



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) or 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.

1. 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 (Greene and Mole 2006). In the UK, there are close to four million self-employed workers (ONS 2008a), more than double the number in 1979 (Brooksbank 2006). Growth has been particularly marked among the very smallest businesses that consist solely of proprietors and do not employ others. At the start of 2007, the latest date for which official statistics are available, there were almost 3.5 million 'businesses without employees' in the formal economy, defined by the Department for Business, Enterprise and Regulatory Reform (BERR) as sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director. This group has increased in number from approximately 2.6 millions since 1994. This labour market shift is interpreted in various ways. Some commentators identify an increase in 'gold-collar' workers (Leighton et al. 2007), highly-skilled and highly-rewarded independent contractors, supplying labour services on a temporary basis to a range of end-user clients (Knell 2000). Others perceive a growth in the 'non-standard', 'flexible', 'contingent', 'atypical' or 'vulnerable' workforce, changes that are seen as detrimental to workers' interests in terms of benefits and job security (TUC 2008). No doubt both types of worker, and many in between, have increased in number in recent years.

Within the category of businesses with no employees, it is arguably possible to distinguish a category of 'freelance worker'. Although many freelance workers are self-employed, perhaps not all of the self-employed are freelancers. Commentators use a range of different terms to refer to such workers - contractor, self-employed worker, subcontractor, locum, own account worker, portfolio worker – but also describe a range of working relationships as freelance. In the media sector, for example, the term freelance is commonly used (Storey et al. 2005; Skillset 2006) but, in other sectors such

as IT, the term contractor is preferred. To complicate matters, the same term might be used to refer to freelance workers, but also to *contrast* with them; examples include temporary worker and flexible worker. We discuss terminology shortly.

There is no precise agreement, however, on the definition of freelance work (under whatever description), nor consequently, any agreement regarding the size of the UK freelance workforce or of the characteristics of freelance workers. Given the limited knowledge of this important group within the UK workforce, this 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 the personal, work and organisational characteristics of the freelance workforce.

To address these objectives, three major sources of primary and secondary data are investigated. First, the research literature, government guidance and case law on work status are examined to identify a range of criteria by which freelance workers might be defined and distinguished from other labour market actors. Second, official Government sources are explored in order to construct size estimates of the UK freelance workforce. Third, primary data from ten key informants, identified in discussion with the Professional Contractors Group, are presented. Informants were drawn from a wide range of organisations with an interest in freelance working – trade unions, recruitment agency associations, accountancy service providers and other bodies (Figure 1). Informants were knowledgeable about, and therefore felt better able to comment on, specific occupational groups rather than all those who might be defined as freelance. Examples provided by informants are used to illustrate the diversity of freelance arrangements. The interview topic guide is reproduced in the Appendix. Informants were also asked to identify other relevant sources of information. All interviews were audio-recorded.

Figure 1
Organisations from which Key Informants were Drawn
Association of Technology Staffing Companies (ATSCo)
Broadcasting Entertainment Cinematograph and Theatre Union (BECTU)
Brookson Ltd
Confederation of British Industry (CBI)
Focus for Research into Interim Management (FORIM)
Freelancers in the UK
JSA Group
National Union of Journalists (NUJ)
Professional Passport
Recruitment and Employment Confederation (REC)

At the outset, it is important to clarify key terms to avoid the confusion which besets much discussion of work status. The term ‘work status’ is preferred to the more commonly used term ‘employment status’ because use of the latter may, intentionally or inadvertently, prejudice the discussion of particular work relationships in favour of employment. The term ‘work status’ leaves open the question of the type of relationship between the worker and the end-user of labour services. ‘Temporary worker’ refers to all those who supply labour services to end-users on a temporary basis, whatever their work status, skill/occupation, and whether they work through a temporary agency or not. ‘End-users of labour services’ include both employers *and* clients of temporary agencies who deploy the workers engaged on their behalf.¹ The term ‘freelance’ refers to a particular type of relationship between temporary worker and end-user, and ‘freelancer’ to the worker engaged in such relationships. This study focuses on the workers referred to by the term ‘freelance’, under whatever descriptions they are identified in particular work settings.

¹ UK law distinguishes employment *agencies* and employment *businesses*. Employment agencies introduce work seekers to client employers for direct employment by those employers. Employment businesses engage work-seekers under either contracts for services or contracts of employment and supply them to client hirers for temporary assignments or contracts where they will be under the hirers’ supervision or control (DTI 2004). We use the terms ‘employment business’ and ‘temporary agency’ as synonyms.

