The voice of freelancing

membership survey 2008

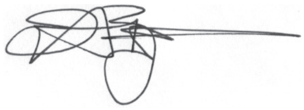
introduction

I am pleased to present the results of PCG's annual Membership Survey for 2008: it gives a snapshot of the freelance marketplace at a time of serious economic challenges. As companies seek to find a way through the difficult times, their ability to bring skills on-board on a flexible basis, which only freelancers can provide them with, will provide an invaluable resource as the economy begins to recover.

For the first time this year, PCG also has broader research at its disposal, in the shape of the report by Kingston University's Small Business Research Centre, 'Defining and Estimating the Size of the Freelance Workforce'. It shows that there are approximately 1.4 million freelancers in the UK, operating across a broad range of sectors, using a wide range of forms and pursuing strikingly diverse career paths. We know that the data in this survey represents only a part of this marketplace – very often the more technical, high-end range of workers – but equally PCG is committed to representing all freelance workers, whatever form they take and whatever sector they work in.

In our efforts to give further definition and clarity to the market in which PCG operates, we will endeavour to work with other organisations in pooling our knowledge and sharing data. This will assist us further in representing the world of freelance working more effectively to Government.

We also present alongside the results some additional data from our membership database, to illustrate further the characteristics of PCG's membership.



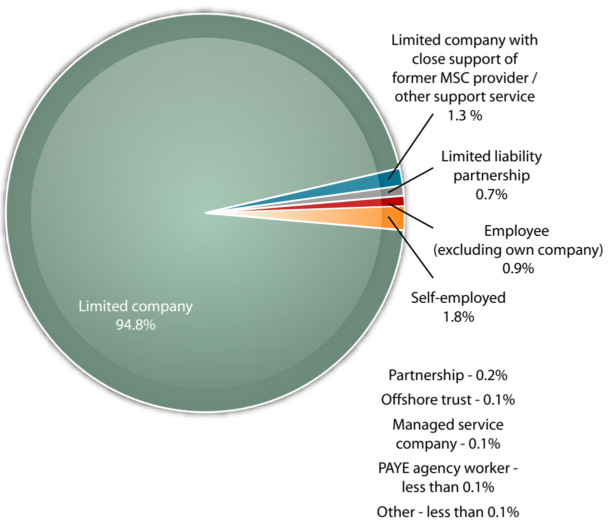
John Brazier
Managing Director

PCG members

The survey was conducted between May 13th and June 27th 2008. A total of 1,745 members participated by returning hard-copy survey forms, up from 1,307 in 2007: this represents an increase both in absolute numbers and as a proportion of the membership. In May, PCG's membership stood at 16,362 memberships, representing 17,477 people when dual membership categories are counted. Membership has continued to grow since then, and stood at 17,020 memberships (18,189 people) on October 1st 2008.

Despite the continuing growth in PCG's membership, the profile of members remains largely unchanged in terms of their functional role, the sectors in which they work, the legal structures they use and their personal characteristics. This gives good cause for thinking that where variations in the results from previous years can be observed, they are genuine and not the result of incomparable samples.

What business form do you use?



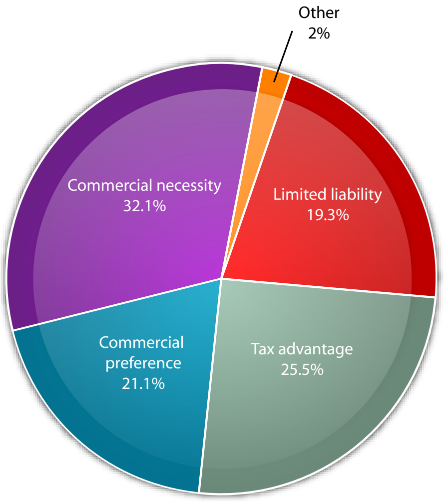
A few key points can be highlighted regarding PCG's membership.

- Once again, the vast bulk of PCG members (96.1%) use limited companies as opposed to any other business form. By far the most significant reason cited for this is commercial necessity: in the sectors in which most PCG members operate, it is the norm to find work using agencies and clients are reluctant to deal direct with freelancers (although it does happen at times); accordingly, they must have a corporate form.

- For the first time, this year's survey distinguished between limited companies run independently by members, and those run with heavy support from "accountancy" service providers, often former Managed Service Company providers: only 1.3% of PCG members identified themselves as being in this category.

PCG members

Why did you choose that form of business?
weighted percentage

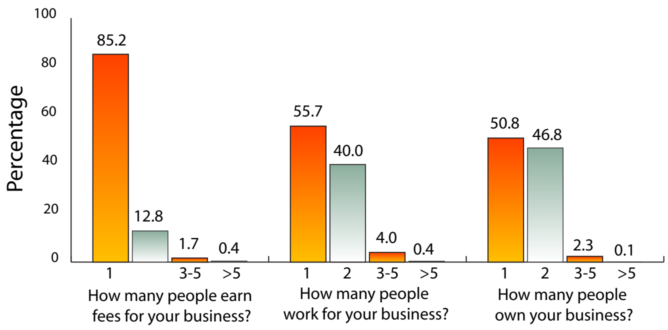


Why did you choose that form of business?
Total responses

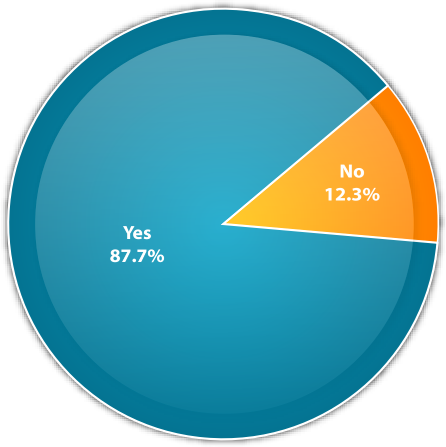
	1st	2nd	3rd
Commercial preference	401	258	335
Tax advantage	368	523	331
Limited liability	226	406	392
Commercial necessity	798	269	189
Other	47	14	30

For each respondent who selected it, each criterion was awarded 3, 2 or 1 points for a 1st, 2nd or 3rd preference. This gave an overall score for each factor, expressed in the diagram on the left as a percentage.

How many people earn fees for your business?
How many people work for your business?
How many people own your business



Are you currently in contract or working on active client projects?

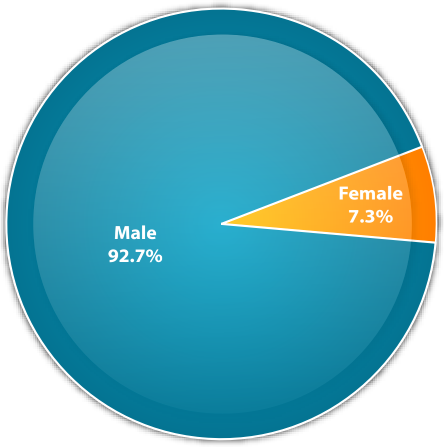


- In light of the ongoing debate around "income shifting" it is important to note that the great preponderance of freelancers whose businesses are owned by two people also have two people working in the business; the difference between the two figures in the survey is only 6.8%.

- At the time of the survey, 88% of members were in contract; this is unchanged since 2006. Given the downturn in economic conditions since the survey was conducted, and bearing in mind the lack of confidence expressed by PCG members in future circumstances elsewhere in the survey, it seems likely that this figure does not reflect the current position.

PCG members

What is your gender?



