

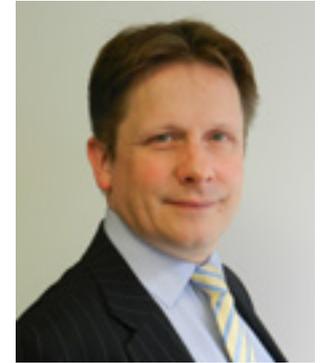
The *ipse* Manifesto



A Contract *with the* Self-Employed



Foreword



The political climate of the UK has shifted fundamentally in the last two years, and with Brexit on the horizon, the only certainty is that everything is uncertain. In this state of flux, it is more important than ever the UK has a strong and flexible economy that can change with the times.

The self-employed are vital to this flexibility. The number of self-employed people in the UK has increased by 47 per cent since 2001, and that figure continues to rise.¹ The next government must fully embrace this structural shift to give the economy the flexibility it needs.

Heeding IPSE's advice, the outgoing Conservative government took steps in the right direction – with the introduction of the small business commissioner and moves towards fairer parental benefits, for example.

But overall, the outgoing government's approach to taxing the self-employed has been a complete disaster, with the ill-conceived plans to change IR35 and national insurance rightly attracting strong criticism. What is needed now is a fundamental and clear-headed review of self-employment and taxation.

The ongoing Taylor Review also presents an excellent opportunity for the next government to approach self-employment in a rational way – ensuring the millions going it alone are supported rather than attacked, and that there are regulations in place to clamp down on the unscrupulous companies forcing people into self-employment. For this reason, we believe it is essential the next government adopts a statutory definition of self-employment to ensure clarity on the issue and acknowledges that the self-employed fend for themselves in many ways.

IPSE will be doing in-depth work behind the scenes to drive forward the ideas set out in this manifesto. We will work hard to make sure the next government delivers on them.

James Collings, IPSE Chairman

Who we are

IPSE is the Association of Independent Professionals and the Self Employed. With 68,000 members and associates, we exist to support, promote and advise the self-employed, ensuring they can fulfil their potential and deliver growth and innovation for the UK economy.

Who are the self-employed and why do they matter?

The self-employed are those in business on their own account, whether running their own limited company, operating as a sole trader or working through a partnership. There are 4.8 million self-employed people in the UK, an increase of more than 20 per cent since 2011, and they comprise 15 per cent of the UK workforce.ⁱⁱ Since 2010, the workforce growth in the UK has been more than double the EU average – and this success is largely due to the growth in self-employment.ⁱⁱⁱ

There has been a noticeable growth in self-employment across all demographics. For example, the number of 16–24-year-olds choosing to go it alone has increased by 73 per cent since 2001. And there has been an even more remarkable increase in the number of self-employed workers over the age of 64 – they have almost quadrupled in number over the same period.

Women have also played a significant part: the number of self-employed women has grown by 75 per cent in 15 years, reaching 1.5 million in 2016.

Highly skilled occupations account for most of this surge. The number of self-employed people in technical and professional roles such as IT, design and engineering has increased by 27 per cent since 2011.^{iv}

What impact do the self-employed have on the economy?

Self-employment isn't just an increasingly popular way to work; it also boosts the economy and gives the UK its main competitive advantage, flexibility.

By absorbing risk for their clients, the self-employed both encourage innovation and boost efficiency. Firms that use self-employed people are better able to quickly respond to peaks and troughs in demand.^v

This economic value is even more pronounced because the growth in self-employment has been concentrated among the UK's most skilled workers. There are now more than two million highly skilled self-employed people in the UK, who contributed £119 billion to the UK economy.

Overall the self-employed produced £225bn of goods and services, enough to fund the NHS twice over.^{vi}



Delivering a Brexit deal that works

Self-employed people are flexible and mobile and Brexit should not change this. They must be central to the government's agenda, and the UK economy must become more open than ever if we are to remain competitive on the world stage.

The free movement of skilled professionals across Europe must be a priority, as must delivering a trading relationship with the EU that does not create undue barriers for business. By harnessing their skills, hard work and adaptability, we can go further as one of the most flexible economies in the developed world.

