

DEFINING AND ESTIMATING THE SIZE OF THE UK FREELANCE WORKFORCE

**A Report for the
Professional Contractors Group**

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EXECUTIVE SUMMARY

Introduction

- The self-employed and small businesses have become increasingly important contributors to national economic performance in the UK and many other advanced economies during the past three decades. Within the category of businesses without employees, it is arguably possible to distinguish a category of 'freelance worker'. 'Freelancer' is only one of a number of terms used to refer to this type of worker, and one whose usage is strongly associated with particular occupational and industry contexts. This study focuses on the workers referred to by the term 'freelance', under whatever descriptions they are identified in particular work settings.
- Given the limited knowledge of this important group within the UK workforce, the report addresses a number of key issues. Specifically, the principal objectives of the study are to: provide a definition of freelance work; derive estimates of the size of the UK freelance workforce; and profile their personal, work and organisational characteristics.
- To address these objectives, three major sources of primary and secondary data are investigated: the research literature, government guidance and case law on work status; official Government statistics; and primary data from ten key informants, representing a wide range of parties with an interest in freelance working – trade unions, recruitment agency associations, accountancy service providers and other bodies.

Defining the Freelance Workforce

- Freelance work is not a legal concept. Rather, the term is a customary one used by workers, end-users of labour services and other organisations in a range of work settings. Customary understandings in particular work contexts may overlap with, or diverge from, the definitions applied by HM Revenue and Customs (HMRC) and the legal system.
- Conventionally, freelance workers are skilled professional workers who are neither employers nor employees, supplying labour on a temporary basis under a contract for services for a fee to a range of business clients. Each of the criteria embedded in this conventional definition are examined: worker in/dependence; skill/occupation; nature of the client base; number of client relationships; and duration of client relationships. It is, of course, possible that individuals might define themselves as freelance independently of these criteria.

- Given the diverse ways in which freelance work might be defined, a number of plausible definitions may be adopted. Three definitions are presented: a broad one; a narrow one; and a third, intermediate, position, combining elements of the first two. The three definitions, and their characteristics, are detailed below.

Broad, Narrow and Intermediate Definitions of Freelance Status		
<i>Criterion</i>	<i>Broad Definition</i>	<i>Narrow Definition</i>
Legal status of workers	All self-employed workers and directors of limited companies without employees	Only self-employed workers and directors of limited companies without employees genuinely in business on their own account
Umbrella company working	Freelancers working under PAYE umbrella company arrangements included	Freelancers working under PAYE umbrella company arrangements excluded because they have the legal status of employee
Skill/occupation	All skills/occupations included	Only Standard Occupational Classification (SOC) major groups 1-3 included
Nature of client base	Organisational and personal clients	Organisational clients only
Number of clients	Workers with only a single client included	Workers with multiple clients only
Contract duration	Contracts of any duration included	Contracts of some specified maximum duration only
Primary/secondary work role	Workers working freelance in either their primary or secondary paid work role, on either a full-time or part-time basis	Workers working freelance in their primary paid work role on a full-time basis
Notes: the intermediate definition combines elements of the broad and narrow definitions (shaded).		

- The intermediate definition adopts a particular profile through the seven criteria. It takes the broad definition as a starting point but follows the narrow definition in relation to workers' legal status and the skill/occupation criterion. This is done partly for data availability reasons but also because this definition probably accords more closely with practitioner, academic and popular conceptions of freelance status.

Estimating the Size of the UK Freelance Workforce

- Using official data sources and key informant accounts, size estimates are provided of the intermediate broad and broad and definitions of the freelance workforce. Official UK data sources include the SME statistics published annually by the Department for Business, Enterprise and Regulatory Reform (BERR), and both published and unpublished Labour Force Survey (LFS) data. These two sources can be used to take different approaches to estimating the size of the freelance workforce, and can be triangulated to move towards a robust estimate.
- BERR provide data on the UK business stock, disaggregated by size of enterprise. BERR data on businesses without employees is relevant to constructing an estimate of the size of the freelance workforce because freelancers may be considered a subset of this larger group, subject to certain qualifications. The LFS provides quarterly estimates of the numbers of self-employed workers based on respondents' self-reports of their work status and provides a range of data on their individual, household and work characteristics. LFS is a study of approximately 50,000 individuals; results are grossed up to be representative of the population of working age.
- Estimates of the size of the freelance workforce vary with the definition of freelance status adopted and the data sources used to derive them. Estimates should be treated with caution in so far as they rely on data sources that have been created for other purposes and are known to be subject to error. But, given the absence of a data source specifically created to answer the questions addressed in this report, estimates have to be assembled as best they can from available sources.
- LFS data suggest the freelance workforce (intermediate definition) comprises approximately 1.4 million people. This figure includes 1¼ million people working freelance in their main job plus a further 183,000 people estimated to work freelance in a second job. This LFS figure includes the self-employed but also some of those working freelance through their own limited companies, through agencies and, very possibly, some who work through umbrella companies. LFS data suggests the freelance workforce (broad definition) is probably somewhere in the region of 3¼ million people.
- BERR business statistics suggests the freelance workforce (broad definition) is probably somewhere in the region of 4 million people. This estimate comprises the 3.77 million self-employed owner-managers in sole proprietorships and partnerships, and sole company directors, plus possibly 100-200,000 owner-directors in companies with multiple directors and no non-owning employees, and 40-250,000 individuals estimated to be working under PAYE umbrella