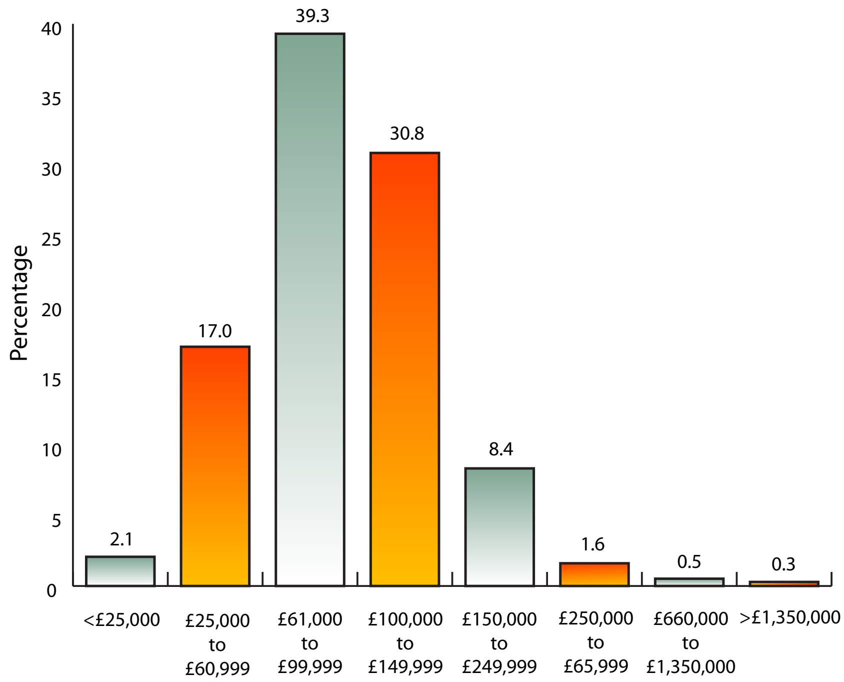
Salutation	Number	Percentage
Dr	353	2.1
Miss	363	2.2
Mr	15,078	89.7
Mrs	545	3.2
Ms	464	2.8
Prof	2	0.01
Rev	1	0.005
Sir	2	0.01

Use of data from PCG's database confirms the accuracy of these figures: by drawing on salutations data, it is possible to see the gender split within the membership. The data in the table above was taken from the database in August 2008.

By ignoring the gender-neutral salutations and combining "Mr" and "Sir" on the one hand and "Mrs", "Miss" and "Ms" on the other, a male-female split can be calculated; 91.7% and 8.3% respectively.

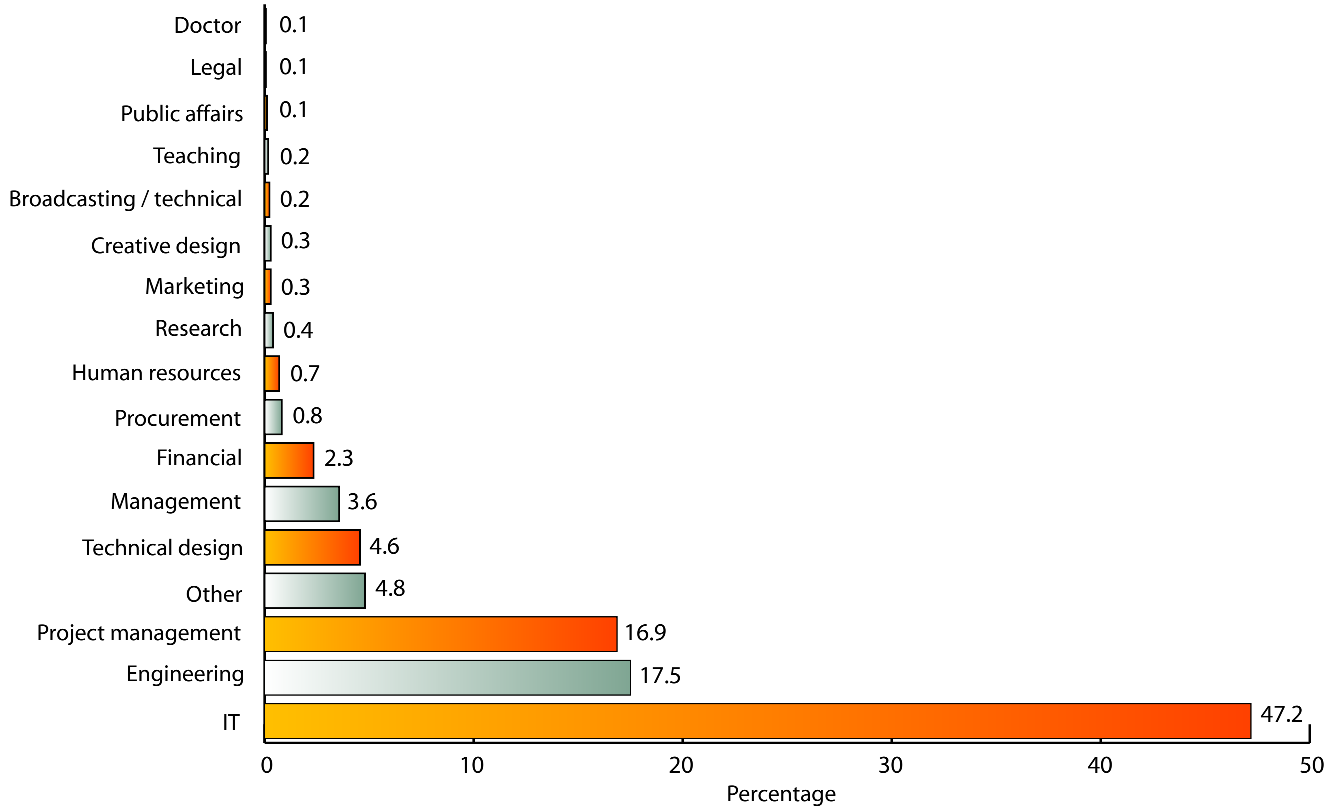
The apparent gender imbalance in PCG's membership also seems to reflect the sectors in which our membership is strongest: according to the Kingston study, they are male-dominated, accounting for the high proportion of men among PCG's membership.

What is the annual turnover of your business?

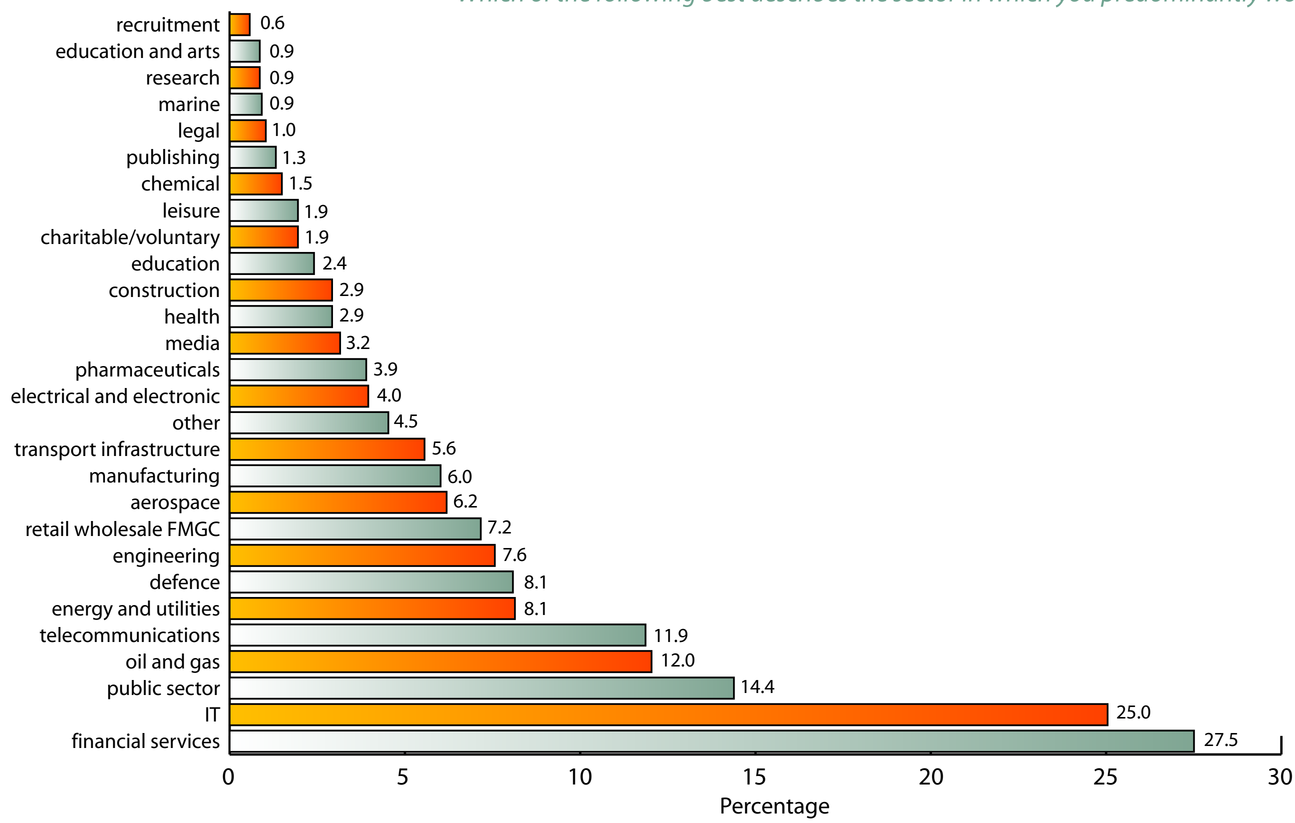


PCG members

Which of the following best describes the nature of the work you perform?

