keeping a business going day-to-day demands a wide range of skills and resources
- Our participants felt they were coping well with administrative demands, especially once they were a few years into self-employment.
- The largest challenge is coping with insecure and fluctuating income. Budgeting advice is key in this area
- For those with labour market disadvantages, responsive support from the benefit and tax credit system is crucial to smooth income and allow self-employed people to keep their business afloat.

The next phase in the self-employment journey involves overseeing the day-to-day running of a business. A big part of the challenge here is around managing accounts: payments, tax, National Insurance and support from the benefit system where necessary. For our interviewees making the transition from regular employment to self-employment, these were some of the biggest new responsibilities they took on. Again, the ease with which they made this transition depended on several factors, including financial literacy, budgeting skills, wider household circumstances and the nature of their business.

Generating an income

One of the most significant challenges for those in self-employment is generating an income which is both sufficient to meet their needs and to provide security. Many of our interviewees had faced struggles on both fronts. In 2013-14, the median income for self-employed people was only just over half of the median income for those in regular employment.¹² Self-employment is not subject to any legal wage floors, such as the National Minimum Wage. This was discussed by many interviewees; a minority were experiencing significant financial pressures, but even those long-term self-employed felt that their income was lower than it would have been in regular employment.

"Financially I'm not better off [than being employed], definitely not" Ben, 31, website content writer, self-employed for six years

"I can't maintain the standard of living I had before [when in employment]... I'm only in Tesco's if it's something I can't find in the pound shop." Beverley, 53, artist/trainer, self-employed for 2 years

"I often don't work out how much I get paid per hour - it is probably less than minimum wage" Liz, 54, editor, self-employed for ten years

However, it is also important to note that, for our interviewees, earning potential was very rarely a significant driver for becoming self-employed. Other positive aspects of self-employment were often seen to make up for this - particularly flexibility and autonomy.

"I think financially I'd have been better-off being employed over the course of the last 23 years but I am happier, without a shadow of a doubt" Leon, 56, hairdresser, self-employed for 23 years

"I have learned to live on very little money and all I want to do is be able to generate enough income to continue living at the level that I am living at" Richard, 43, web designer, self-employed for two years

The most important factor in the income pressures facing many of our interviewees was uncertainty. This was a feature of many discussions, as interviewees contrasted the stability and predictability of a regular salary with the big monthly or even weekly variations in their income as sole traders. Many had additional sources of income stability - a pension, a partner in regular work, or rental income from property - but for those who lacked this, smoothing their income over time could be very challenging. Budgeting skills were vital, particularly for those also supporting dependants. Several mentioned the pressure they felt to contribute to

¹² Citizens Advice. [Who are the self-employed?](#) 2015

their household. The degrees to which interviewees felt they had been prepared for the budgeting demands of self-employment varied widely, with those new to self-employment and those for whom it was less of a planned decision finding it harder.

"Not having a firm idea of how much money will be generated, for how long, on what regular basis - they are all very unsure, uncertain situations." *Maria, 49, yoga instructor, self-employed for 5 months*

"Although I know my wife earns a very good salary, I still worry about what I'm bringing into the house." *Leon, 56, hairdresser, self-employed for 23 years*

"I can make do if I have to... I'm kind of aware if I'm not going to have much work coming in. I either try and pay for things in advance so... or I just make other things wait." *Louise, 43, designer, self-employed for 6 years*

"I spent the year before I went self-employed constructing a budget and a lifestyle for myself so that I knew how much I needed to have a really nice life." *Jo, 48, holistic therapist, self-employed for ten years*

For a couple of our interviewees, income pressures had become so intense that they were looking for additional work. Generally they were hoping to find regular work flexible enough to allow them to continue their business. However, one felt that time out of the regular labour market could count against them.

"I've been told by certain agencies that I'm now considered long-term unemployed and they don't even take my CV seriously... They look at the last time I was in full-time work and because that was 2008, they won't put you forward." *Beverley, 53, artist/trainer, self-employed for 2 years*

As well as reduced and often uncertain income, the process for actually receiving payment could be a challenging one. Several of our interviewees discussed the effort and stress involved in chasing up payments and occasionally failing to receive payment altogether. Others seemed to accept that late payment and even lack of payment altogether were one of the downsides of being self-employed.

"Out of every ten clients I get, maybe three are going to pay late and one won't pay." *Ben, 31, content writer, self-employed for six years*

The rights self-employed people have in the face of delayed or problematic payments were not always widely recognised. Catherine, who worked as an interpreter, pointed out that she had not always known that she could charge interest on late payments. She felt other self-employed people could benefit from greater awareness of these kinds of rights.

Tax and National Insurance

Another day-to-day challenge faced by self-employed people is that of taking responsibility for their own tax and National Insurance payments. Self-employed people must keep close track of their income and outgoings and fill in a self-assessment tax return annually. The majority of our interviewees did not express concerns about these arrangements. Several had had either formal or informal help from an accountant; in some cases this was a friend, while others felt it was good value for money to employ an accountant.

