



The voice of freelancing

membership survey 2007



introduction

PCG's annual membership survey continues to provide a fascinating insight into freelancing in the UK, particularly among highly-skilled professional freelancers. This year the survey focuses on policy and marketplace issues, with some startling results:

- the Government is clearly perceived not to understand freelancing or recognise it as a valid business model; seven years after it came into force, IR35 is still primarily resented not for its complexity or the cost burden it imposes (serious problems though they are), but for representing an affront to the UK's freelancers
- confidence in the economic outlook seems to be wobbling
- there is cause for concern over the relationship between freelancers and the agencies they use to find work.

These results will be used to shape PCG's priorities over the coming months: while PCG's relationship with the Government is well-established in many quarters,

there is always more to be done. Having won the Arctic Systems case since this survey was sent to members, PCG will be devoting attention to the new legislation that the Government is bringing forward, and also to lobbying for greater safeguards attached to HM Revenue and Customs, including a statutory duty of care.

PCG will also increase its efforts to work with partners throughout the freelance marketplace to spread its good practice message.

I would like to thank everyone who took the time to respond to the survey for doing so, and am delighted to present this summary of the findings.



David Ramsden

Chairman, Professional Contractors Group

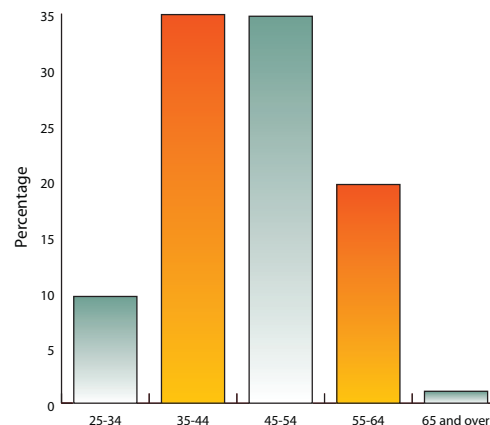
PCG membership

PCG's membership rose considerably from around 12,000 in May 2006 to over 14,500 by May 2007, and was approaching 16,000 by the end of the calendar year. This represents growth of one third in little over 18 months.

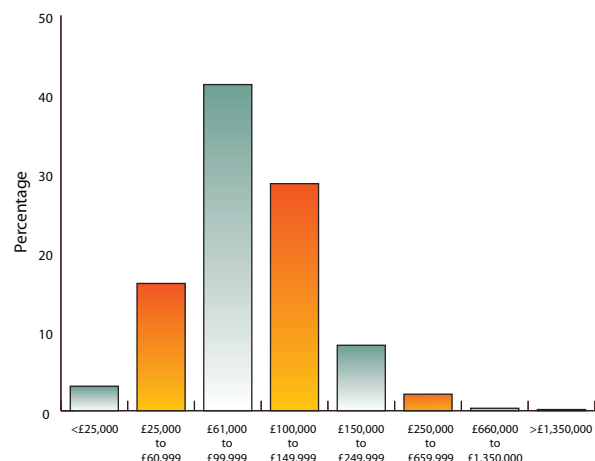
1,308 members responded to this year's survey, an increase from 2006 but a slight drop as a proportion of the membership, owing to the rise in member numbers. Nevertheless, at nearly 10% of the total membership at the time, this represents a good sample size.

The rise in member numbers has not significantly altered the profile of PCG's membership, however. Age and turnover breakdowns remain much the same as in previous years, as do several other characteristics of the membership. Overall, PCG members remain most likely to be IT, project management or engineering professionals, working in financial services, IT, the public sector, telecoms or oil and gas, with long tails of other functions and sectors also represented.