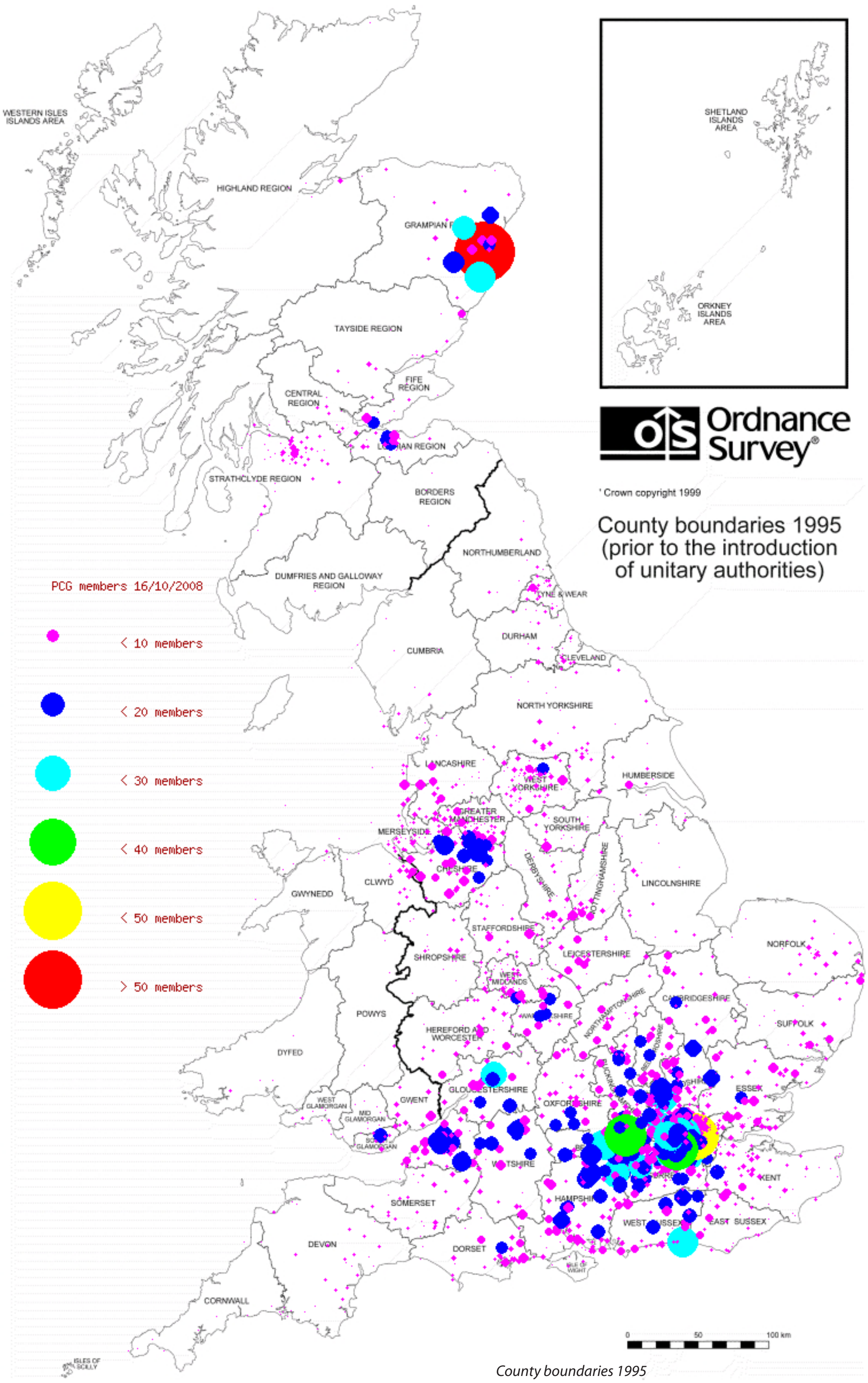


Which of the following best describes the sector in which you predominantly work?



PCG members

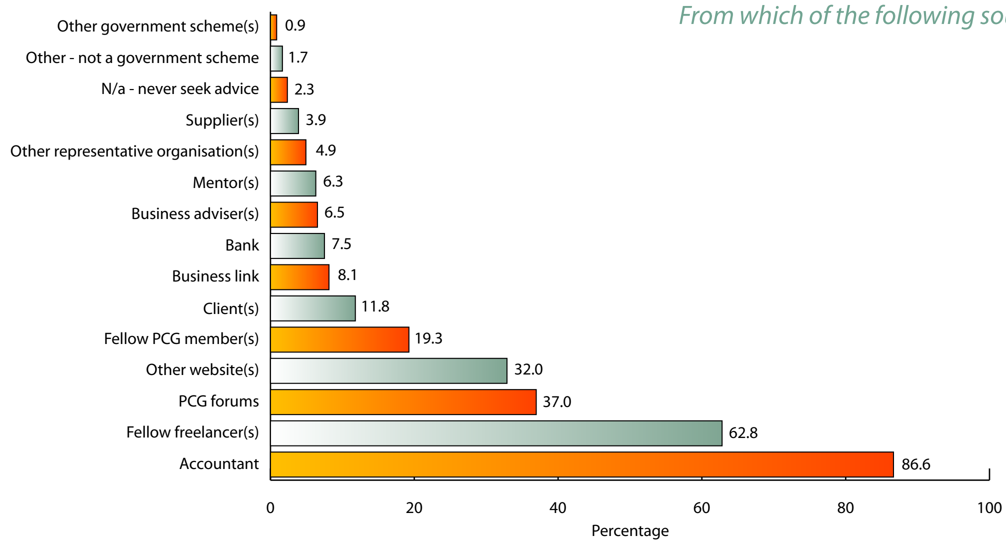
For the first time, we are able to present data on the geographic distribution of PCG members throughout the UK, which is shown on this map. This map is limited to showing members' residences, however: freelancers are extremely mobile, and often work away from home. Further information on their work and travel patterns is presented on page 12.



County boundaries 1995
Reproduced from Ordnance Survey map data by permission of the Ordnance Survey © Crown copyright 2001.