"I leave it to my neighbour - he is my accountant... When I was working more I used to employ him, but now I am poorer he does it for me for nothing" *Liz, 54, editor, self-employed for ten years*

Others were confident that they had a strong understanding of budgeting and the administration and numeracy skills to manage their own accounts. Often, these were interviewees who had been self-employed for longer periods and had become used to the system.

"I've done self-assessment before - you just keep all your receipts, and I used to keep all my receipts for years anyway. So I literally document every penny I earn and every penny I put into the business." *Pam, 42, Cleaner, self-employed for 5 months*

The smaller numbers who struggled with self-assessment were generally interviewees who considered their financial literacy was poorer, were new to self-employment, or may not have planned to become self-employed. Wendy, who entered self-employment due to a long-term health condition which prevented her taking regular work, explained that she had had ongoing struggles with the process that had been difficult to resolve.

"I hate it, I hate it [the self-assessment process]... Last year I had a really bad experience with HMRC where I said I wanted to do it online and they said they'd sent a password. It turned out they sent the password to the wrong address. That happened three times. I finally spoke to somebody who went and investigated... It took 8 months to sort it out. I had to get my MP involved. It was very scary." *Wendy, 55, various businesses, self-employed for 18 years*

Stabilisation from the benefit system

Over half of our interviewees were currently claiming, applying for, or had previously claimed tax credits or some form of benefit. We found that moderate financial support performs a role a little like stabilisers for learning to ride a bicycle; in the early days of a new business, it provides a backstop and support for new businesses which enables people to move towards profitability and even expansion.

Claimants who talked about the tax credit and benefit system tended to be in the first few years of their business, to have dependent children, or to have experienced struggles in the regular labour market due to health issues or skills. Some interviewees mentioned the challenges posed by their fluctuating income when it came to determining eligibility, but most felt that the ability to average out earnings annually helped them to smooth this.

"I get tax credits because my income is low... Sometimes I have been worried but it has always been ok because the hours average out across the year" Liz, 54, editor, self-employed for ten years

There was some awareness and concern about changes being made to tax credit arrangements. The ability to take yearly averages will change under Universal Credit, creating potentially significant budgeting challenges for some self-employed people.¹³ One interviewee also raised concerns about the changes to upfront business viability checks. She was a low earner with a health condition preventing her from entering regular employment and worried that new requirements might mean she would need to consider claiming ESA and give up her business altogether.

"The changes to tax credits for self-employed people. I think I'm going to give up being self-employed... You have to be able to show them [HMRC] that you're making a profit, and I don't make a profit." Wendy, 55, various businesses, self-employed for 18 years

On the other hand, around half of those who had ever claimed benefits had only done so for occasional discrete periods. This was often linked to illness or injury. Some interviewees were positive about the support they were able to access, preventing them from falling into debt during periods where they are unable to work.

¹³ Resolution Foundation, [Making the most of UC: Final report of the Resolution Foundation review of Universal Credit](#). 2015

"[When I've been ill] I've gone to council and got housing benefit and they've always been very understanding." Louise, 43, designer, self-employed for 6 years

Yet others had found the benefit system difficult to navigate and slow to respond, making it hard to rely on when circumstances changed briefly. Peter, a tiler, experienced an injury on a job that left him unable to work for several weeks. He had attempted to make a claim for ESA and Housing Benefit to cover this period, but had had problems with delays and proof of eligibility. He was angry at a system he felt was not well-suited to support self-employed people.

"Next time I am off sick, I would rather starve than go on benefits" Peter, 52, tiler, self-employed for 25 years

Advice and support

There were a number of common areas where participants felt that support for self-employed people in their day-to-day business could be improved. For lower earners, those who lacked social and financial support, or those with health conditions or disabilities that limited their working hours, income insecurity and managing finances could pose significant obstacles, placing them at greater risk of falling into debt. The need for budgeting skills was a common theme raised in interviews and an area that any advice and support offer should focus on.

For those in self-employment who face these disadvantages, the benefit system is often the only safety net when things go wrong, given they lack basic stabilising factors of employment such as wage floors and sick pay. However, many were concerned that the system is not always well-equipped to support those with changing circumstances, who may need help only for short, discrete periods.

The shift towards monthly reporting under Universal Credit is another concern, when the inability to smooth earnings month to month may create new challenges. Further, after 12 months of claiming, self-employed people will be subject to a minimum income floor. This assumes they are earning at least the minimum wage for the number of hours they work and their UC award is then adjusted accordingly. However, recent evidence suggests it takes business 3 years, on average, before the owner is earning at least the equivalent of the National Minimum Wage¹⁴. For a government committed to supporting entrepreneurs - including those with more limited means - it is important that these realities are taken into account.