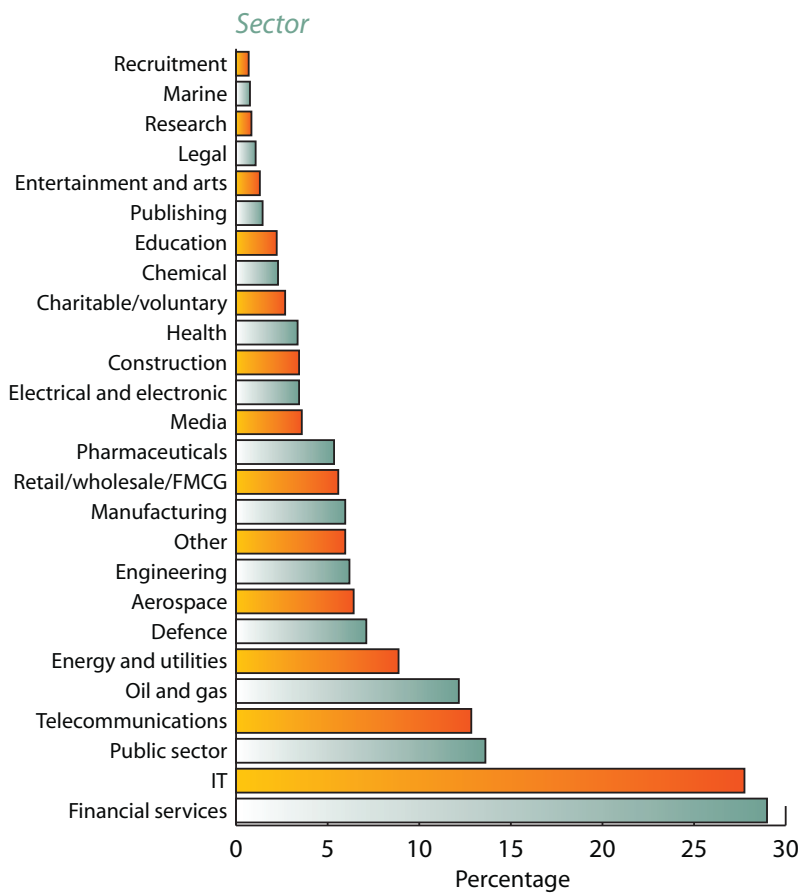
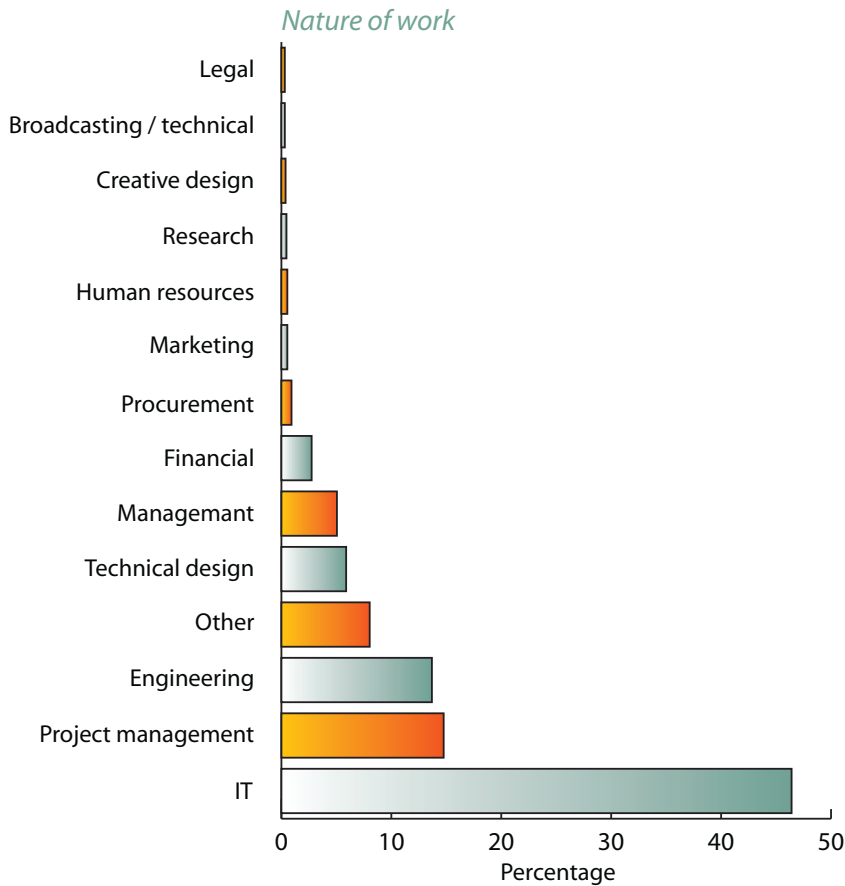
Age



Annual turnover

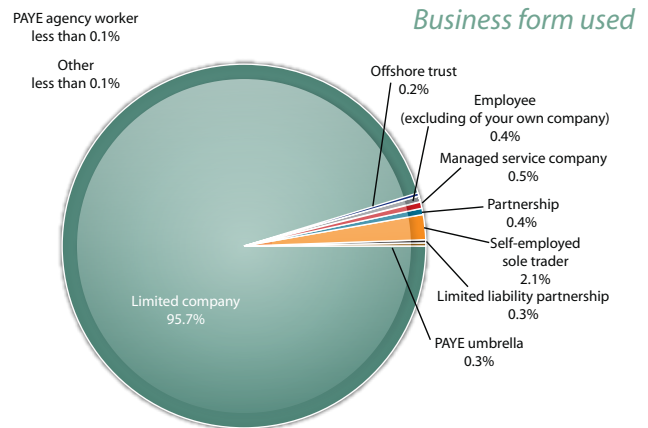


PCG membership

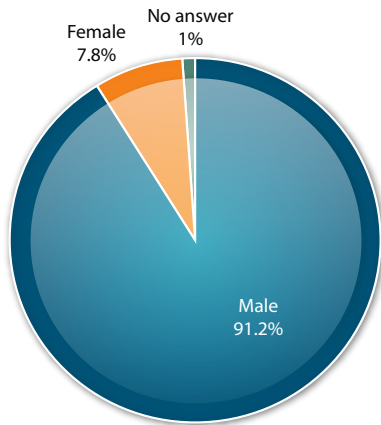


PCG membership

As in 2006, more than 90% of PCG's members run their own limited companies, although subsequent to this survey PCG has for the first time launched a membership package designed for sole traders, PCG Solo. Given the traditional preponderance of limited companies in PCG's membership, the new tax rules for Managed Service Companies have affected few existing members, although some of the sharpest rises in membership during 2007 occurred in the months immediately following the Budget in which they were introduced.