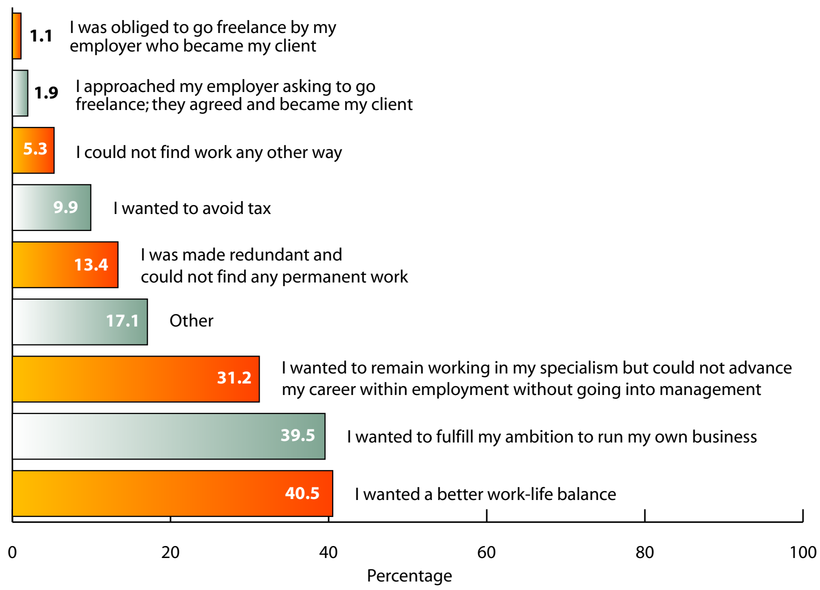
PCG members

From which of the following sources do you seek business advice?



The results above show little change from previous data on this issue. Business Link has been offered as a choice in its own right for the first time, rather than being included under a broader heading as in previous years: the result shows that only a small minority of users utilise the service, and that accountants, word of mouth and membership bodies such as PCG are more effective channels for disseminating advice than a central government portal.

What factors were important in your decision to become freelance?

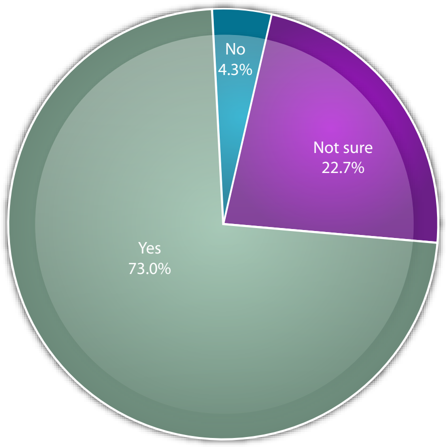


This is the first time PCG has asked its members why they became freelance, and the results below show that freelancing overwhelmingly represents a positive choice for those who pursue it. Only 13% of members felt forced into it by redundancy, and fewer than 10% undertook it for tax motives: far more wanted a better work-life balance, to run their own business and to continue working in their specialist area.

PCG members

It is perhaps worrying that over a quarter of PCG members either would not recommend going into business to someone else, or are not sure whether they would or not; given the widespread positive motivations for going freelance, there seems to be a question-mark for a surprising number of members over whether they would say it is the right choice for others.

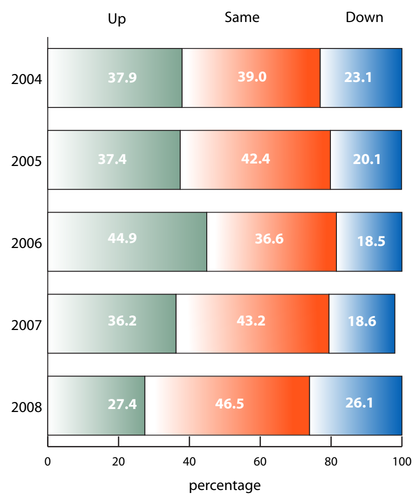
Would you recommend going into business to someone else who was considering it?



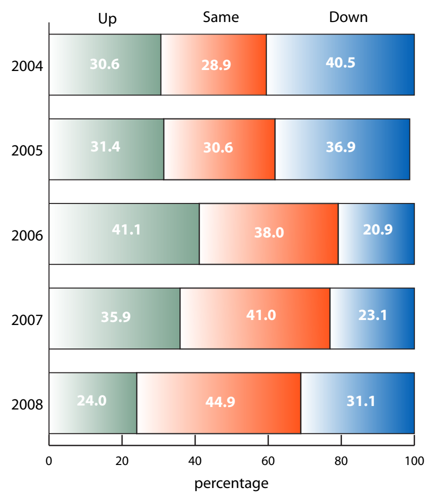
economic outlook

How do you expect the next 12 months to compare with the last 12 months? (Expectations compared over the last 5 years)

