



Work audit

**THE RISE IN  
SELF-EMPLOYMENT**

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JANUARY 2012**

By the autumn of 2011, two years after the end of the recession that began in 2008, the number of people in employment in the UK was still almost half a million below the pre-recession peak. However, the jobs shortfall would have been much worse without a substantial increase in self-employment, which has risen to a record level of more than 4 million.

The rise in self-employment is obviously good news in that it helps keep the lid on unemployment and will be an important source of the extra private sector jobs needed to offset large-scale public sector downsizing. In this respect, more self-employment might also be interpreted as evidence of the kind of 'get up and go' entrepreneurial zeal that will drive the UK economy toward a lasting recovery. But, as this Work Audit – based on available official statistics – finds, it's far from clear that the recent rise in self-employment marks a resurgence in British enterprise culture, with many of those taking the self-employed route back to work looking more like an army of part-time 'odd jobbers' desperate to avoid unemployment.

### **The trend in self-employment**

The share of self-employment in total employment remained stable at around 7% from the end of the Second World War until the late 1970s. But the number and proportion of self-employed people increased rapidly in the 1980s, partly as a response to the high unemployment of that decade and partly as a consequence of policy efforts to encourage enterprise, including the Enterprise Allowance Scheme, which provided financial support to unemployed people wishing to become self-employed.

By the beginning of the 1990s (the Office for National Statistics publishes comparable data from 1992 onward), the level of self-employment had reached almost 3.5 million, 13.4% of total employment (Table 1). Both the level and proportion of self-employment fell during the initial phase of the long boom that lasted from the mid-1990s until 2008, though by the mid-2000s the number of self-employed people was rising again.

Indeed, by the spring of 2010, self-employment was higher than at the start of the recession in 2008 and by the autumn of 2011 had reached a record level of 4.14 million (14.2% of total employment). At the latter

date, the level of self-employment was 0.3 million (+8%) higher than in spring 2008, compared with a corresponding fall of 0.7 million (–3%) in the number of employees in work (Table 2).

### **The characteristics of the self-employed**

In simple accounting terms, the rise in self-employment has offset around 40% of the loss of employee jobs, helping to dampen the rise in unemployment during and since the recession. However, while this outcome is preferable to higher unemployment, a comparison of the make-up of the additional people becoming self-employed in the past three and a half years with self-employed people as a whole suggests that much of the recent rise in self-employment is due to weak demand in the jobs market rather than a sign of resilience or emerging strength in the economy.

The additional self-employed are unlike self-employed people as a whole in terms of gender, hours of work, occupation and sector of employment.

Although well over two-thirds of self-employed people are men, women account for more than half (184,000, or 60%) of the net rise in self-employment since the start of the recession (Table 3). Similarly, whereas more than two-thirds of self-employed people work more than 30 hours per week, almost 9 in 10 (88.8%) of the additional self-employed people since the start of the recession work less than 30 hours per week (Table 4). The increase in self-employed people working short hours is split fairly evenly between men and women.

The rise in self-employment also looks atypical when set alongside the sectoral and occupational characteristics of the self-employed (note that the comparison here is for the period July–September 2008 to July–September 2011 due to lack of seasonal adjustment in the published data).

Almost a quarter of the UK's self-employed people work in construction, but the number of self-employed construction workers is currently lower than in 2008 (Table 5). By contrast, sectors with relatively small shares of self-employment – notably education, information and communications, financial and insurance services and public administration, defence and social security – are among those which have seen the biggest proportional increases in self-employment in recent years.

This atypical pattern is even more apparent with regard to occupation (Table 6). Skilled trades-people – typified by so-called ‘white van man’ – have the single largest share of self-employment (almost 30%) but account for less than 1% of the net rise in self-employment since the start of the recession. People performing elementary (that is, unskilled) occupations account for more than 20% of the net increase, with those in administrative and secretarial and personal services occupations also registering large proportional increases.

working long hours on the job, since the start of the recession the ranks of the self-employed have been swelled by people from a much wider array of backgrounds and occupations, including many without skills doing ‘handy-man’ jobs, picking up whatever bits and pieces of work are available. While some of these newly self-employed may make a long-term commitment to being their own boss, or at least gain the necessary experience to do so, it’s likely that most would take a job with an employer if only they could find one.

Taking all of these characteristics together, it’s clear that whereas the typical self-employed person in Britain today remains a skilled tradesman, manager or professional

**Table 1: Trend in UK self-employment, March–May 1992 to August–October 2011, seasonally adjusted**

|                     | <b>Total self-employed<br/>(000s)</b> | <b>as % total employment</b> |
|---------------------|---------------------------------------|------------------------------|
| March–May 1992      | 3,451                                 | 13.4                         |
| March–May 2002      | 3,337                                 | 11.9                         |
| March–May 2008      | 3,836                                 | 12.9                         |
| March–May 2010      | 3,933                                 | 13.5                         |
| March–May 2011      | 3,998                                 | 13.6                         |
| August–October 2011 | 4,139                                 | 14.2                         |

Source: Office for National Statistics

**Table 2: Level and change in UK employment by employment status, March–May 2008 to August–October 2011, 000s, seasonally adjusted**

|                     | <b>Total</b> | <b>Employees</b> | <b>Self-employed</b> |
|---------------------|--------------|------------------|----------------------|
| March–May 2008      | 29,572       | 25,503           | 3,836                |
| August–October 2011 | 29,107       | 24,707           | 4,139                |
| Change (000s)       | –465         | –736             | +303                 |
| Change (%)          | –1.6         | –2.9             | +7.9                 |