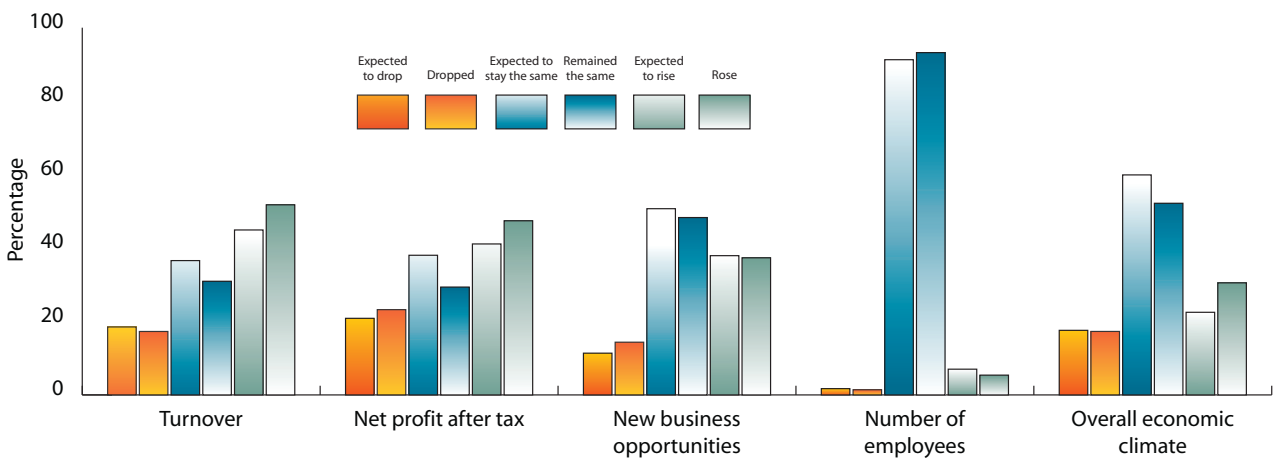
Gender



PCG's membership remains male-dominated. Labour Force Survey figures consistently show that self-employment in the UK is roughly 75% male, but it is unclear whether PCG's consistently higher rate of male membership is a product of the sectors in which its members operate, the type of functions they provide, or a straightforward bias in recruiting. PCG will be undertaking further research to assess the differences - if any - between freelancing as practised by PCG members and self-employment more broadly.

economic outlook

Expectations for 2007 (from 2006 survey) versus actual experience

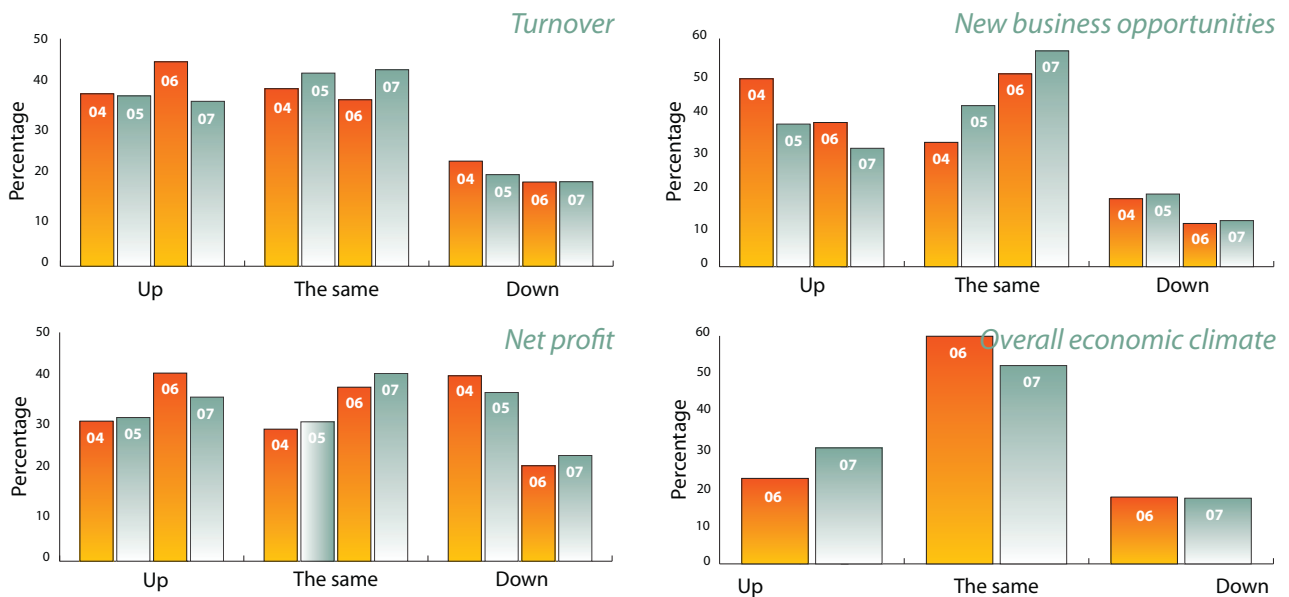


The 12 months to April 2007 seem to have panned out broadly in line with members' expectations; if anything, improvements in turnover and net profits have been seen by slightly more than expected.