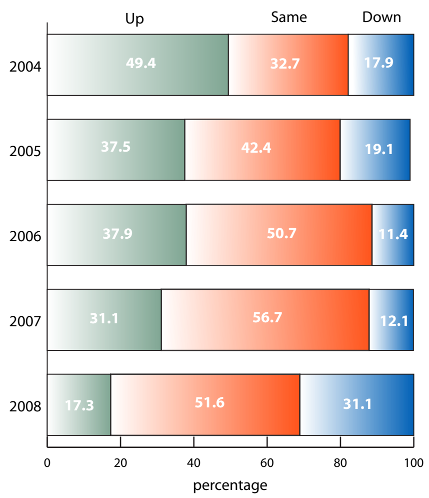
Turnover



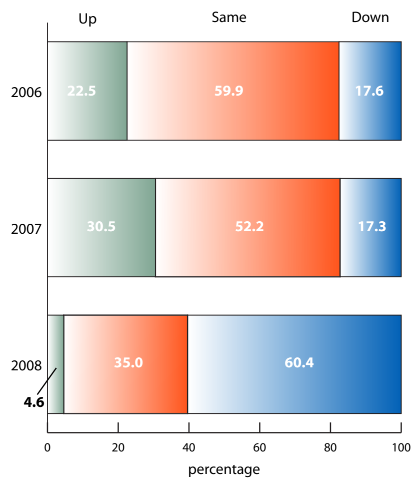
Net profit



New business opportunities



Overall economic climate

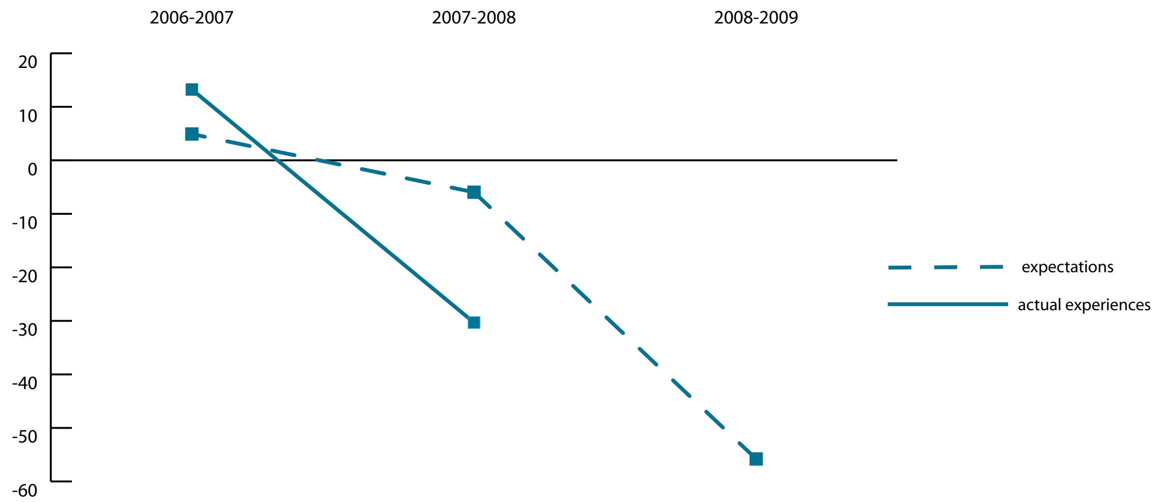


economic outlook

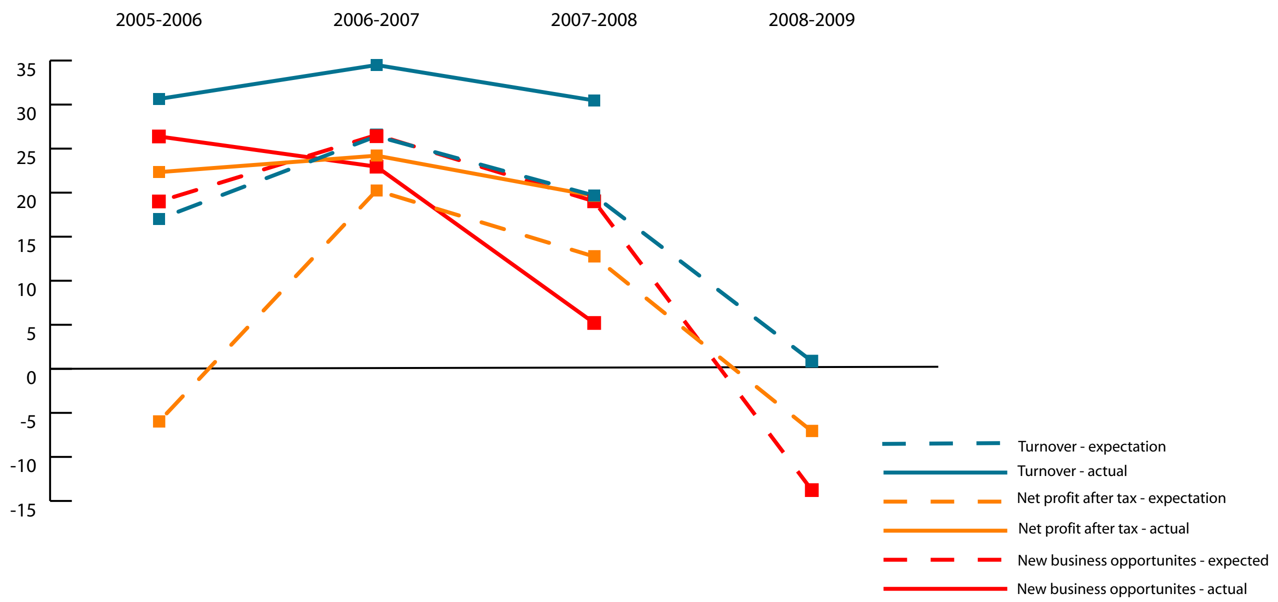
Using data from this and past member surveys, it has been possible to construct an index of expectations and experiences among the PCG membership. Members have been asked their expectations for the next twelve months compared to the last twelve across a variety of criteria; these can then be compared to their actual experiences of the same period in the following year's survey. Answers are given using a scale of "up" / "down" / same". By subtracting the percentage "down" answers from the "up" it is possible to construct an index of expectations over the last four years, and to compare how the actual experiences have compared.

The results show that confidence for the period 2008-9 has dropped significantly relative to previous years, having already dipped slightly for 2007-8. However, members' experiences in respect of their turnover and net profit has often tended to surpass their expectations; a contrast to this is their experience of the overall economic climate, where 2007-8 proved to be much worse than expected; new business opportunities dropped off considerably relative to expectations for the same period. It seems likely that when data is gathered for the 2008-9 period it will show PCG members encountering difficult conditions.

Index of expectations of economic climate against actual experiences

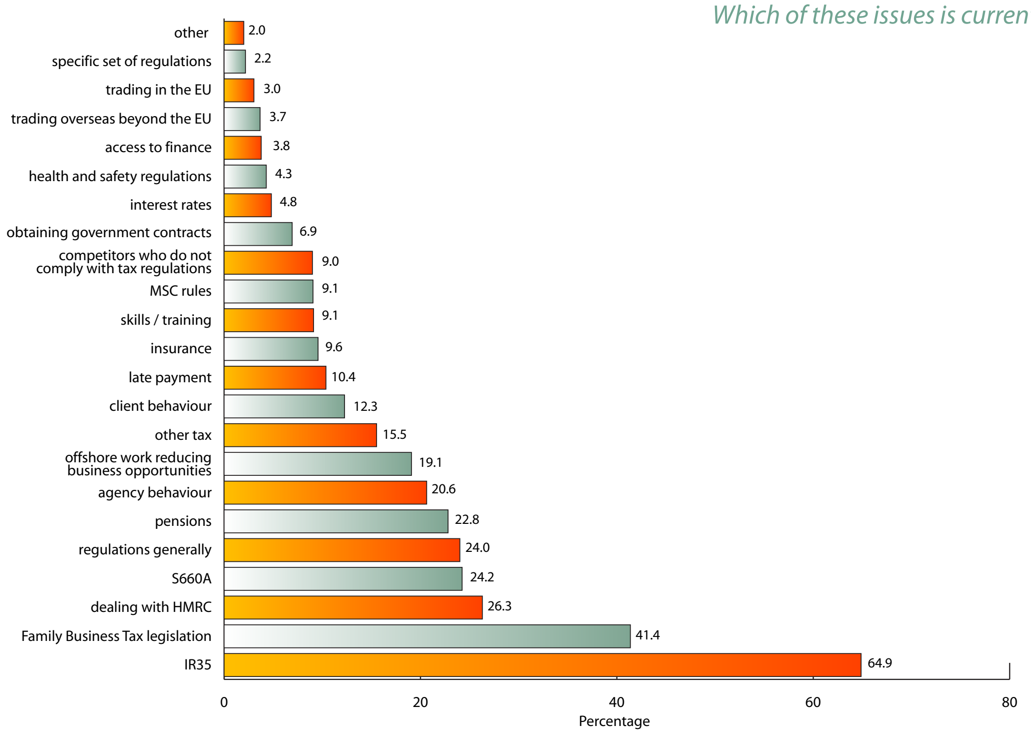


Index of business expectation against actual experience



policy and marketplace issues

Which of these issues is currently a problem for your business?



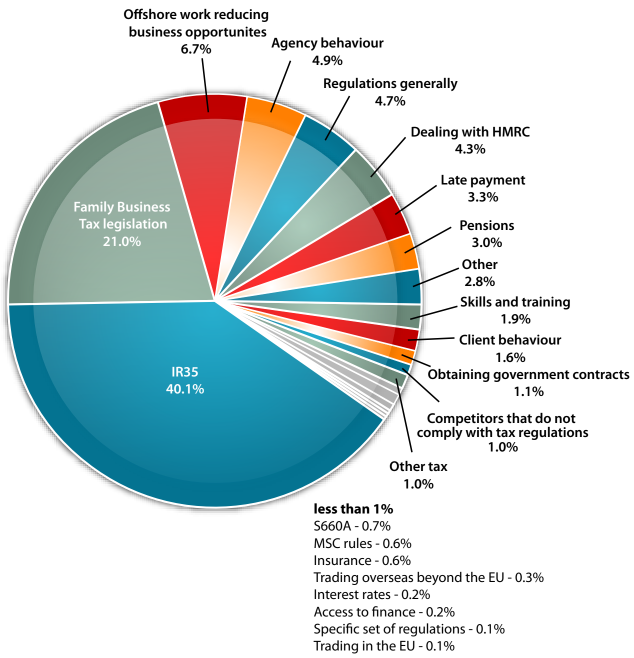
These results confirm outcomes from previous surveys in some respects, and mark a departure from them in others. The proportion of members citing competitors who fail to comply with their lawful obligations as a problem remains low, giving the lie to the repeated use of this justification by the Government for problematic tax measures. Dealing with HMRC comes far higher up the lists of problems.

It is striking that 41% of members regard the Family Business Tax (or "income shifting" rules) as a problem, and 21% see it as the biggest problem facing them, even though it is not yet in force and its final form is not known. This illustrates the inherent unfairness of the proposed measure, the practical difficulties associated with it, and the danger of allowing tax policy to develop without any clear strategic direction or clear rationale, leading to long periods of uncertainty.

The proportion of members citing IR35 as a problem remains unchanged since 2006; it has resumed its position as the single biggest problem by some distance, having been omitted from this question in last year's survey owing to the slightly distorting effect its dominance tends to have on the rest of the results.

Associated with the return to the mix of IR35 is the change in the position of agency behaviour. This emerged as the biggest problem bar IR35 last year, but has slipped down the list somewhat this year. This could mean that agency issues have become less serious in the marketplace over the intervening period, but this does not tally with other input PCG is receiving from its members. More likely, many of the problems associated with agencies are to do with IR35 (for instance, agencies failing to provide IR35-safe contracts), and now it is back in the list those problems have been isolated by members under the "IR35" heading rather than the "agency behaviour" one.