Keeping self-employment positive: the Taylor Review

The Prime Minister's review into 'Modern Employment Practices', led by Matthew Taylor, is an excellent opportunity to take steps to ensure self-employment remains a positive choice for all.

At present, both individuals and larger companies face a great deal of confusion because there is no legal definition of self-employment. Unscrupulous companies often use this uncertainty to shirk their responsibilities as employers force people into self-employment.

IPSE believes the statutory definition should consider the following principles:

- Autonomy in work
- Control over working arrangements
- Taking on business risk
- The level of independence from clients

We wish to work with the government and other organisations to develop an acceptable statutory definition.





A fairer, more efficient tax system

Our tax system is no longer fit for purpose. It is based on the traditional employer/employee model, and as self-employment continues to grow, the problems with this model become clearer.^{vii} The government's attempts to address this question have not been joined-up and have resulted in misjudged and ill-conceived policies. A fair tax system will help to resolve this.

The government must take a number of bold steps:

A strategic review of the tax system

Misjudged policies around IR35, national insurance and Making Tax Digital have all rightly attracted criticism, as they have hit the self-employed. The government needs a more strategic approach to considering how modern working practices can be addressed in the tax system. This should include a comprehensive review chaired by an independent expert.

IR35 damage control

By shifting the IR35 burden to agencies and end clients in the public sector, the government has caused many independent professionals to terminate their contracts and move to the private sector. Public sector projects are stalling as a direct result of this.

The government must learn lessons from the chaos caused by the changes to IR35 in the public sector. It must not consider rolling out a similar measure in the private sector, as many independent experts have predicted. Such a move would have a calamitous effect on the UK economy.

Create a bespoke tax system for freelancers

The government should create a bespoke tax system for freelancers, the 'Freelancer Limited Company' (FLC).^{viii} This would clarify the tax and employment status of independent professionals and protect government revenue.

Simplify Making Tax Digital

Making Tax Digital (MTD) should not be made mandatory until 2025 at the earliest. It can be introduced on a voluntary basis before then. The largest businesses should be targeted first, with those under the VAT threshold initially exempt. The requirement for quarterly reporting should also be removed, as this will increase compliance and accountancy costs for businesses.

Commit to no National Insurance rise

Maintain the current rate of Class 4 National Insurance Contributions (NICs) which is paid by the self-employed. The attempt to raise Class 4 NICs at the last Budget was rightly met with fierce resistance from both inside and outside Parliament. The slightly more advantageous tax regime enjoyed by the self-employed is a recognition of the fact they take on responsibility for their own welfare and business risk, which benefits UK business and the economy as a whole.

Ensure HMRC does not overstep its remit

Responsibility for making tax policy should be removed from HMRC entirely. HMRC should concentrate on enforcement, collecting revenue and handling taxpayer enquiries.

HMRC is not properly overseen by a Ministerial team. For this reason, and because HMRC must be responsible for policing tax legislation, it is inappropriate for it to play such a prominent role in the formation of tax policy.

By freeing HMRC staff from the burden of developing policy, more resource can be focused on customer care and enforcing legislation. Tax policymaking should rest with HM Treasury where it can be properly overseen by Ministers.



Case study

Help sole traders

Jake - Self-employed decorator

Jake is a self-employed tradesman, utilising his specialist skillset on a project-by-project basis. He loves this way of working but his job comes with inherent risks. He worries the risks would be greatly exacerbated if he was forced to bear the burden of an increased tax bill. IPSE wants the Government to commit to maintaining the current rate of NICs for the self-employed so our skilled workforce can continue to add great value to the UK economy.

"I love my job, and I love being self-employed. It lets me provide my expertise on many projects, simultaneously, meaning I can maximise efficiency and output on multiple jobs. I am rewarded with slightly smaller National Insurance Contributions but the risks I take in exchange are severe - the lack of holiday pay, sick pay and other benefits are certainly never far from

my mind. It only takes one injury and I am unable to work. What then?

"So earlier this year, when the NICs increase was announced, there was a lot of very worried people because it compounded what is already a risky way of working. It felt like we were being raided without receiving anything in return as recognition.