company arrangements. The intermediate definition of the freelance workforce would reduce this number to include only those genuinely in business in SOC1-3 occupations. BERR data enable no reliable estimate of this group or, consequently, the size of the freelance workforce (intermediate definition) to be made.

- LFS data for January-March 1998 suggest there were approximately 1.25 million self-employed without employees in SOC1-3 occupations (intermediate definition) and 2.74 millions in all occupations (broad definition). Comparison of 1998 and 2008 data suggest, therefore, that freelancer numbers have increased approximately 15 per cent (intermediate definition) and 20 per cent (broad definition) over the decade.
- Taking a broad definition of the freelance workforce, businesses without employees (excluding financial intermediation) generated an estimated £222 billion in sales during 2006, or approximately 8 per cent of private sector turnover. An estimate based on the intermediate definition of freelance status cannot be derived from BERR data but would reduce this figure, by possibly more than half, as freelancers in SOC1-3 occupations might be expected to earn more than those in other occupations.

Profiling the Freelance Workforce

- Freelance workers vary in their personal, work and organisational characteristics. Personal characteristics include gender, age, and educational qualifications. Work characteristics include: skill/occupation; business sector; and location. Organisational characteristics include the legal form of freelancers' businesses, including whether workers work alone or in combination with others, through agencies or under PAYE umbrella companies. These issues are explored using a combination of official statistics and key informant accounts.
- Focusing on SOC1-3 occupations (intermediate definition), official data sources indicate there are approximately 893,000 male self-employed without employees and 536,000 million females, suggesting 63 per cent of freelancers are male. On a broad definition of freelance status, there are approximately 2.3 million male self-employed without employees and approximately one million females, suggesting 70 per cent of freelancers are male. The higher incidence of female freelancers in SOC1-3 occupations is interesting given that women tend to be under-represented in higher-level occupations.
- There are very marked gender differences across occupational groups. Contrast 'skilled trades occupations', where 93 per cent of the self-employed without employees are male, with 'personal service occupations', where 90 per cent are female.

- The incidence of freelance working varies by occupational group. In the 'skilled trades occupations' there are more than one million self-employed without employees. In 'sales and customer service occupations' there are an estimated 67,000 self-employed without employees. Using the intermediate definition of freelance status, centring on SOC1-3 occupations, the largest group is 'associate professional and technical' occupations, with more than 600,000 workers (44 per cent of those in SOC1-3 occupations). 'Professional occupations' constitute 30 per cent, and 'managers and senior officials' 26 per cent of SOC1-3 occupations.
- The incidence of freelance working varies by industry, and by sub-sector within industries. At the Standard Industrial Classification Section level, proprietor numbers were highest in 'real estate, renting and business' activities (885,000) and in 'construction' (866,000).
- LFS data indicates that the vast majority of the self-employed without employees work freelance in their main job. On the intermediate definition, the figure is 87 per cent; on the broad definition, the figure is 92 per cent. Combining those who are freelance in both their main jobs and in their second jobs, suggests that 43 per cent of freelancers work on a part-time basis (intermediate definition), or 34 per cent on the broad definition.
- Many freelancers find work through temporary recruitment agencies. One estimate valued the temporary and contract recruitment market to be worth £23 billions in 2007. Estimates of the agency workforce vary widely, from 255,000 workers to nearly 1.4 millions. REC data suggests that only a very small proportion of agency workers (2 per cent) define themselves as freelance. This would appear to under-estimate the numbers meeting the definitions of freelance status discussed in the report and probably reflects the sector-specific use of the term.
- Freelancers working under PAYE umbrella company arrangements are hidden in official statistics because they appear as employees of the umbrella company rather than as self-employed or as company directors. Key informants suggested there may be 40,000 to 250,000 umbrella workers depending on the occupations included. Government sources put the figure at 100,000. This group has recently expanded and is an important component of the freelance workforce.

Conclusion

- Freelancers are an important component of the UK labour force. They supply valuable labour services to end-user clients and, on a broad definition, contribute 8 per cent of business turnover. Freelancers are a diverse group. They are men and women, young and old, operate in a wide range of industries and

occupational contexts, and use a variety of organisational forms. This report has gone some way towards identifying their numbers in the UK and their characteristics, but much research remains to be done.