Which of the following is the biggest single problem for your business?

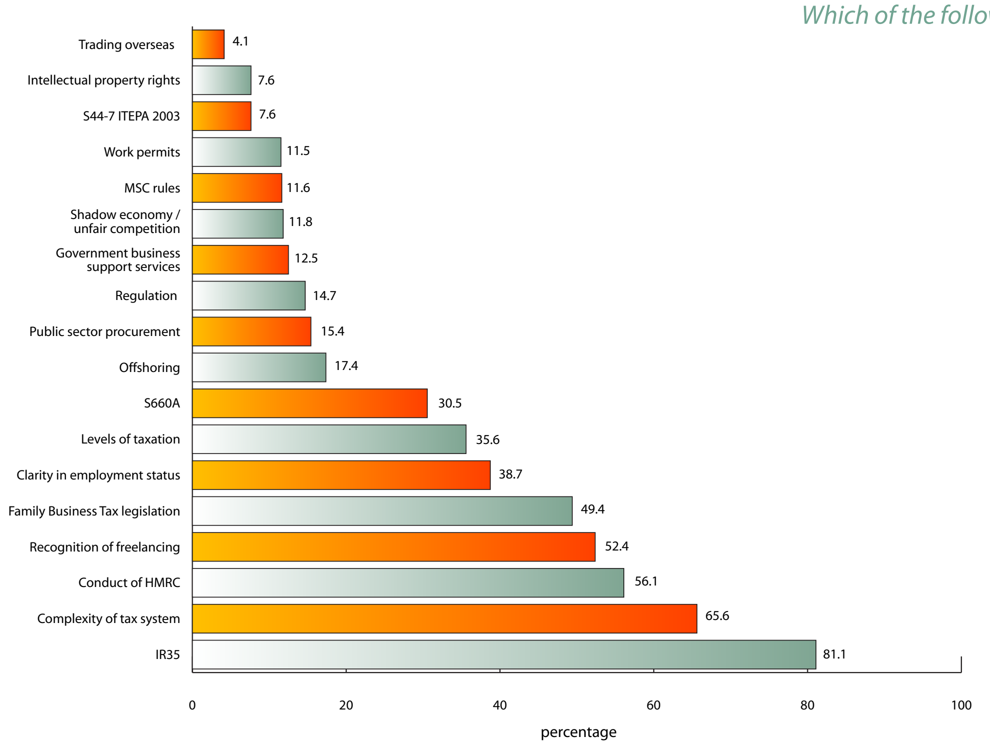


policy and marketplace issues

The position of S660A in these results is also interesting: the victory over HMRC in the House of Lords that saw off S660A as a threat to many businesses came during the period of the 2007 survey, so it is slightly surprising to see the issue still at the same level of responses in the 2008 survey as in the previous year. Evidently it is still an issue causing members concern: there may be confusion over the exact implications of the Lords' judgment.

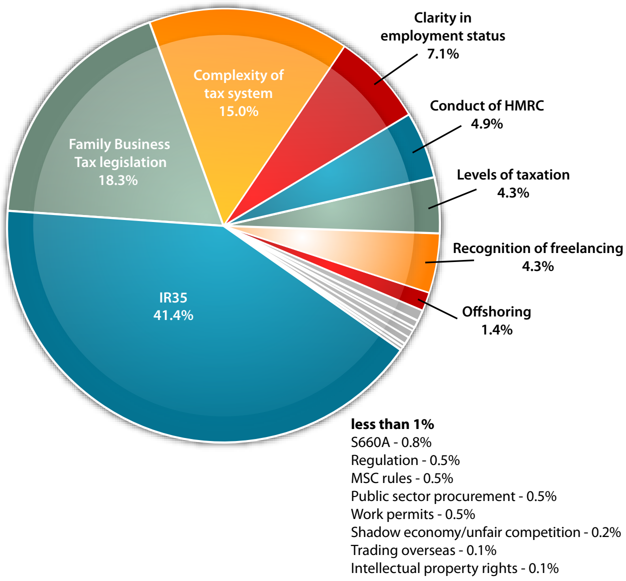
Offshoring also seems slightly less problematic this year than last: this may reflect a dropping-off in the rate at which work is being sent offshore. That said, it still comes high on the "single biggest issue" list, suggesting that while it might not be a problem for many, those affected by it are affected very seriously.

Which of the following should PCG campaign on?



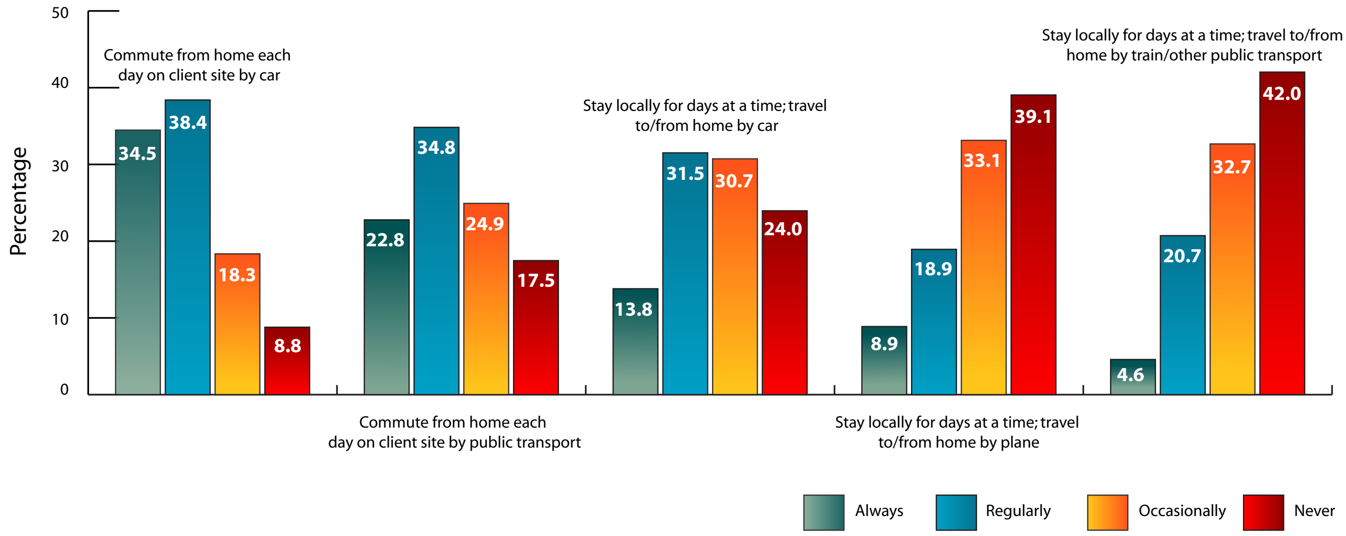
Which single issue is the most important for PCG to campaign on?

Once again IR35 dominates members' preferences for campaign issues: the extent to which it remains a poster-boy for bad law, and an affront to the UK's freelancers, should not be underestimated. On this evidence, the Family Business Tax looks likely to acquire a similar status. The difficulties associated with the tax system and employment status that PCG has highlighted for many years remain prominent choices. Offshoring, by contrast, scores lower on this measure than on the "problems" question.



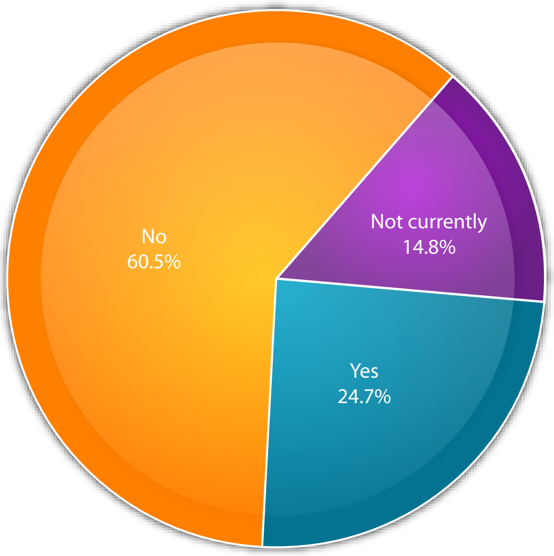
policy and marketplace issues

When working at a client's site how do you travel there?