¹⁴ RSA. [Boosting the Living Standards of self-employed people](#). 2015

4: Work/Life Balance



Summary

- Because of the ownership that self-employed people feel for their business, personal lives and work lives are closely linked. This has many implications, both positive and negative.
- Autonomy and flexibility are highly valued, but they can also mean that self-employed people find it hard to set work aside and focus on other parts of their lives.
- An unbalanced work and home life can lead to adverse effects on health, wellbeing and relationships.
- Guidance is vital for those who are struggling - this can be formal or within peer networks.

While we have so far focused on the challenges of starting and running a business, for those moving into self-employment, a markedly different way of working also affects the wider balance between their lives inside and outside of work. Being able to work whenever they choose helps to balance other responsibilities, but some participants encountered problems, particularly around long hours, budgeting for time off and keeping contact with the world outside work. This chapter examines how self-employed people approach the 'work/ life balance'.

Working hours and flexibility

One of the biggest attractions of self-employment for many of our interviewees was the flexibility it offers and the ability to take greater control over their working lives. This tended to be a particular advantage for people with other demands on their time, such as caring responsibilities or managing health conditions, but others simply appreciated greater autonomy.

"It's the flexibility I want - that's always been the beauty of being self-employed." Grace, 50, producer, self-employed for 29 years

However, the freedom of flexibility can also bring risks. With no limits to when and how they can work, some interviewees found themselves struggling with the long hours and multiple demands running a business often requires. This was a particular issue in the early stages of self-employment; Leon, a hairdresser, described working seven-day weeks when starting out - it was only when his wife and accountant pushed him to cut down that he began to budget for days off and holidays. Some participants found that their family lives and even their health were suffering as they were unable to step away from their work.

"Officially I'm working 30 hours, but unofficially I'm doing 200. Because you're never switched off." Beverley, 53, artist/trainer, self-employed for 2 years

"My eyesight is not so great now, as I've spent so much time at the computer... and I've put on weight too." Ben, 31, website content writer, self-employed for six years

Caring responsibilities

Just under half of our interviewees had some form of caring responsibility. This was largely for dependent children, but also included grandchildren or elderly parents. For this group, the flexibility offered by self-employment often helped balance their responsibilities, allowing them to set their own hours and work from home if needed.

"Being self-employed, at least you can work around having children, work either longer shifts and then have some time off or have a spare day." Pam, 42, cleaner, self-employed for 5 months

"My husband used to do all the childcare whilst being self-employed. In a way it's easier because you can tell the people you work for that you are the main child-carer and you can say you can only have me on certain days this week." Ella, 51, various businesses, self-employed for three years

However, there remain important challenges for self-employed parents and carers. Again, this is about the risk that the freedom of flexibility can in fact be limited by the demands of self-employment and the lack of statutory sick pay or paid annual leave. This was particularly the case for those who needed to work away from home or full time. Louise used to do much of her work outside the city in which she lived. When her son was born, she was unable to afford childcare and, as a single parent, she had no choice but to restrict her work to what she was able to do closer to her home.

"I think the government could do more towards childcare with regards to children who are my son's age, because after school it's like £5 an hour. I mean, that's quite a lot, especially if you're on minimum income... I've got a very good friends network but I don't have someone else who's also responsible for [my son] so therefore it's me or no-one basically." Louise, 43, designer, self-employed for 6 years

Another important challenge for self-employed parents is in taking parental leave. Self-employed women are entitled to Maternity Allowance (MA), paid at the same basic rate of Statutory Maternity Pay (SMP), but without the additional top-up to 90 per cent of previous salary for the first six weeks. Self-employed fathers, unlike those in employment, are not entitled to any paid parental leave.

Only one of our participants had had a baby while self-employed; she experienced some problems with accessing Maternity Allowance, but also mentioned her concerns at taking time off more generally. Time out of work for sole traders risks a loss of clients; while employees taking parental leave have some legal guarantees around returning to their job, self-employed parents lack this protection. In fact, several of our interviewees felt they could not combine caring for children with self-employment. Coping with a low and fluctuating income while meeting the regular costs that childcare entails was seen to be too difficult for some, who either did not have children or became self-employed after children had left home.

"I have no young children to be worried about. That, I think, is the only reason why I can do it [live on a small and fluctuating income from self-employment]." Rita, 44, interpreter, self-employed for 5 years

The flexibility of self-employment should be a positive option for working carers - and significant numbers of our interviewees fell into this category. Yet, their experience suggests this is not always the case in reality and carers could be better supported. We will be exploring this issue in future research looking at the impact of self-employment on family life.

Taking holidays

One of the largest disadvantages of being self-employed is the absence of the paid holidays available to employees. For self-employed people, any time off is at their own expense and - for those working alone - work cannot be passed onto colleagues, leading to a risk of losing clients. This meant that some of our interviewees were highly reluctant to take any holiday, despite the obvious mental and physical benefits. Many acknowledged this was a major downside to self-employment.