The report is structured as follows. Section Two considers various criteria relevant to the definition of freelance status and proposes three possible definitions. In Section Three, using two of these definitions, estimates of the size of the freelance workforce in the UK are developed. Section Four presents data on the personal, work and organisational characteristics of the freelance workforce. We conclude by summarising the key points and estimates.

2. DEFINING THE FREELANCE WORKFORCE

This section is concerned with arguments surrounding the definition of freelance status and with distinguishing freelance workers from other actors on the supply side of the labour market. Freelance work is not a legal concept, defined by UK statute or by common law. Rather, the term is a customary one deriving from usage by workers, end-users of labour services and other organisations in a range of work settings. One key informant commented that, for Government, freelancing tends to be understood in terms of a technical definition of work status. In contrast, for agencies, freelancers might cut across work statuses, and incorporate agency workers, umbrella company employees and those working through their own limited company. Individual workers often define themselves as freelance on the basis of paying their own National Insurance Contributions (NICs). Another respondent noted that, for his organisation, freelancers are defined as those who are *not* on a continuing contract with a single employer that runs for a year or more. This group includes Schedule D self-employed, independent contractors operating through their own limited companies and PAYE employees on short-term employment contracts with tax deducted at source. Customary understandings of freelance status in particular work contexts may overlap with, or diverge from, the definitions applied by HM Revenue and Customs (HMRC), employment tribunals and the courts.

As a starting point, perhaps the freelance worker can provisionally be defined as a skilled professional who is neither an employer nor an employee, supplying labour on a temporary basis, under a commercial contract *for* services for a fee to a range of business clients. Employees, conversely, perform work under a contract *of* service to an employer for a wage or salary. Being a customary term, freelance work relationships in different work contexts may share a family resemblance, but also vary in important respects. Even within specific work settings, key informants reported a variety of freelance arrangements.

Next, we discuss each of the criteria embedded within this provisional definition. It follows from the variety of criteria used to demarcate freelance working from other work statuses that a number of definitions of freelance work are possible. Individuals might, of course, define themselves as freelance independently of these criteria. The criteria to be discussed are the following:

- worker in/dependence;
- skill/occupation;
- nature of the client base;
- number of client relationships;
- duration of client relationships.

Three definitions are presented to frame the subsequent discussion where each of the criteria is examined in depth: a broad one; a narrow one; and a third, intermediate, position, combining elements of the first two (Figure 2). On a broad definition, freelancers might be defined as all self-employed workers and company directors without employees, supplying labour services at all skill/occupational levels, to both organisational and personal clients, including through agencies or umbrella companies, with no maximum time period for any particular end-user engagement. A narrow definition might focus only on the self-employed and company directors with no employees, genuinely in business on their own account, deploying particular skills (or

undertaking a specific subset of occupations), providing labour services only to organisational clients, with some specified maximum time period for any particular end-user engagement (to avoid being perceived as an employee), on a self-employed basis, through their own limited companies or an agency but *not* via umbrella companies.

Figure 2		
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 company directors without employees	Only self-employed workers and company directors 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).		

Clearly, various middle paths could be traversed between the broad and narrow definitions presented here. We propose to combine elements of the two and to suggest

a third, intermediate, definition that adopts a particular profile through the seven criteria listed in Figure 2. The intermediate definition starts with the broad definition but adopts the narrow definition in relation to workers' legal status and skill/occupation. 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. Published data on the number of people supplying labour services through PAYE umbrella companies, the nature and number of end-users with whom workers deal, and contract duration are not available. So, while the importance of these criteria are acknowledged, with the exception of numbers working for umbrella companies, further data on these issues are not presented. The broad and the intermediate definitions (but not the narrow definition) will be used to derive size estimates of the UK freelance workforce. The criteria listed in Figure 2 are now discussed in depth, starting with the issue of worker in/dependence.

Independent or Dependent Worker?

In principle, it is possible to position individual workers on a continuum with independent and dependent workers at opposite poles (Figure 3). A broad definition of the freelance workforce includes self-employed sole proprietors and partners, and companies comprising only employee directors, with no other employees, whether or not they are genuinely in business on their own account. Employees are the typical dependent worker in so far as they depend upon employers to provide them with work to do, but some self-employed workers may also be dependent in this sense. In the intermediate and narrow definitions, freelance workers are located at the 'independent worker' pole of the continuum in Figure 3 and, therefore, cannot be employees or dependent self-employed workers. Key informants shared this view of the freelance worker as an independent operator, one capable of making a positive choice to become a freelancer rather than having the status foisted upon them by end-users.