Although the majority of PCG's members are not, and do not wish to be, employers, nonetheless 5.4% expanded their business's workforce in 2006-7, a slight increase on 4.8% in 2005-6. It seems that 5% or so of PCG's members either take on more employees, or make the step to becoming an employer, every year.

economic outlook

How do you expect the next year to compare with the last? (Expectations compared over the last 3 years)

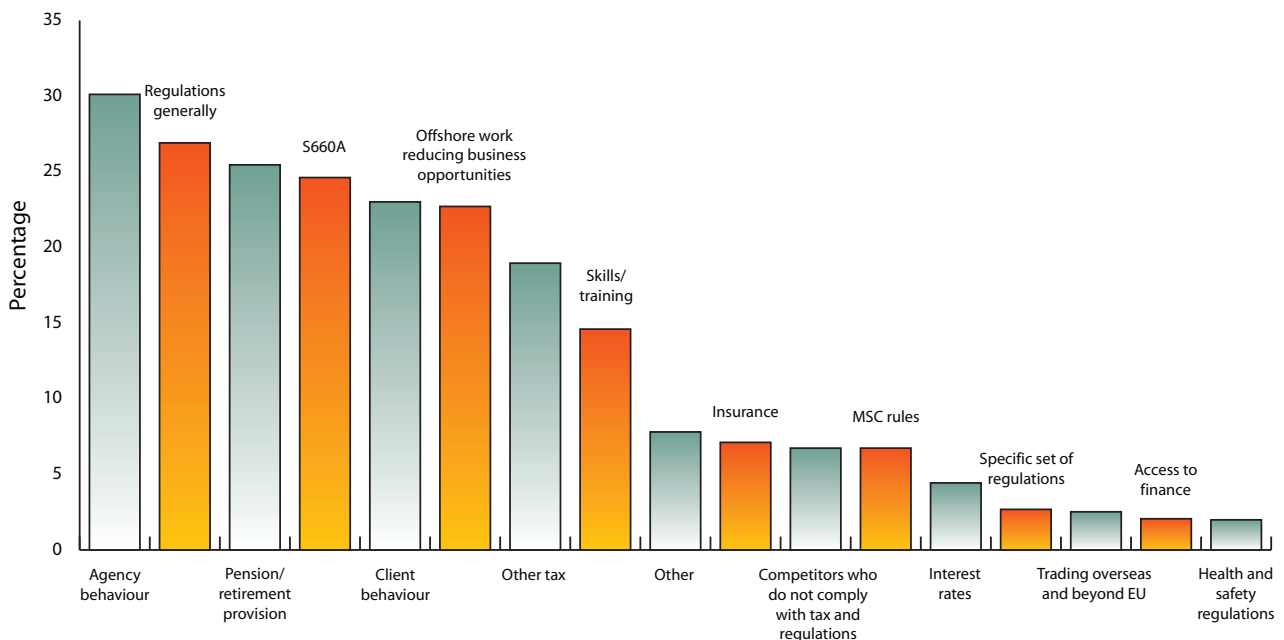


For the 12 months from April 2007, however, there seems to be a noticeable dip in confidence. Fewer members expect their turnover and net profit to rise than at the same time in 2006, and the proportion of members expecting to have more new business opportunities is down by 13%. Indeed, the proportion expecting an increase in turnover is the lowest in the last four years. Expectations have similarly worsened slightly for the overall economic outlook. These results do not show out and out pessimism among freelancers, but certainly they suggest that confidence in the marketplace is down from last year, to a surprising extent given that the prior twelve months were generally very positive.

policy findings

As in previous years, members were asked what were the biggest problems facing their businesses, and what they felt PCG should campaign on. In a break from previous surveys, IR35 was not included as an option in any of these questions: it has historically dominated them to such an extent that it skewed the results and made drawing conclusions about other answers – all of them poor also-rans by comparison – difficult.

Which of the following is currently a problem for your business?