"Thankfully the plans were scrapped not long later and I for one am breathing a lot easier. For now, at least. Until the Government commit to not increasing my tax, I'll never have complete peace of mind. If they were able to do that, the Government would be giving young apprentices the incentive to learn a trade and help strengthen and grow our booming construction industry."



Securing the future of the self-employed

Striking out on your own involves a degree of risk that employees simply do not face. As well as constantly seeking out new business, self-employed people also need to buy their own equipment, cover any sick days they need to take and save for retirement. In return, they have complete autonomy, a work/life balance better suited to their needs and greater freedom to work on projects they are truly passionate about.

While of course independent professionals must take responsibility for their own affairs, the government can and should do more to incentivise saving and make the welfare system fairer for the self-employed. There are a number of steps the next government should take:

Review pension arrangements for the self-employed

The government should commission a wide-ranging review into incentivising pensions for the self-employed. It should explore 'auto-enrolment' and a 'portable benefits system' as possible solutions.

This review should consider the design of a self-employed pension which allows temporary drawdown to cover fallow periods of work, with the drawdown being tax-free if repaid in full within 24 months.

Provide fair parental benefits

Self-employed parents should be supported by a form of statutory maternity pay and paternity pay. There should also be an adoption allowance in place for self-employed people. As part of a review into parental benefits, the next government needs to consider how the rules around "Keeping in Touch Days" can best support self-employed mothers to maintain their businesses.

Parental benefits are funded by the state, not employers, and there is no reason why self-employed parents should receive less support than employees. Currently, self-employed mothers are only eligible for Maternity Allowance, and there is no support for fathers at all.

Support new businesses through Universal Credit

The Minimum Income Floor should not apply to businesses in their first two years of trading. It should also be applied to the self-employed on an annual basis.

Improve access to Lifetime ISA

The next government should remove the cap that only allows under-40s to access the Lifetime ISA (LISA). It should also allow for a maximum withdrawal from the LISA without losing the bonus or interest, so the self-employed can manage a fluctuating income, while also saving responsibly for retirement.

IPSE's research shows 37 per cent of our members do not have a pension, while 16 per cent do not save for retirement at all.^{ix} Putting money aside is particularly difficult if you're self-employed. Your income is volatile, and you need a buffer set aside to tide you over when business is quiet, or for other business costs (eg. accountancy, marketing and equipment).

Who are the self-employed?

4.8 million
self-employed
people in the UK

15% of the
UK workforce

£255 billion

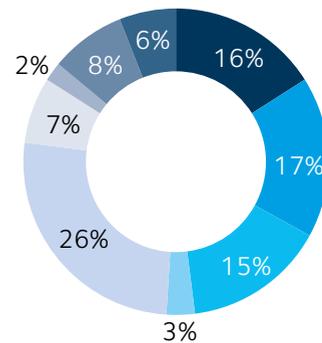
Contribution to
the UK economy

21%

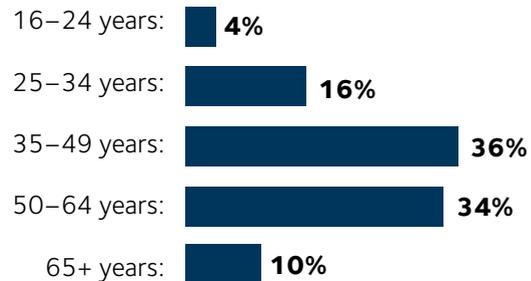
increase in the number of
self-employed people in
the UK between
2011 and 2016

Occupational profile

- Managers, directors and senior officials
- Professional occupations
- Associate professional and technical occupations
- Administrative and secretarial occupations
- Skilled trades occupations
- Caring, leisure and other service occupations
- Sales and customer service occupations
- Process, plant and machine operatives
- Elementary occupations



Age distribution of freelancers



Growth in self-employment has been strongest among the youngest and oldest self-employed people