"Basically, it's costing you money to have a holiday - not just what you're paying for it. In terms of the fact you're not earning anything, it costs you double" Grace, 50, media production, self-employed for 29 years

"You start to look at jobs and think 'I could get paid when I go on holiday, how fantastic'" Liz, 54, editor, self-employed for ten years

"I can't remember the last time I had a holiday" Catherine, 50, interpreter, self-employed for 19 years

Interviewees more likely to take regular holidays were either those able to plan and budget for this, with sufficient income to cover breaks, or those who worked in seasonal or agency jobs, where breaks in work fell more naturally and were less likely to jeopardise client relationships. Those who struggled the most with taking time off were those on a lower income and those whose business was less well established. Few interviewees reported receiving any advice on planning and budgeting for time off work.

Social life

Social life is a vital component of the work/life balance - and for many people this is linked to both their working and non-working lives. Again, though, the experience of self-employed people can be very different in this respect. Many of our interviewees discussed the self-employment journey as one often marked by isolation and loneliness. They spoke of the burden of assuming sole responsibility for all aspects of their business and the lack of colleagues to interact with during the working day.

"It comes back to that sense of isolation - you're responsible for everything." Grace, 50, media production, self-employed for 29 years

"You can end up working very much by yourself. I don't think it's healthy... I need that social interaction" Jo, 48, holistic therapist, self-employed for ten years

Social lives outside of work could also be affected, particularly by the long and often non-traditional hours worked by many self-employed people. Our interviewees discussed the challenges of balancing work with other arrangements.

"You do have to - at very short notice - give things up... I can arrange to go out tonight, but if somebody rings me now and says they need their hair doing tonight, I will do it... That's probably why I've been self-employed so long, because I'm prepared to do that" Leon, 56, hairdresser, self-employed for 23 years

Our interviewees were taking steps to try to overcome the risk of isolation. Some found communities online, some had taken up volunteering and others had reduced their working hours. However, one participant was beginning to search for regular employment as she felt she needed more contact with colleagues than self-employment allowed. This is a little-recognised challenge for self-employed people and an area in which some may benefit from more support.

Advice and support

Formal advice available to self-employed people tends to focus on business practicalities. There has also been growing attention on more obvious gaps, such as the availability of childcare which is both flexible and affordable.¹⁵ However, there are fewer support structures in place for ensuring a healthy work/life balance, even though this is important to make self-employment sustainable in the long term. Our interviewees who had had this kind of support received it from informal sources, such as friends and family.

However, many of our interviewees felt they would benefit from additional, more formal help. Participants mentioned networking groups, mentoring schemes and peer support groups as possible sources of support and advice. Some believed these types of groups had declined with pressures on local budgets.

"It has been mainly friends and family offering moral support" Maria, 49, yoga instructor, self-employed for 5 months

"There needs to be an advice offer for people that helps them find the right way for them to be self-employed. They generally know what they want to do and can access generic information about what being self-employed involves but they need advice on how to make that fit their life." Ella, 51, various businesses, self-employed for three years

¹⁵ Citizens Advice, [The practicalities of childcare: an overlooked part of the puzzle?](#). 2014

"There used to be Business Development [a support scheme for self-employed people], but it all got renamed or shut down" *Jo, 48, holistic therapist, self-employed for ten years*

5: When things go wrong



Summary

- Common but unexpected problems may be more severe for self-employed people because they do not have access to statutory sick pay or paid leave.
- This is harder if self-employed people are low earners
- Social security structures are not built for self-employment and are slow to respond to its fluctuating nature.
- Reliance on friends and family is unsustainable and, if more products are not developed for self-employed people, there is a risk that common problems may lead them to drop out of the labour market entirely.

Certain problems affect almost everyone over the course of their working lives. Some, such as illness, are common to both employed and self-employed people. Yet self-employment also brings other risks, particularly around finances, that do not normally affect employees. Self-employed people lack access to statutory sick and paid leave that are available to employees if things go wrong. The absence of a minimum wage, sick pay and difficulties accessing credit mean that self-employed life can be more precarious and challenges more difficult to overcome. This chapter will look at how self-employed people manage these risks and cope when difficulties arise.

Illness and emergencies

One of the most common problems affecting all types of workers is periods of sickness or injury. However, while most employees can take paid sick leave, for self-employed people this does not exist. As a result, self-employed people must

consider how to deal with periods of ill-health. Our interviewees took various approaches.

For around half, taking sick days was not a factor in their business planning. They relied on their continued good health and believed that they could continue to work even if they were unwell.

"I am never not well enough to do anything... I can still type from bed."