Source: Office for National Statistics

**Table 3: Level and change in UK self-employment by gender, March–May 2008 to August–October 2011, 000s, seasonally adjusted**

|                     | <b>Total self-employed</b> | <b>Men</b> | <b>Women</b> | <b>Women as % total</b> |
|---------------------|----------------------------|------------|--------------|-------------------------|
| March–May 2008      | 3,836                      | 2,796      | 1,040        | 27%                     |
| August–October 2011 | 4,139                      | 2,915      | 1,224        | 30%                     |
| Change (000s)       | +303                       | +119       | +184         |                         |
| Change (%)          | +7.9                       | +4.2       | +17.6        |                         |

Source: Office for National Statistics

**Table 4: Change in distribution of usual weekly hours of work of UK self-employed by gender, March–May 2008 to August–October 2011, seasonally adjusted**

|                            | <b>March–May 2008</b> |      | <b>August–October 2011</b> |      | <b>change</b><br>000s |
|----------------------------|-----------------------|------|----------------------------|------|-----------------------|
|                            | 000s                  | %    | 000s                       | %    |                       |
| <b>All self-employed</b>   |                       |      |                            |      |                       |
| Less than 6 hours          | 107                   | 2.8  | 140                        | 3.4  | +33                   |
| 6–15 hours                 | 296                   | 7.7  | 352                        | 8.5  | +56                   |
| 16–30 hours                | 664                   | 17.3 | 844                        | 20.4 | +180                  |
| 31–45 hours                | 1,548                 | 40.4 | 1,575                      | 38.1 | +27                   |
| More than 45 hours         | 1,221                 | 31.8 | 1,228                      | 29.7 | +7                    |
| Total                      | 3,836                 | 100  | 4,139                      | 100  | +303                  |
| <b>Men self-employed</b>   |                       |      |                            |      |                       |
| Less than 6 hours          | 42                    | 1.5  | 50                         | 1.7  | +8                    |
| 6–15 hours                 | 109                   | 3.9  | 135                        | 4.6  | +26                   |
| 16–30 hours                | 341                   | 12.2 | 437                        | 15.0 | +96                   |
| 31–45 hours                | 1,261                 | 45.1 | 1,260                      | 43.2 | –1                    |
| More than 45 hours         | 1,043                 | 37.3 | 1,032                      | 35.4 | –11                   |
| Total                      | 2,796                 | 100  | 2,915                      | 100  | +119                  |
| <b>Women self-employed</b> |                       |      |                            |      |                       |
| Less than 6 hours          | 65                    | 6.2  | 90                         | 7.3  | +25                   |
| 6–15 hours                 | 188                   | 18.1 | 216                        | 17.7 | +28                   |
| 16–30 hours                | 323                   | 31.0 | 408                        | 33.3 | +85                   |
| 31–45 hours                | 287                   | 27.6 | 315                        | 25.7 | +28                   |
| More than 45 hours         | 178                   | 17.1 | 196                        | 16.0 | +18                   |
| Total                      | 1,041                 | 100  | 1,224                      | 100  | +184                  |

Source: Office for National Statistics

**Table 5: Change in self-employment by industry sector, July–September 2008 to July–September 2011**

|  | <b>As % total all<br/>self-employed in 2008</b> | <b>change<br/>(000s)</b> | <b>change<br/>(%)</b> |
|--|---|--------------------------|-----------------------|
| All self-employed  | 100   | +297                     | +7.8                  |
| Agriculture, forestry, fishing,<br>mining, energy, water | 4.3   | +79                      | +48.2                 |
| Manufacturing  | 4.9   | –14                      | –7.4                  |
| Construction   | 23.7  | –27                      | –3.0                  |
| Wholesale, retail and<br>repair of motor vehicles        | 10.0  | –16                      | –4.2                  |
| Transport and storage                                    | 6.1   | +13                      | +5.5                  |
| Accommodation and food services                          | 3.6   | +1                       | +0.7                  |
| Information and communication                            | 3.7   | +40                      | +28.0                 |
| Financial and insurance services                         | 1.5   | +14                      | +24.0                 |
| Real estate activities                                   | 1.3   | +6                       | +11.0                 |
| Professional, scientific and technical<br>services       | 11.8  | +26                      | +5.6                  |
| Administration and support<br>services                   | 6.5   | +20                      | +8.0                  |
| Public admin and defence; social<br>security             | 0.7   | +8                       | +29.0                 |
| Education  | 3.5   | +59                      | +43.0                 |
| Human health and social work<br>activities               | 6.7   | +36                      | +14.0                 |
| Other services   | 10.9  | +51                      | +12.2                 |

Source: Office for National Statistics, data not seasonally adjusted

**Table 6: Change in self-employment by occupation, July–September 2008 to July–September 2011**

|   | <b>As % total all<br/>self-employed in 2008</b> | <b>change<br/>(000s)</b> | <b>change<br/>(%)</b> |
|---|---|--------------------------|-----------------------|
| All self-employed                                   | 100   | +297                     | +7.8                  |
| Managers and senior officials                       | 17.5  | +44                      | +6.6                  |
| Professional occupations                            | 13.4  | +21                      | +4.1                  |
| Associate professional and<br>technical occupations | 15.7  | +35                      | +5.8                  |
| Administrative and secretarial<br>occupations       | 2.6   | +23                      | +23.0                 |
| Skilled trades                                      | 29.4  | +27                      | +2.4                  |
| Personal services                                   | 5.8   | +42                      | +19.0                 |
| Sales and customer services                         | 1.9   | +11                      | +15.0                 |
| Process, plant and machine<br>operatives            | 7.7   | +31                      | +10.6                 |
| Elementary occupations                              | 6.0   | +65                      | +28.6                 |

Source: Office for National Statistics, data not seasonally adjusted



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