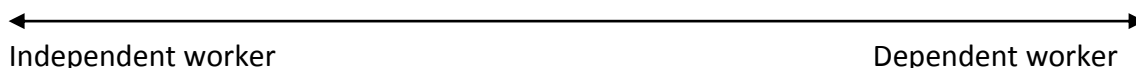


Figure 3: Mapping Worker Independence

But how are individual workers to be located on this continuum? There are a number of approaches to determining whether workers are independent or dependent. UK law defines individuals as either employees (including of their own limited companies) or self-employed in relation to tax status, and employees, self-employed or workers in relation to employment rights.² It is important to remember that workers may have different relationships with multiple end-users simultaneously, so a worker may be an employee in relation to one end-user and self-employed in relation to another.

To begin, we consider official Government guidance on work status for tax and National Insurance (NI) purposes.³ HMRC distinguishes employees and the self-employed in order to determine which National Insurance contributions are payable: Class 1 contributions are payable by employees; Class 2 and Class 4 contributions are payable by the self-employed. The self-employed are also permitted to make certain expenses tax deductible. There is no statutory definition of a contract *of service* (employment) or a contract *for services* (self-employment). Nor is the parties' definition of their relationship final. HMRC suggest the self-employed are in business on their own account, whereas employees are not. They pose a number of detailed questions on their website, derived from common law principles laid down by the courts over the years, to enable individuals to assess their own work statuses in relation to particular end-users of their labour services:⁴

² 'Workers' are a wider group than 'employees', including some of the self-employed. New legal protections have been introduced for workers in the past decade, for example, minimum wages and working time rights.

³ <http://www.hmrc.gov.uk/employment-status/index.htm>

⁴ <http://www.hmrc.gov.uk/employment-status/index.htm#1>

- can workers hire someone to do the work or engage helpers at their own expense?
- do they risk their own money?
- do they provide the main items of equipment they need to do the job?
- can they agree to do the job for a fixed price regardless of how long the job may take?
- can they decide what work to do, how and when to do the work and where to provide the services?
- do they regularly work for a number of different people?
- do they have to correct unsatisfactory work in their own time and at their own expense?

Where these questions are answered in the affirmative, this *probably* indicates self-employed status. In practice, it is not always easy to distinguish between an independent and a dependent worker; there is a considerable 'grey area' between the two statuses. **First, several of these questions are matters of degree rather than black-and-white, either/or issues.** All employees, for instance, although dependent upon their employers to provide work for them to do, exercise some degree of control over the methods, pace and location of work, and no independent worker has complete control. Many self-employed temporary workers are required by end-users to work at particular locations at particular times, using particular equipment and reporting to particular managers. Freelance journalists, for instance, often work for particular end-users the same days every week, sit at the same desk, work the same hours, and report to the same manager yet are paid gross. Distinguishing work status on the basis of control inevitably involves judgement: how much control over work justifies the definition of a worker as 'independent'? Commentators have described some of the self-employed as 'dependent self-employed' (Burchell et al. 1999), 'disguised wage labourers' (Rainbird 1991), 'entreploees' (Pongratz and Günter 2003), or 'reluctant entrepreneurs' (Stanworth and Stanworth 1997) on the grounds that their working

arrangements are little different to those of employees with regard to degree of control (Muehlberger 2007); the business relationship, it is argued, often simply conceals what is, in practice, an employment relationship. **A second issue is that a clear position on one dimension may be combined with a clearly opposed position on another.** Workers may, for instance, risk their own money in working for an end-user, but utilise end-users' premises, facilities and tools to perform their work. Are such workers dependent or independent?

Third, workers might operate through a variety of intermediaries and this may be relevant to their work status. Here we discuss temporary workers supplying labour services through their own limited companies, through PAYE umbrella companies and through employment businesses. Workers supplying labour services as company directors might be considered a good example of an independent worker.⁵ Policy makers have, however, been concerned that such working arrangements have been used improperly to limit tax liability by disguising what is, in essence, an employment contract as a commercial contract. Intermediaries legislation, known as IR35, was introduced in 2000 to address this issue by treating fees paid to certain kinds of single-member private companies as employment income, in cases where the individual would otherwise be regarded as an employee of the client had it not been for the intermediary.⁶ Critics argue that IR35 is a blunt instrument, failing to distinguish adequately between genuinely independent freelancers on the one hand, and disguised employees on the other. Moreover, IR35 has been argued to have created a third class of worker in addition to employees and the self-employed - the 'quasi self-employed' (Busby 2002) - a group with the tax and NI status of employees but without any of the protection generally afforded. Alternatively, freelancers may operate under PAYE umbrella company arrangements where they become employees, but not directors, of

⁵ Directors may or may not be employees of the company. Where they have a contract of service, they may be employees, but are subject to the same tests as others in determining their work status (Pitt 2007).