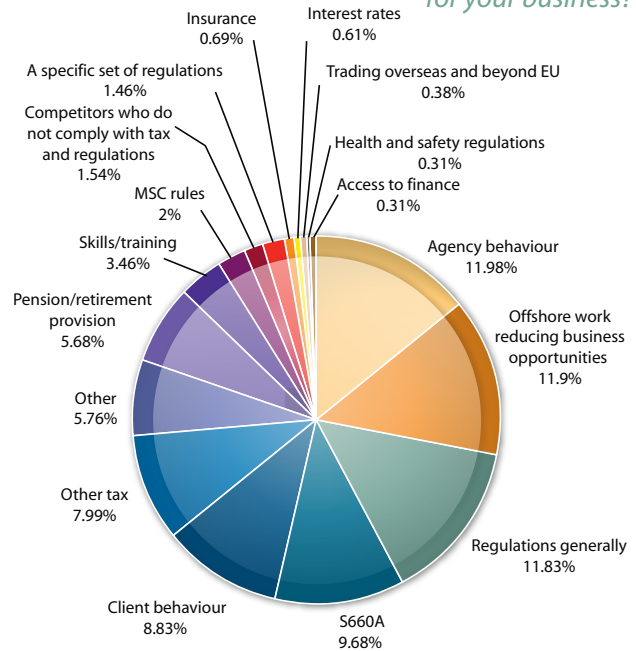
policy findings

The results are slightly startling: the biggest problem facing PCG members, aside from IR35, is the behaviour of agencies, which the majority of PCG members use to find work: 30% of members identify agencies as a problem, 12% as their biggest problem. Client behaviour also emerged as problematic, to a lesser extent. Further light is shed on this subject by specific questions on agencies and clients, discussed below.

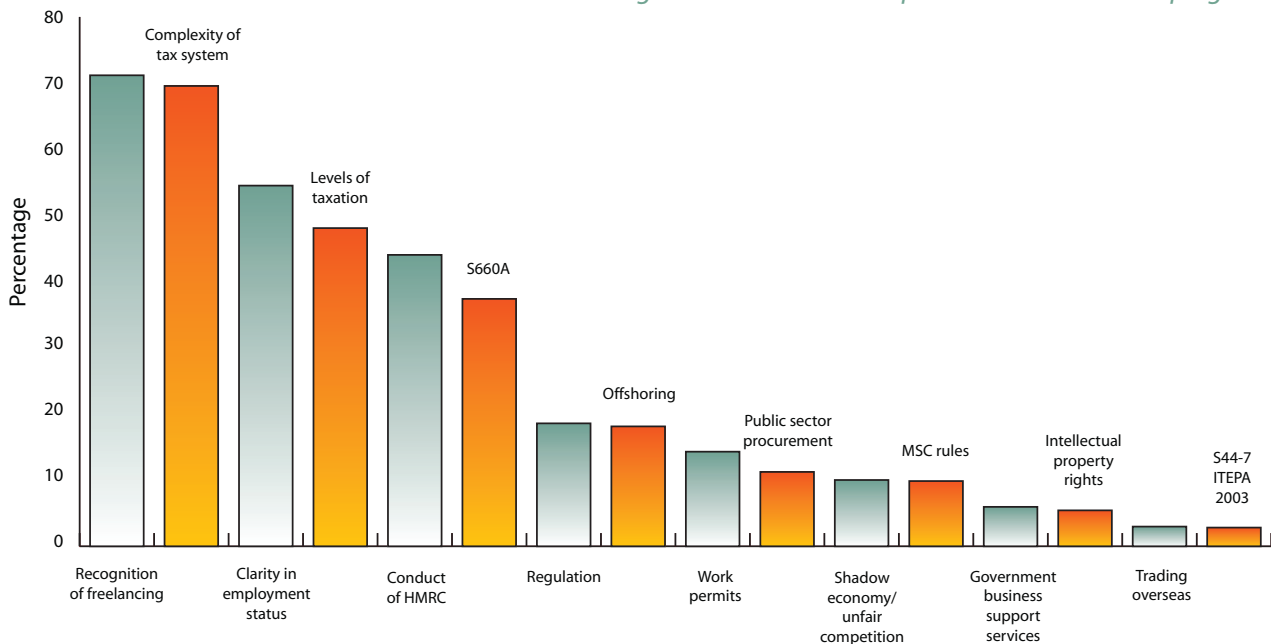
Retirement provision emerged as a problem for over a quarter of members, though only 6% listed it as their biggest difficulty. Regulations and S660A were the other biggest difficulties identified, though the result in the Arctic Systems case removed the latter subsequent to this survey being issued.

The offshoring of work affects relatively few members, but evidently affects many of these badly: 23% of members list it as a problem, but 12% identify it as their biggest single problem. Lobbying activity on the subject is more contentious, however: 19% want PCG to undertake it, but only 3% regard it as the top priority.

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



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



Some of the issues which were not identified as significant problems were equally interesting: PCG members are evidently not concerned about being under-cut by competitors who do not comply with their tax and regulatory obligations, nor are they overly concerned by the Managed Service Company rules or trading outside the UK.