Gender split



32% Female

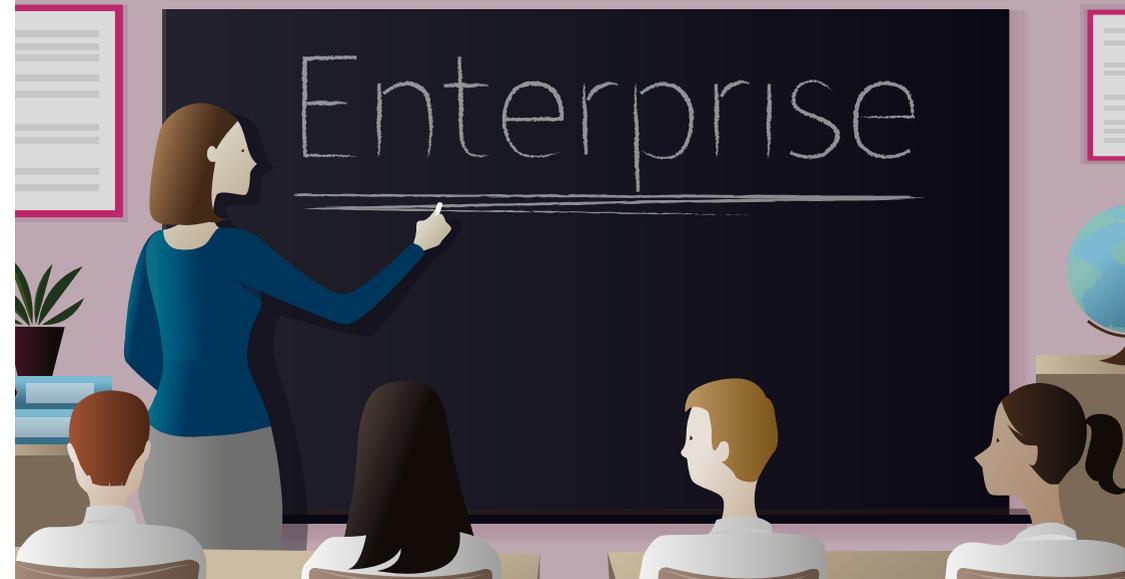


68% Male

75%

increase in the number of females in
self-employment since 2001

Growing at a faster rate than males



Preparing young people for self-employment

Upskilling and training is crucial to help the self-employed progress with their careers and gain a level of economic security. There are a number of steps the government can take to encourage this:

Change tax treatment of training

Make training for new skills tax-deductible for the self-employed as it is for employees. This would allow them to take on better paid work and increase their earnings, making the UK economy more competitive.

Integrate self-employment into curriculums

Self-employment and enterprise should be integrated into all relevant areas of the school curriculum. This can be achieved by introducing an enterprise module into Life Skills in both primary and secondary education.

Reform construction training

The Construction Industry Training Board (CITB) has lost the support of the industry. If the CITB levy and grant system is to continue, it will need urgent and fundamental reform.

The levy is disproportionately weighted to raise more on the work of the self-employed than employees, yet the industry's 900,000 self-employed workers are significantly less likely to benefit from training grants.*



Case study

Help working Mums

Christina - Communications and marketing consultant

Christina started a family while working freelance but there are many others who have had to make the choice between career and family. IPSE wants to see the Government introduce statutory Maternity Pay for self-employed mothers so they can have both a family and a career.

“I love the flexibility that self-employment provides. It allows me to have the stimulation, variety and independence I want professionally, as well as the flexibility and fit with family life that I want in my personal life.

“However, the lack of financial support and flexibility when working during maternity leave added a layer of worry and difficulty to being pregnant and having a newborn

baby, which can already be a challenging time.

“A statutory maternity pay, as is the case for employees, and paternity pay would help so many people realise you can work self-employed and start a family, not one or the other – as is too often the case.

“There should be flexibility within this too. A big concern when I started my family was losing touch with clients and the fast-paced sector I work in. Being able to work occasionally and flexibly within the period of paid maternal leave, without losing the benefits, would have been better, less stressful and eased the transition back into work.”



