

# UK: Self-employed face poverty wages and financial insecurity

Thomas Scripps  
17 October 2016

Over half (55 percent) of London's self-employed earn low monthly pay, according to research by the Social Market Foundation. Seventy-seven percent of these workers have no income besides their employment earnings and, in 2011, 67 percent earned less than a full-time employee on the London Living Wage at the time—that is, less than £15,000 a year.

Though London has the highest proportion of its working population in self-employment (roughly 18 percent) of any area in the UK, this dire picture is by no means uncommon. The self-employed make up an increasingly large proportion of the British labour force—15 percent. That is roughly 4.7 million people—a figure up by a quarter from 2000.

The growth of this employment sector accelerated in the aftermath of the 2008 recession, with self-employment being responsible for a substantial section of the apparent jobs recovery. A myth has been built up by the ruling elite that this phenomenon is expressive of a desire among large numbers of people to “be their own boss” and indicative of the wealth of opportunity available to enterprising new businessmen and women. Studies proves this to be false.

As opposed to being small businessmen, only 17 percent of Britain's self-employed employ anyone themselves. Moreover, a substantial number live in very precarious financial situations. Research from the Social Market Foundation (SMF), published in March, found that almost half of the UK's self-employed workers (49 percent) were on low pay on an hourly basis, rising to over half (55 percent) when considered on a monthly basis. This compares to 22 percent and 29 percent for employees. Self-employed workers are more likely to live in low-income households, with 28 percent—roughly 600,000 people—in that position, compared to 19 percent of other employees.

Low rates of pay are not made up for by pensions, savings or investments, with 64 percent of low-paid self-employed workers having none compared to 36 percent of low-paid employees.

These statistics translate into the damning fact, revealed by HM Revenues and Customs data, that 80 percent of the UK's self-employed workforce was living in poverty in the year 2012-2013. Further investigation by Tax Research UK found that this percentage only fell to 77 percent when income from additional sources—pensions for example—is taken into account. According to a report by Royal London, less than a quarter of self-employed individuals are members of a pension scheme.

These figures paint a devastating picture of an escalating social crisis affecting millions of people. But they take on a greater significance in light of recent employment trends and of the Thatcherite origins of the drive towards a large self-employed sector. In the short-term, the turn to self-employment is bound up with the collapse in available jobs following the 2008 global financial crash and resulting recession.

According to the Office for National Statistics, of the 1.1 million increase in the total number of workers in the UK between the first quarter of 2008 and the second quarter of 2014, around two-thirds were self-employed. The proportion of self-employed workers of the total labour force rose 2 percentage points (from 13 percent to 15 percent) over the same period.

Proof that this increase is indicative not of some harmless restructuring of the labour market, but of a general decline in living standards across Britain, can be found in the falling earnings for the self-employed. Since 2008-2009, their incomes have fallen an average of 22 percent. Self-employed individuals were working two hours a week longer than employees in 2014. More

than one in 10 work 60 hours a week or more, compared to less than one in 20 for regular employees.

The situation since 2008 is only the latest stage in a process stretching back through much of the post-war period. Over the past 40 years, the proportion of the labour force classified as self-employed has risen substantially, from 8.7 percent in 1975. The decades since have witnessed a succession of economic crises and assaults on the working class, as the development of globalisation forced the bourgeoisie internationally to restructure economies and enhance the exploitation of labour. It became necessary for the capitalist class to break down previously accepted standards of pay and protection for workers, and to develop less secure forms of employment such as zero-hours contracts and self-employment.

Officially, 900,000 are employed on zero-hours contracts, with the real figure estimated to be much higher, and another 1.7 million are in temporary work. All told, a fifth of all British workers are now employed under what are described as “non-standard work arrangements.” It is estimated that by 2018, there will be more self-employed in the UK than public sector workers.

The interests of big business in this transformation were articulated in the *Daily Telegraph* newspaper earlier this year in an article, “The self-employed will overtake the public sector with the ‘gig economy’,” written by financial journalist Matthew Lynn.

Nominally an analysis piece on the rising importance of the self-employed sector, the article’s main purpose was a denunciation of public sector employment. Writing with naked disdain, Lynn decried, “An army of public sector workers, heavily unionised, with generous pay, lots of time off, and lavish pensions. Councils stuffed with bureaucrats doing non-jobs, and quangos recruiting a growing army of diversity workers. An over-manned and feather-bedded public sector that is intent on voting itself ever more generous pay and conditions.”

It is not just public sector employment—and the required government spending—which so irks the *Telegraph*, but the very idea of decent pay, adequate time off and the right to pensions. As the ruling class seeks to impose a globally competitive economy, self-employment, much like zero hours contracts, temporary and part-time work, which tend to be poorer paid and

lack basic protection, are seen as a much more suitable forms of employment.

Prime Minister Theresa May’s recent promises to protect the self-employed with new legislation should be treated with as much disdain as her more general claim to be putting forward a progressive programme for working people. Former Labour Prime Minister Tony Blair, whose government created levels of social inequality last seen in Victorian England, made similar promises in 2001. May has even recruited Matthew Taylor, a former Blair adviser, to work on the Tories’ self-employment policies. To quote Taylor, “New forms of employment have many advantages for workers and consumers but there are challenges and risks. We need to approach this issue with an open mind, recognising that within our flexible system of employment the same type of contract can have a diverse range of impacts on the people who use them.”

Speaking of Taylor’s appointment, Seamus Nevin, head of employment and skills policy at the Institute of Directors, said, “It is important that the government works to ensure our employment regulations and definitions are flexible so that we protect workers and give them access to training and development, while still enabling innovation and enterprise to prosper.”



To contact the WSWS and the  
Socialist Equality Party visit:

**[wsws.org/contact](https://wsws.org/contact)**