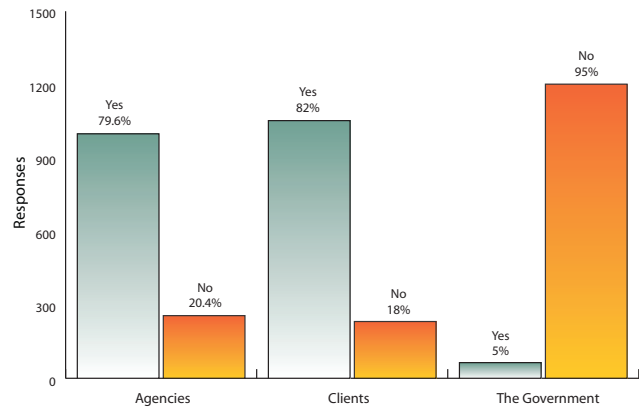
The results send a clear message about the desired campaigning priorities of PCG: freelancing needs to be better recognised, employment status clearer and the tax system simpler. The conduct of HM Revenue and Customs was also a popular choice, and levels of taxation even more so – the latter slightly unexpectedly, as two smaller-scale surveys in 2006 and 2007 had previously suggested that members' priorities were the other way round.

Several issues that attract regular attention on PCG's online forums emerge as low priorities from the survey: work permits and public sector procurement are among the examples.

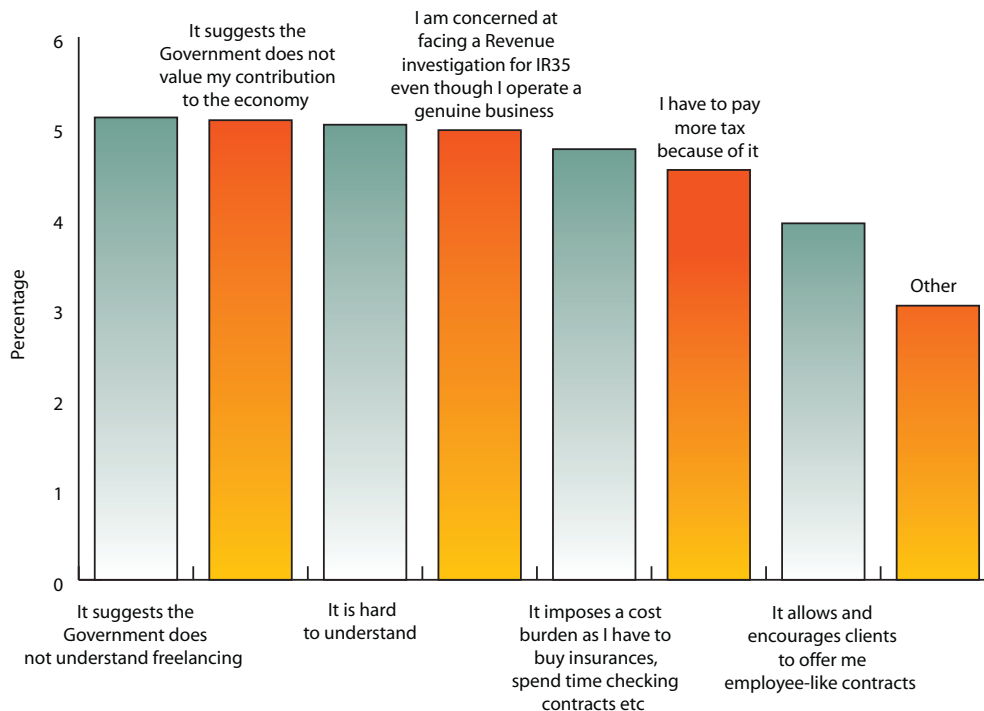
policy findings

Perhaps the most striking result of the entire survey is the extent to which PCG members feel that the Government does not recognise freelancing as a valid business model: for 95% of respondents to agree on an answer is as close to unanimity as a survey of this kind is ever likely to produce. This result is not replicated for agencies and clients, who about 80% of members regard as recognising freelancing. A gulf is evidently perceived to exist between the Government and the commercial world.

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



What do you most dislike about IR35?



A similar message emerged from the dedicated question on IR35. It is a given that IR35 is a controversial and disliked measure: PCG continues to criticise it on many levels, but this year we attempted to isolate what aspects of it are most resented. Respondents were asked to indicate what they dislike about IR35 and rank them in order. The percentage of responses for each option was awarded points from 1 to 8 (eight being the number of options available) and then divided by 100, giving a final score out of eight.