Creating a positive business environment

While a fair tax system, more support and better training will help the self-employed greatly, they are still hampered by many practical difficulties in the business environment, from getting paid on time to getting a good broadband connection. We have outlined a range of simple steps the government can take to alleviate these difficulties and create a business environment that will help the self-employed to thrive:



Create a strong Small Business Commissioner

The government's incoming Small Business Commissioner will be able to play a crucial role in tackling poor business practice, particularly late payment. But government must legislate to ensure the Commissioner has real teeth and, like the New South Wales Small Business Commissioner, can demand that parties to a dispute attend mediation before they begin the legal process.

Incentivise the use of workhubs

Workhubs allow individuals to collaborate, acting as an incubator for start-ups. The government should cut business rates for workhubs (as they do for small businesses), to encourage the self-employed to use these collaborative workspaces. It should also incentivise the use of empty properties and streamline the planning system.

Stop Intra-Company-Transfer visa abuse

The system of Intra-Company Transfer (ICT) permits has been open to abuse by large outsourcing companies for a long time. This leads to some of those working as ICTs being underpaid and exploited, with an uneven playing field leading to contractors being undercut.

The government's higher minimum salary threshold should go a long way towards tackling this abuse. However, government must ensure there are no loopholes in the system, particularly around allowances. This will help the next government do more to control net migration into the UK.

Deliver fast broadband across the country

We are still far behind our competitors when it comes to adequate broadband provision, and this is simply not acceptable.^{xi} The government should commit to 100 per cent access to broadband by 2020, including a maximum ratio between the fastest and slowest speeds to address the urban/rural economic divide.

As part of a range of significant housebuilding plans, the government should work with housing associations or the Homes and Community Agency to guarantee new developments have fibre-optic broadband.

The government must also ensure that its Universal Service Obligation – giving every home and business in the country the legal right to a 10Mbps connection – is truly universal. Those in more remote areas must not be excluded.

Open up procurement to microbusinesses

The government has failed to help those looking to grow their businesses. It should remove onerous bidding requirements (such as large liability insurance) to enable consortia of self-employed professionals to bid for government contracts. To ensure large framework contracts are fair, the government should also publish them for review in an open source format.

Recognise self-employment in the Industrial Strategy

The Industrial Strategy needs to acknowledge the central role the self-employed will play in delivering a modern industrial economy. There needs to be a focus on what we can do – for example, in the education system – to ensure the self-employed have the right skills – particularly in the construction sector.

Case study

Helping young freelancers



Caitlyn - Graphic Designer and Blogger

Caitlyn is a graphic designer and blogger who works on a self-employed basis spreading her creativity over multiple exciting projects at a time. At just 25-years-old, Caitlyn has won numerous awards and honours, including Best Contributor (2013), Specialist Publication of the Year (2015 and 2016) and T-shirt of the Day (August 2014). She was also a finalist in the 2015 Freelancer of the Year awards.

Caitlyn's portfolio showcases the variety of projects she has taken on as well as the different styles. Her work ranges from posters, brochures, websites, t-shirts, magazines, album covers and company branding.

In late 2013, Caitlyn founded District23 - her own clothing line - and officially launched the shop in February 2014. District23 has gained international recognition since and even featured in FHM Magazine.

She loves the flexibility, reward and variety self-employment gives, but so many like her are unaware this is a viable career choice.

IPSE wants to see self-employment and enterprise integrated into all relevant areas of the education curriculum so that self-employment is an attractive and attainable way of work.

"I was in my second year of university when I began to get clients. I was unsure on how to start a business and the

legalities behind it. I was fortunate to have a business enterprise centre available at my university, but even then I didn't get all the advice I needed.

"What I've learnt about managing a business is self-knowledge. Knowing where to start is often the hardest part and there is very little support available unless you are going into traditional business and marketing. I knew what I wanted to do, but how to get there? I had no idea.

"The same options of support and advice should be given to those wanting a freelance career as to those who embark upon regular employment. Only then will the next generation of freelancers feel less daunted by the prospect of being successful entrepreneurs in their respective fields."

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About IPSE

IPSE is the largest association of independent professionals in the EU, representing over 68,000 freelancers, contractors and consultants from every sector of the economy. It's a not-for-profit organisation owned and run by its members.

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