Richard, 43, web designer, self-employed for two years

"I have been lucky health-wise. I had one sick day in 40 years" *Ahmed, 68,*

Transport Planner, self-employed for eight years

"I've really tried to lessen the impact on my clients... there was even one time when I was sick for a week with food poisoning, when I started using voice controlled typing... it was really slow but I got a little bit done." *Ben, 31,*

website content writer, self-employed for six years

However, unexpected ill-health is clearly a problem and in some cases it is impossible for self-employed people to continue working. The participants who were factoring this risk into their planning were trying to budget for periods of ill health or had taken out insurance.

The biggest challenges were for those without sufficient income or savings. For these interviewees, some had sought help from the benefit system, generally through a claim for Employment and Support Allowance (ESA). However, this is a complicated benefit primarily designed for longer-term illness. It takes a long time to apply for, meaning it cannot be effective as a stop-gap measure for shorter spells of illness. Without more suitable options for short-term help, self-employed people remain at risk of falling into debt after illness, or even exacerbating health conditions by attempting to continue working. Some of our interviewees had lost assets and even seen businesses fail following periods of illness.

Lack of work

Other potential problems are much more specific to self-employment. One is inherently unpredictable income; most interviewees discussed 'leaner' months, when income was harder to generate. They dealt with this in various ways. Some had independent sources of stability, such as savings, capital, their partner's income or income from a pension. While this was often a last resort, they did acknowledge the importance of being able to dip into these funds if they needed to.

"My income is totally unreliable. I am only able to continue my work as my husband is employed. It would be impossible to do this on my own."

Catherine, 50, interpreter, self-employed for 19 years

Those with more established businesses commonly budgeted for leaner periods and were able to predict when they could save and when they would need to spend.

"I have had to learn to be frugal. I control my expenses." *Peter, 52, tiler, self-employed for 25 years*

Participants with lower incomes or less established businesses tended to find fluctuations more challenging. They had to find other ways of supporting themselves. This support could be formal, via the benefits system, or informal, through support from family and friends. Where informal loans were arranged, interviewees often discussed the pressure they felt to ensure these were repaid.

"I've had to ask for loans from family and friends. But it's all money that I have paid back, am paying back or will pay back." *Ben, 31, website content writer, self-employed for six years*

"If I didn't have my close friends being supportive and paying for me sometimes when it's needed, then there is no way I could have survived so far" *Rita, 44, interpreter, self-employed for 5 years*

The other option was formal help from the benefits system. However, as discussed, these structures are not designed around the needs and circumstances of self-employed people and this can lead to problems. One interviewee explained that she had borrowed from family to help her to pay her bills and understood this was widely accepted in the early stages of a business. However, when she later made a formal claim for Housing Benefit, she ran into problems. Her local authority believed the informal help from her family was undeclared income and placed her under investigation. She had subsequently fallen into rent arrears. She felt angry that the official messages about support in self-employment appeared conflicting.

"All the government agencies tell you you have to rely on family and friends while the business is still building... So I don't know why [the benefits agencies] are taking a different stance with it." *Beverley, 53, artist/trainer, self-employed for 2 years*

Debt and credit

Fluctuating income, combined with the costs of establishing or expanding a business, mean that taking on debt is often necessary for self-employed people;

one third of our interviewees had some experience of it. The nature of these experiences was quite different, however.

Only one of our interviewees was using a loan to expand her business. Others were less concerned by occasional debt, though they tended to be those with higher incomes, who faced fewer problems in accessing credit. However, for the majority of our interviewees, debt was associated with meeting the cost of day-to-day living. This was more the case for lower paid or newly established business owners, who also tended to be more worried about the risks of borrowing. Many preferred to cut back on essentials instead.

"It's been a close shave, but I've always managed to steer clear of [credit cards and overdrafts]." Catherine, 50, interpreter, self-employed for 19 years

The concerns of these interviewees were centred on the problem that some self-employed people have in obtaining affordable credit. Use of credit checks is increasing in many parts of daily life, including for private renting, telephone and internet contracts and other items that may be vital for running a business. Self-employed status can affect credit ratings and self-employed people may be charged over the odds for more specialist services. A similar story is true when debt solutions are required. Many require an individual to commit to a repayment plan, sometimes for as long as five years. Very few products are able to accommodate flexible payments arising from fluctuating incomes.

"[There was a period when] I didn't have a job and my husband was self-employed at that point and we couldn't get a mortgage." Elaine, 61, education consultant, self-employed for two years

The frequent need for credit on the part of self-employed people and the particular challenges this brings for the lower-paid will need to be considered if self-employment is to become an accessible prospect for all kinds of workers. This issue will be explored in more detail in an upcoming Citizens Advice report.

Advice and support

As this chapter illustrates, systems are often not yet in place to support self-employed people in the challenges they are most likely to face. This can leave self-employed people at risk of problem debt or even losing their business when trying to navigate normal problems, such as illness or a temporary reduction in income.