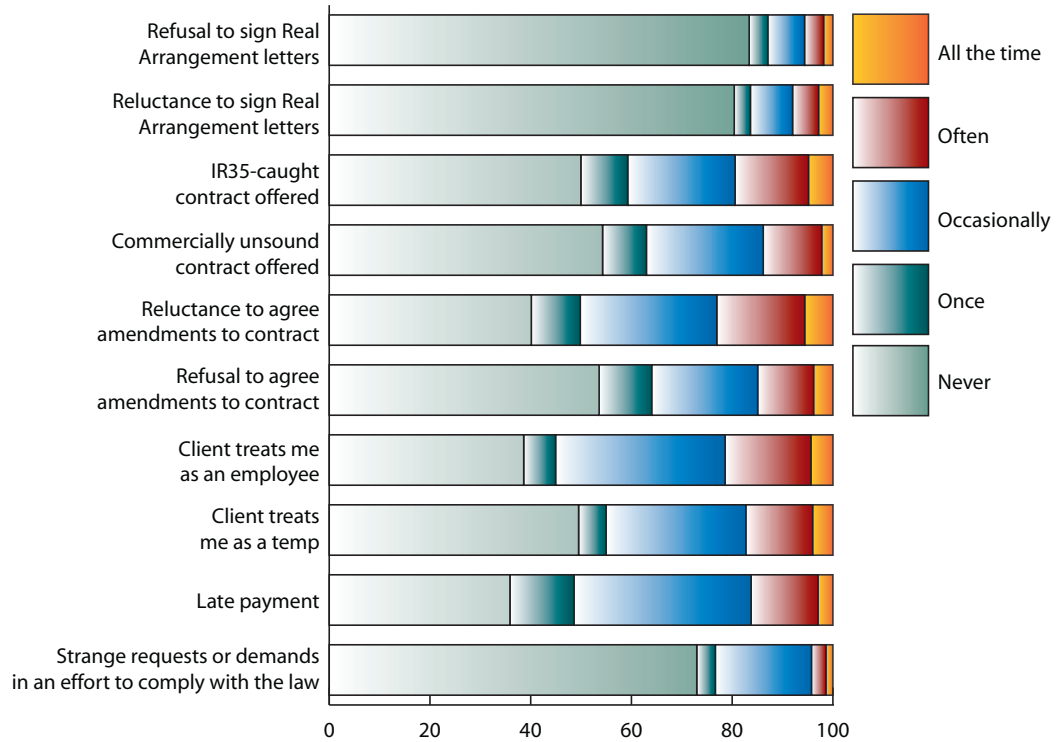
The results show a broad range of opinions among members about what is the worst aspect of IR35, as all the criteria achieved similar scores. It is significant that the top results reflect the resentment that IR35 has caused: more than seven years after it came into force, it is still resented as a slap in the face for the UK's freelancers. Further analysis of the results suggests that these two responses were very commonly marked as members' second-highest objection to IR35: there was considerably more variation in members' highest-rated objection.

Equally notable is that IR35 is not resented for imposing a tax rise on freelancers above many other reasons: we know from past surveys and PCG's track record in fighting IR35 cases (1,449 wins versus 5 losses) that PCG members have a strong track record of working outside IR35.

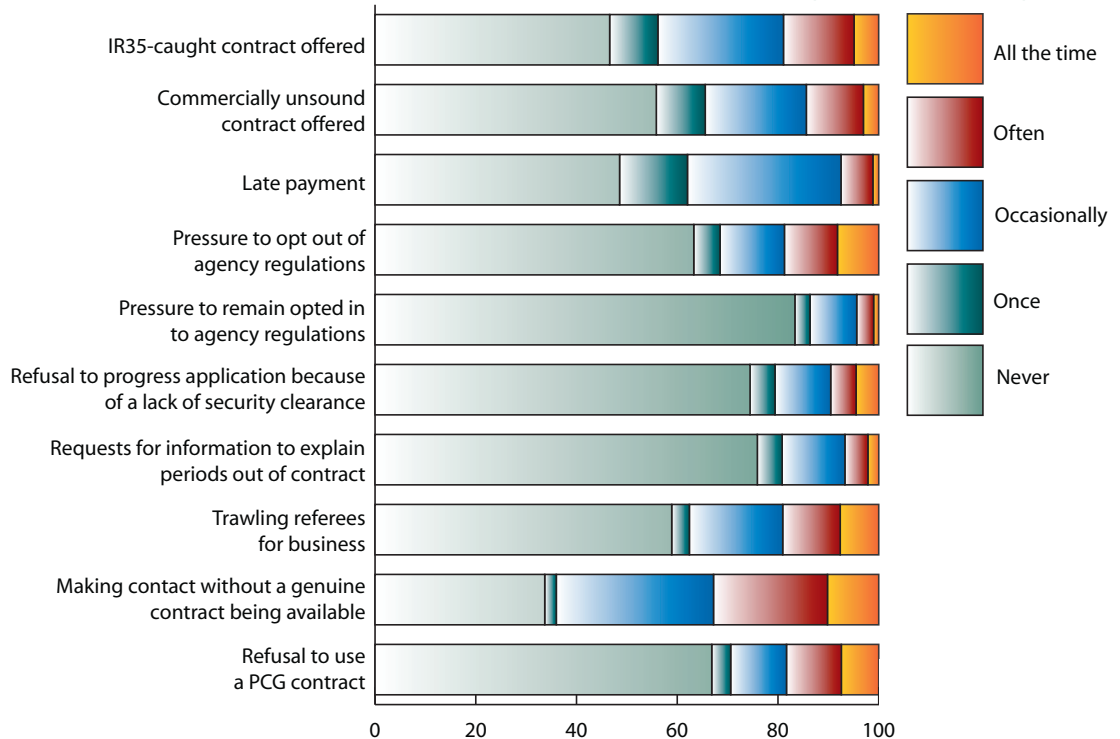
agencies and clients

This year's survey attempts to quantify, for the first time, some of the phenomena in the marketplace of which PCG regularly receives anecdotal reports.