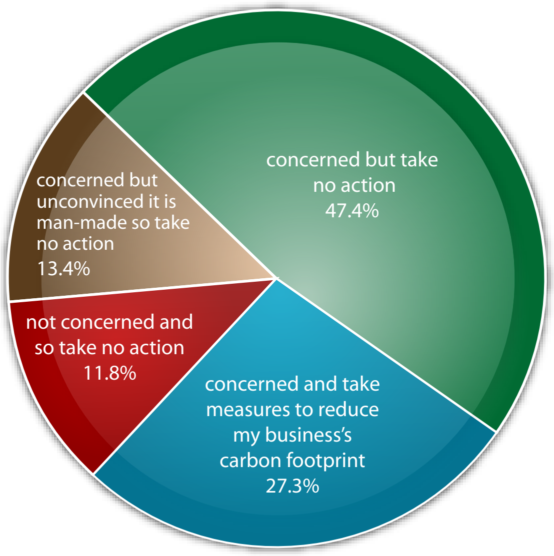


These responses illustrate the remarkable mobility of the freelance workforce: large numbers of freelancers move around the country, staying away from home for days at a time, in order to provide services to their clients. Some members never work within a day's commute of their homes, while many rely on air travel to get to their clients. These data show that any restrictions on the ability of freelancers to travel around the country, or even beyond it, risks endangering the flexibility of the UK labour market.

Does your business take measures to reduce or compensate for the environmental impact of its activities



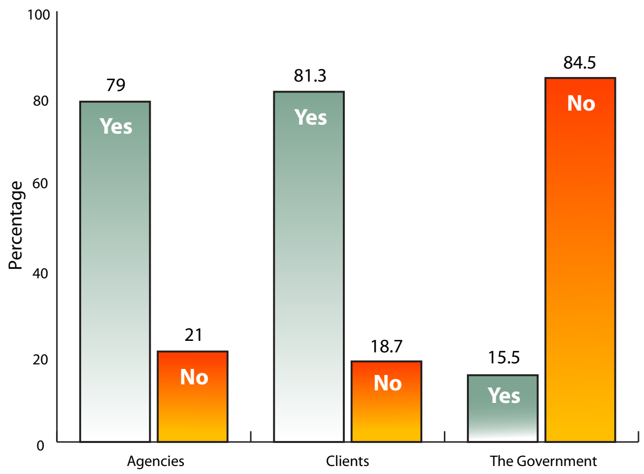
What is your attitude to the issue of global warming and does your business take action to reduce its environmental impact?



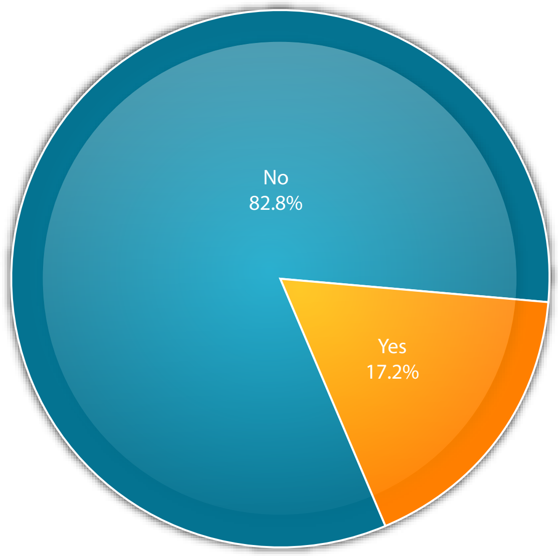
Given the small size of most PCG member businesses, and their services-based nature, it is unsurprising that most do not have environmental policies; nonetheless, it is remarkable that a quarter of PCG members do take steps to address the environmental impact of their business activities. Equally striking is the finding that more than one in ten PCG members are unconvinced that global warming is man-made, compared to only 6% of the broader population identified as believing that global warming is not man-made by Ipsos MORI in May 2008.

policy and marketplace issues

Do you feel freelancing is recognised as a valid business model by agencies, clients and the Government?



Have you ever known or witnessed - yourself or someone else - have a contract terminated after 48 weeks/11 months/a similar period in an attempt on the clients part to avoid employment rights?



These results are broadly in line with last year's findings, and suggest the problems that seem inherent in the freelance marketplace have not abated.

While roughly four in five PCG members feel that clients and agencies recognise freelancing as a valid business model, it is still noteworthy that one in five do not: PCG wishes to work with agency and client bodies to improve this situation by securing more appropriate treatment of freelancers by clients and agencies.

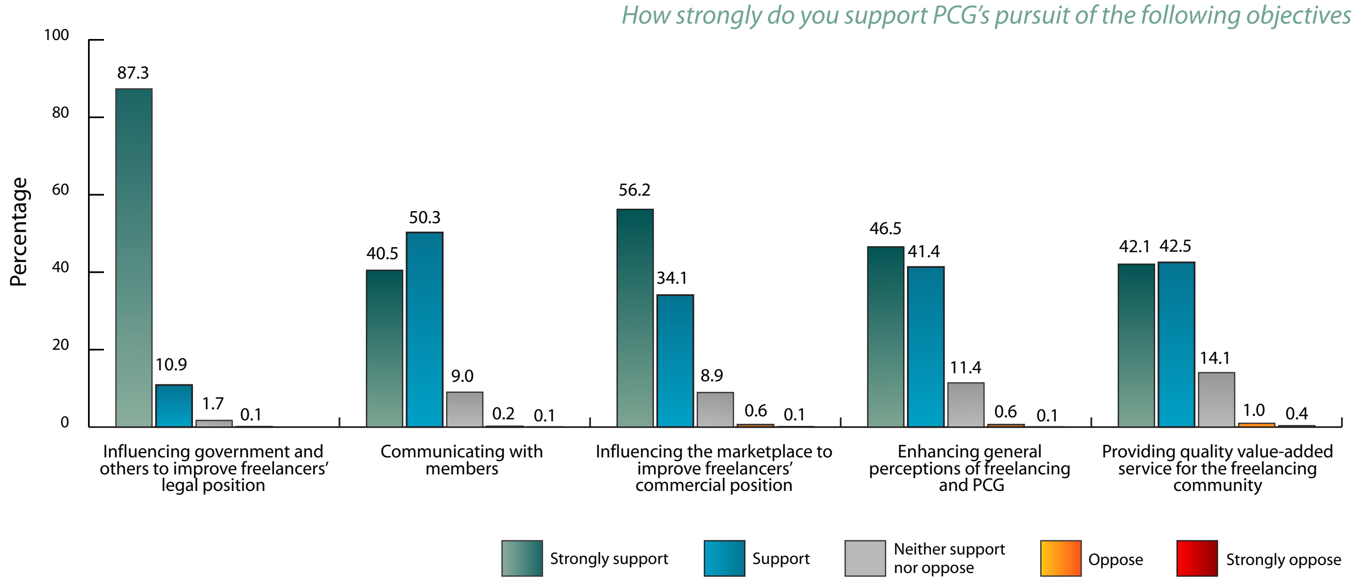
A significant example of current poor practice is the needless termination of freelancers after eleven months, supposedly to avoid employment rights: this is a legal nonsense, as well as being a commercial nonsense from the client's perspective, yet 17.2% of PCG members have seen it in practice. This might not seem like a significant figure at first glance, but it must be remembered that if clients understood how to engage freelance workers properly, the figure would be zero – it is a practice that benefits nobody.

More curiously on the issue of recognition, only 84.5% of respondents felt the Government did not recognise freelancing, compared to 95% in 2007. Unless there is some quirk in the sample that affects only this question, it seems that the Government must have done something to redeem itself in the eyes of a handful of PCG members – though we are at a loss to work out what it is.