Advice and support should focus on the most common risks for self-employed people: the financial challenges posed by income fluctuations and the ability to access credit where required. On the one hand, this should involve direct support

for self-employed people themselves. Advice on budgeting around risks is particularly important, with self-employed people encouraged to develop contingency plans for periods of illness or low income. Business Debtline provides this kind of support, in addition to general business advice, business budgeting, cashflow problems and personal debts. This type of advice needs to be expanded to ensure that all self-employed people feel secure in their work.

On the other hand, support from the benefits system may occasionally be necessary and consideration should be given to the way the current system could be adapted to help self-employed people as well as employees. Awareness also needs to be raised amongst mortgage lenders, landlords, banks and credit agencies, with a focus on developing products better suited to self-employed people.

6: Retirement?



Summary

- Self-employed people take a non-traditional approach to retirement. Many planned to continue to work after state pension age.
- For some interviewees, this was because they enjoyed their work. Yet others felt they had to continue in order to finance their older age. However, it is clear that they will not be able to work indefinitely.
- There is a general lack of provision and support for self-employed people who want to save for older age.
- Savings vehicles for self-employed people need to be developed and self-employed people advised about the best methods for funding their retirement.

Self-employed people do not always envisage starting 'traditional' retirement in their sixties. For some, this is due to their passion for their work and the desire to continue running their business for as long as possible. For others, an extended working life may be more a matter of necessity; just 17 per cent of self-employed people are actively paying into a pension, compared with 52 per cent of employees.

¹⁶ This chapter will look at both the process of winding down and retirement among our self-employed interviewees.

¹⁶ONS, Labour Market Statistics and Personal Pensions Statistics. 2015

What does older age look like for self-employed people?

Few of our interviewees had a traditional view of retirement and several felt they would continue to work past state pension age. They gave two broad reasons for this. Some enjoyed working and struggled with the idea of inactivity. There was also a sense of personal investment in the business, which many were reluctant to give up. These interviewees tended to think of older age as a time of 'winding down' rather than full retirement.

"As long as I am able to do it, I don't imagine myself going to live by the seaside. I don't enjoy not doing anything" Richard, 43, web designer, self-employed for two years

"We might see our work changing but self-generating income doesn't have an end point. As long as the work continues to come in you keep doing it" Ella, 51, various businesses, self-employed for three years

However, for other participants, continuing to work was more closely linked to necessity. One of the most striking findings about the move into retirement for self-employed people was the frequent lack of pension provision.

Figure 3: Why self-employed people choose to keep working past state retirement age



Saving for retirement

Our interviewees were overwhelmingly not saving towards their older age. Only one participant was paying into a pension while self employed. A relatively high earner amongst our participants, he had access to an independent financial adviser and felt budgeting and saving were very important. However, his attitudes towards his pension had changed over time. He no longer considered his pension fund as the best investment and instead viewed his two properties as the main source of his retirement income.

"I wouldn't do it again [open a pension]. I would tell every young person to save, but to look at the saving tool that they use and that a pension might not be the best thing." *Leon, 56, hairdresser, self-employed for 23 years*

This example indicates some of the wider challenges in ensuring self-employed people are accumulating sufficient savings for retirement. Without an employer's contribution, it can be hard to make pension savings appear attractive to self-employed people, despite the advantages. Pension pots are also inflexible and inaccessible, raising concern among some interviewees.

"Pensions are meaningless for the self-employed - pensions are only worth having when your employer puts money in too." *Liz, 54, editor, self-employed for ten years*

"ISA felt better for me, safer. If I need money I can take it out. I just think a savings account is easier, more responsive. With a pension account you can't just take your money out." *Trevor, 61, leaflet deliverer, self-employed for eight years*

Of those interviewees not saving into pensions, around half had other assets or savings that they intended to rely on. The participants who felt the most secure about their life after work were those who either had occupational pensions from previous employment, spouses with generous pension provision, or other assets. This was especially true of participants who became self-employed later in their working lives or after retiring from employment.

"I can pick and choose [what work I take] to a certain degree because I am on a civil service pension" *Trevor, 61, leaflet deliverer, self-employed for eight years*

"I have some [occupational] pension coming in; it's not enough to live on but obviously it helps" *Elaine, 61, education consultant, self-employed for two years*

However, the other half of our interviewees had no savings or assets to speak of. Many felt that they did not have sufficient income to save after covering their basic

expenses and setting aside money for unforeseen circumstances. Yet most also expressed anxiety about their future finances.

"You can only have savings if you are earning enough" Peter, 52, tiler, self-employed for 25 years

"I need to visit my mum who's sick at some point. There are other priorities that come up and pensions are not really my priority." Louise, 43, designer, self-employed for 6 years

"I'm just hoping and crossing my fingers that the government will support me enough. In general I can't really see myself saving enough to have a nice pension pot." Rita, 44, interpreter, self-employed for 5 years

These findings highlight the risk of a growing income gap in older age between employed and self-employed people. This gap may widen because of automatic enrolment of employees. A growing and ageing self-employed population - many reaching retirement age with limited savings provision - will also inflate the Exchequer costs of means-tested benefits.