How often if at all have you encountered the following problems with clients?



How often if at all have you encountered the following problems with agencies?



agencies and clients

There were numerous positive messages to emerge from these results: most freelancers do not seem to have trouble getting clients to sign Real Arrangements Letters to protect both parties in the event of future status disputes, for instance; two thirds of respondents have also never encountered a problem in using PCG’s template contracts. Other results highlighted problem areas for both agencies and clients, however.

About half of PCG members have been offered IR35-caught contracts at some point: this emphasises that IR35 creates no incentive for clients or agencies to provide proper commercial contracts. The majority have also experienced reluctance to amend contracts – for more than one in five members, this is a regular problem.

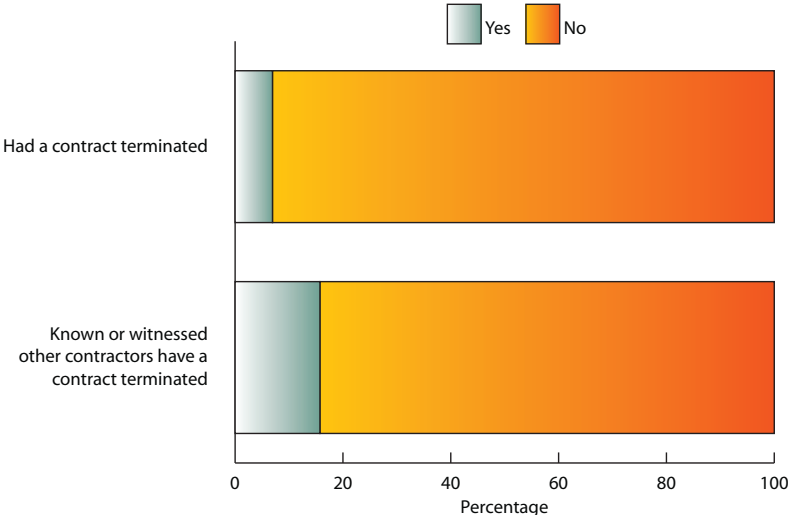
Late payment is a perpetual commercial risk, and the majority of respondents have experienced it from both clients and agencies; interestingly, clients seem to be seen at fault more often than agencies.

While a clear majority of members have never experienced pressure from agencies to opt in or out of the Agency Regulations, it is of concern that these majorities are not closer to 100%: such pressure is, of course, unlawful.

The most serious behavioural issues among agencies, however, seem to be the practices of trawling a contractor’s referees for business, which more than a third of members have encountered at least “occasionally”, and agencies making contact without a contract opportunity being available, which the majority of members have encountered.

Have you ever had a contract terminated by a client after 48 weeks/11 months/a similar period in an attempt on the client’s part to avoid employment rights?

Have you ever known or witnessed other contractors have a contract terminated by a client after 48 weeks/11 months/a similar period in an attempt on the client’s part to avoid employment rights?



Finally, PCG has been receiving reports of clients terminating contracts prior to a project’s completion, often at 48 weeks or 11 months, in an effort to avoid employment rights. These results indicate that this phenomenon clearly goes beyond the occasional isolated incident, with more than one in ten of PCG members having encountered it, and 7% of PCG members being on the receiving end. This strongly supports PCG’s belief that employment status in the UK is dangerously unclear.

GROUP

About PCG

The Professional Contractors Group (PCG) is the not-for-profit trade association for freelance consultants and contractors in the UK.

The value of freelancing

One in seven workers in the UK choose to work for themselves and freelancing has become the preferred way of working for the very best talent in every sector.

Our aim is to win proper recognition of independent freelancers, who provide industry with a flexible workforce, generate wealth and make a valuable contribution to the economy.

Our members

Our members work in a wide variety of sectors, including information technology, oil and gas, transport, engineering, finance and banking, management consultancy, marketing, media, telecommunications, construction and pharmaceuticals.

We work to promote our members commercially and support their development, actively developing tools, services and relationships that will assist them. Our objective is to help members improve and enhance their business prospects and continually improve the professionalism of the freelance community and the way in which it is perceived.

Member benefits

We offer our members a broad range of services, including cover under our insurance policies, legal and tax helplines, comprehensive guides, draft contracts and regular events.

Representation

We represent freelance consultants and contractors in the UK on matters relating to regulations, taxation, economics, employment and other issues that affect them.

In seeking to exert influence, our policy team engages in direct discussion with senior Ministers and civil servants, participates in consultation exercises, forges relationships with unions and other organisations and produces a comprehensive range of research and policy papers. In line with our case law strategy, we also support a selection of cases for our members each year.

For further information

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