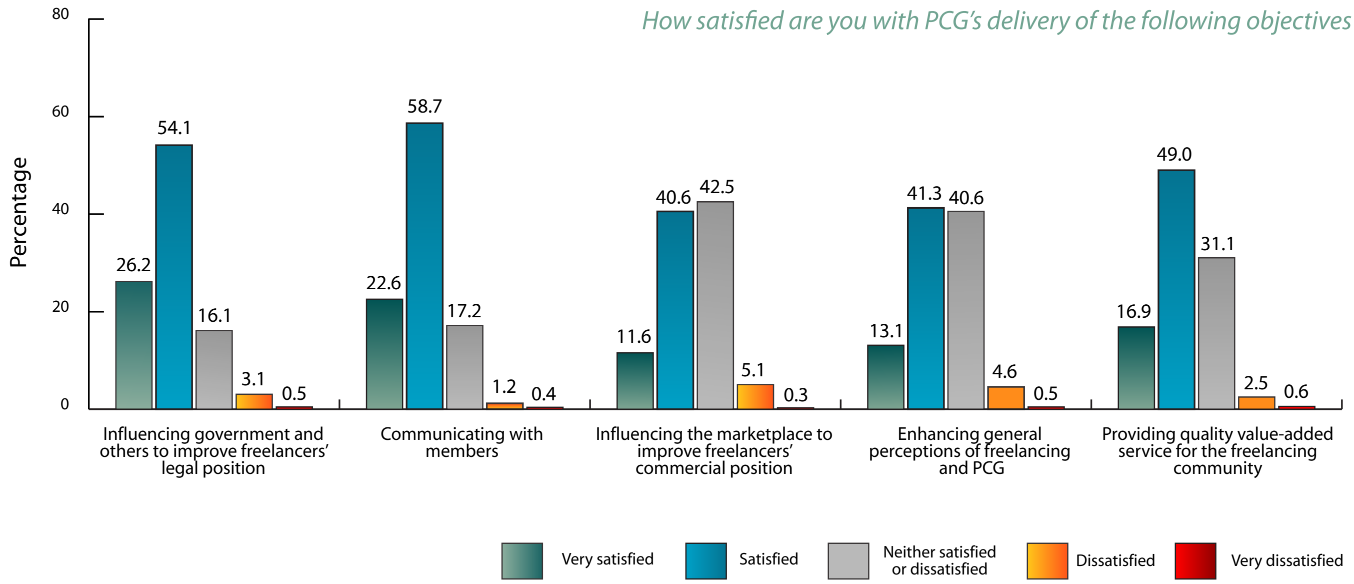
Nonetheless, the message that 84.5% of freelancers feel the Government does not recognise them should give the Government pause for thought: the result is such a stark contrast with that for agencies and clients, and is so overwhelming that it cannot simply be the result of imperfect perception and understanding on the part of respondents; it must surely have its explanation in the Government's policies.

member satisfaction

How strongly do you support PCG's pursuit of the following objectives?



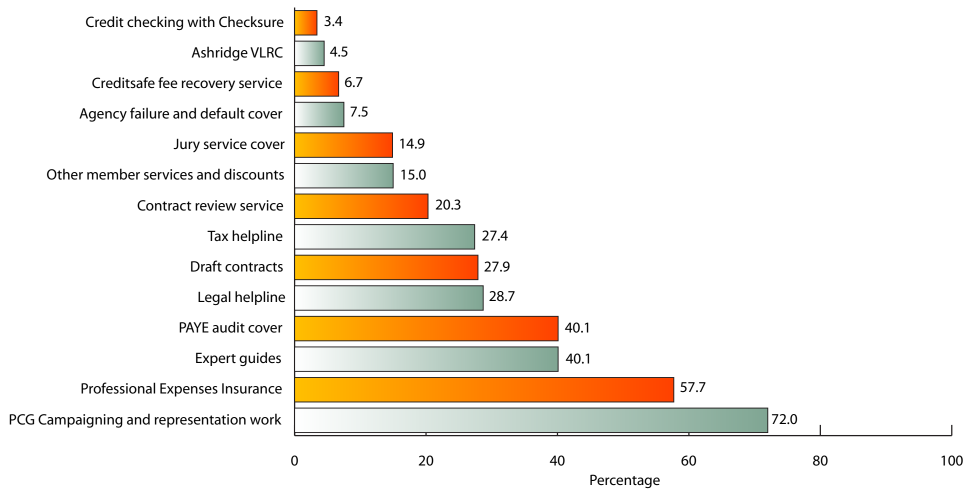
How satisfied are you with PCG's delivery of the following objectives?



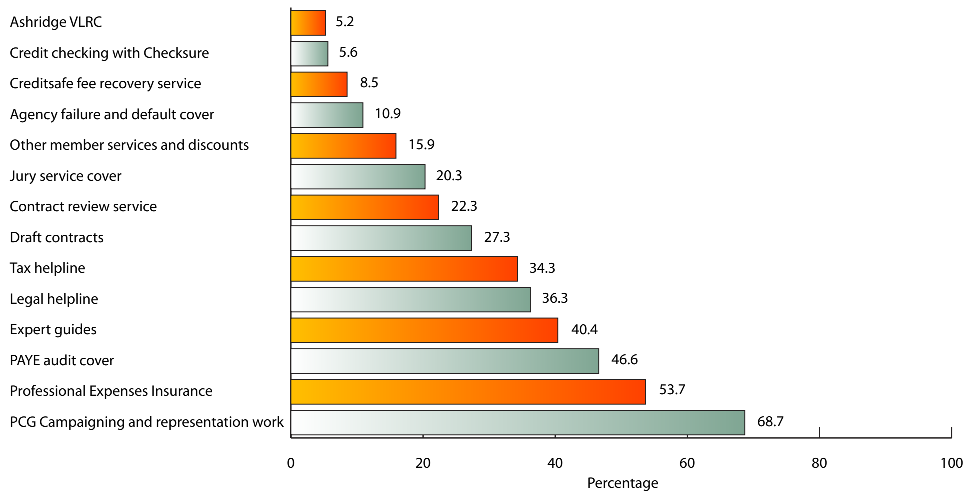
The objectives set out for PCG in this year's survey draw on the work of the strategic review of the organisation undertaken in the first half of 2008, although as the process was not finally complete at the time of the survey it did not utilise the final formal wording of the objectives finally arrived-at. Happily, the results showed very broad agreement with the objectives, and high levels of satisfaction with PCG's present delivery of them: the highest level of dissatisfaction at the performance on any individual objective was 5.4% (influencing the marketplace to improve freelancers' commercial position), compared to 18% on the most closely comparable objective in 2006.

member satisfaction

Why did you join PCG?

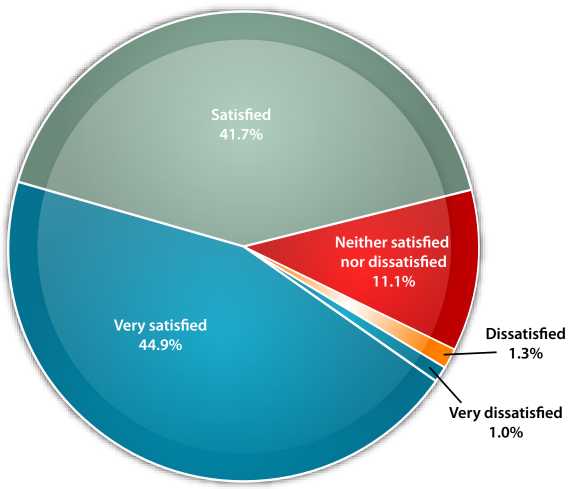


Why do you remain a member?



Unlike in previous years, there seems little difference between reasons for joining and reasons for staying. Arguably the top reasons for joining are more clearly distinct from the "tail" than is the case when the same criteria are offered a reasons for staying: perhaps some members find they use some of the "lesser" services more heavily than the "main" elements.

If you have had cause to contact the PCG office, how satisfied were you with how your query was dealt with?



These results compare very favourably with the last time this question was asked. In 2005 the equivalent responses were (from 'very satisfied' to 'very dissatisfied') : 17, 54, 22, 4 and 3 per cent.