Advice and support

Without the pension provision offered automatically to most employees, the demands - in terms of knowledge, time and administration - on self-employed people are much greater. There was a general feeling among our interviewees that they did not understand the pensions market well enough to set up provision for themselves. Several participants also wanted to see schemes set up expressly for self-employed people.

"You look at so many things online... I don't know where to go or what to do." Sonita, 55, nursery owner, self-employed for six years

"If some of the policies and law [around pension schemes] are all made a bit friendlier to involve self-employed enterprises it would be good." Maria, 49, yoga instructor, self-employed for 5 months

Pension providers who cater for self-employed people could be better-publicised. There are also practical changes to pension policy that can make pension schemes more attractive to self-employed people. These may include an option to pay into a pension directly from a self-employed person's tax return, or a government contribution matching scheme that would mitigate the detriment that self-employed people currently feel compared to their employed counterparts due to a lack of employers contributions.

The participants who did not feel that anything would help them to save for the future were the ones who were on an income that did not meet the minimum threshold for National Insurance. Any pension scheme designed for self-employed people would need to take this into account and ensure that it was accessible to lower earners.

Conclusion

Self-employment has become a mainstream career option. 15 per cent of the UK workforce now work for themselves and this has brought significant benefits to the economy, with two-thirds of the additional jobs created since 2008 being self-employed.¹⁷

But in order to understand how to help people get new businesses off the ground and build them up, we need to understand self-employment in much more detail. We need to understand why people decide to become self-employed, what challenges they encounter as they start their business, how their day-to-day lives play out inside and outside of work, how they cope when problems occur and how they are thinking about their older age.

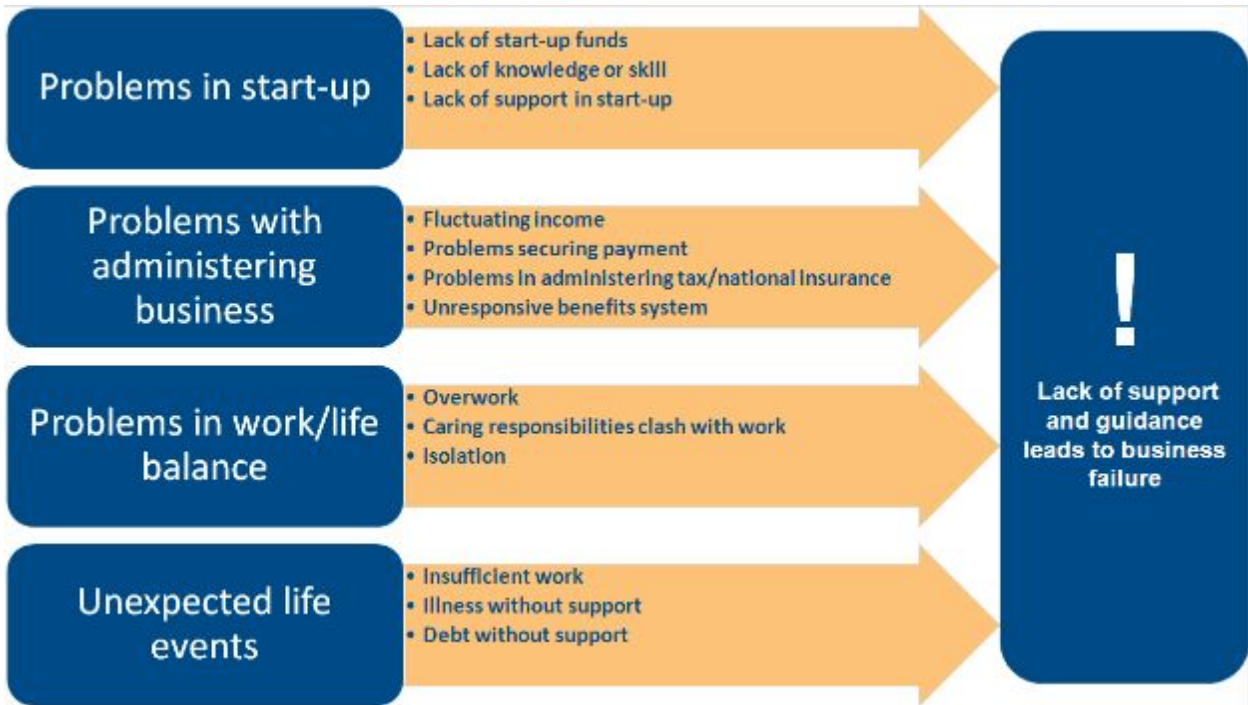
The diversity of our interviewees themselves and their experiences in self-employment therefore brings essential colour to the quantitative data. Our findings also highlight the common elements of the self-employment journey and our forthcoming research programme will explore three key chapters of the self-employment journey set out here in more depth: these are work/life balance, when things go wrong, and retirement.

Our research also shows that the provision of credit and pension saving products, peer support systems and start-up support from the tax credit and benefit systems have not yet caught up with this rapid shift. Many self-employed people embrace risk as part and parcel of the route they've chosen. But not all have actively chosen this route, and better advice and support structures would enable more people to make a success of going solo, and - in time - to create growth and jobs themselves. Citizens Advice therefore warmly welcomes the Government's recent commitment to reviewing and providing support for self-employed people to ensure that entrepreneurialism continues to flourish in the UK.¹⁸

¹⁷ ONS. [Self-employed workers in the UK](#). 2014

¹⁸ [Government examines support for the self-employed](#). 2015

Figure 4: Challenges in self-employed journeys



Appendix: methodology

During May and June 2015, Citizens Advice conducted 19 semi-structured, in-depth interviews with self-employed people. These were drawn from respondents to two surveys relating to self-employment conducted by local branches of Citizens Advice and on our website. The interviewees consented to being contacted for further research and so, to a certain extent, were self-selecting. They were varied in geographical location with at least one participant working in each English region. The interviews were conducted face-to-face and on the telephone.

A study of this nature does not attempt to be representative of any given population. However, participants were recruited to reflect the characteristics of the self-employed population as much as possible. This type of methodology provides us with valuable insight into the detail of self-employed people's lives rather than generalised numbers. For a quantitative analysis of self-employment in the UK, see our report, *Who are the self-employed?*

The Participants

The demographics of the participants reflect the change that is being seen nationally in terms of the types of people who are entering self-employment.

- Women were overrepresented in our sample; 13 of the 19 interviewees were women. This does not reflect the makeup of the self-employed population as a whole, where 68 per cent are men. However, the proportion of men in self-employment has been falling steadily and over the last decade, women have made up more than half of the increase in self-employment.¹⁹ Our sample allowed us to better explore some of the reasons for this shift.
- Our interviewees ranged in age from 31 to 68. Only one participant was above pension age, but three quarters of the participants were over 45, which reflects the ageing nature of the self-employed population.²⁰
- The interviewees' household composition reflected the ages in our sample. Over 60 per cent did not have dependants to care for - around half of this group had children who had left home. Of those who were caring for others, three were living with a partner and dependent children, two were single parents and one was caring for an elderly parent.
- The older participants were more likely to be owner occupiers, with six owning their property outright, freeing them from a significant source of expenditure. Of the remainder, four are privately renting, three are social

¹⁹ Citizens Advice. [Who are the Self-employed?](#) 2015

²⁰ Ibid

housing tenants and two live in properties belonging to family members where they do not pay rent.

- Interviewees' earnings varied, but around two thirds of our participants were earning under the personal tax allowance threshold (£10,500 per year in 2015/16). Two of the participants were higher-rate taxpayers. This reflects the very unbalanced earnings profile amongst self-employed people. For instance, a quarter of self-employed people nationally are earning less than £97 per week. Conversely, approximately 12 per cent of self-employed people nationally are higher rate taxpayers.²¹
- Around a quarter of respondents had been self-employed for more than ten years. More than a third (37 per cent) had become self-employed within the last five years.
- Of the 19 participants, ten were working part-time and nine full-time²². This reflects the growth in part-time self-employment in the last 10 years, especially among women.²³ As an indication, four of the six men we interviewed were working full time (two thirds), but only five of the 13 women (38%).
- Five individuals ran more than one type of business, doing multiple different jobs. None of the participants had registered limited companies and all were registered with HMRC as sole traders.
- Within the ONS occupational classifications, around half of our interviewees worked in associate professional roles. Otherwise, the sample consisted of four professionals, two skilled trade, two elementary occupations, one caring/leisure and one machine operative. The only group with significant self-employed numbers not represented in our sample is 'managers, directors and senior officials'. This may be due to the fact that they are more likely to own incorporated companies and are less likely to describe themselves as self-employed, even though official statistics would classify them in this way.

²¹ Ibid

²² Over 30 hours per week

²³ Citizens Advice. [Who are the self-employed?](#) 2015

Breakdown of participant demographics

Category	Description	Number interviewed
Gender	Women	13
	Men	6
Age	25-34	1
	35-44	4
	45-54	8
	55-64	5
	65+	1
Household Type	Single	3
	Single with dependent children	2
	Couple without children	11
	Couple with dependent children	3
Housing Tenure	Owner occupier outright	6
	owner occupier with mortgage	4
	Private tenant	4
	Social tenant	3
	Other arrangement	2
Work Status	Full time	9
	Part time	10
Occupation type	Professional	4
	Associate Professional	9
	Skilled Trade	2
	Caring and Leisure	1
	Machine Operative	1
	Elementary	2

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