⁶ IR35 takes its name from the Inland Revenue (now HMRC) press release in which details of the scheme were first outlined <http://www.hmrc.gov.uk/IR35/index.htm>

the umbrella company, with the umbrella responsible for invoicing clients on behalf of freelancers and for paying the freelancer's salary net of tax and NIC deductions. Freelancers may also supply their labour services through employment businesses. The status of such workers is the subject of much discussion and case law.

In disputed cases, courts and employment tribunals typically apply a multi-factor approach to determine individuals' work statuses, in which several factors are relevant to the decision, although none are decisive in all situations; these include the common law control, integration, economic reality, mutuality of obligation and personal service tests (Pitt 2007). One important factor is the requirement to perform work personally. Where workers are required to perform work personally, the courts are likely to define them as employees; where they are able to delegate tasks to others, the courts are more likely to define them as self-employed or as in business on their own account. Case law concerning 'triangular' or 'multilateral' relationships between temporary workers, end-users, employment businesses, and intermediaries has, some have argued, produced 'legal incoherence' and 'practical difficulties' (Wynn and Leighton 2006: 319). Employment tribunals and courts are struggling to find a way to deal with temporary agency workers and their relations with employment businesses and end-users using principles derived from a 2-party relationship. Judges have often been prepared to construct an implied contract with end-users which operates independently of the express bargain with the agency and imply a contract of employment between temporary agency workers and end-users, in order to protect those perceived as in need of it (Leighton and Wynn 2008). The Court of Appeal decision in *James v Greenwich Borough Council* suggested a possible reversal of this trend (Wynn 2008), but, more recently, the EAT has found that where there is some personal negotiation over terms between temporary worker and end-user, there may still be an implied contract of service with the end user.⁷ Where workers are deemed by the court to supply labour services under their own control, operate outside end-user systems and procedures, are

⁷ I am grateful to Michael Wynn for this point.

not in an economically dependent relationship with the end-user, and where the contracting parties have no mutual obligation to provide or perform work, the worker will usually be defined as self-employed. Workers whose relationships lack these features will usually be defined as employees.

Skill/Occupation

Is it possible to distinguish freelance workers (under whatever description) from non-freelancers on the basis of the skill content of their jobs? A broad definition of the freelance workforce might encompass all skill/occupational levels whereas a narrow or intermediate definition focuses on a subset of skills/occupations. The research literature typically uses the term freelance to describe workers using particular skills, specifically those in managerial, professional, scientific, technical and creative occupations - interim managers (e.g. Goss and Bridson 1998; Inkson et al. 2001; Russell and Daniell 2005), media workers (e.g. Baines 1999; Ursell et al. 2000; Dex et al. 2000; Paterson 2001; Platman 2004; Antcliff et al. 2007), IT contractors (Barley and Kunda 2006), PR practitioners (Tench et al. 2002), translators (Fraser and Gold 2001), proof-readers (Stanworth and Stanworth 1997), nurses and educators (Fenwick 2006) and social workers (Kirkpatrick and Hoque 2006) - rather than attempt to provide an overall definition of freelance work. Key informants also suggested other occupations where the term freelance might be appropriate, including accountants, teachers, dentists, vets, construction workers and drivers. Defining freelance status using a skill/occupation criterion is, to some extent, arbitrary in that strong arguments might be presented to justify drawing the line demarcating freelancers/non-freelancers in different places. Which skills and occupations should be included within the definition of freelance work, and which should be excluded?

The Standard Occupational Classification (SOC) 2000 might help here. SOC2000 distinguishes nine major occupational groups and 26,000 separate job titles on the basis of skill level and content, defined in terms of the nature and duration of the

qualifications, training and work experience required to become competent to perform a particular job (ONS 2000). The nine major occupational groups are presented and briefly defined in Figure 4. Occupations in SOC major groups 1-3 are, arguably, those closest to practitioner, academic and popular conceptions of freelance work. 'Managers and senior officials' (SOC1) include proprietors and managers in agriculture and the service industries as well as corporate managers. 'Professional occupations' (SOC2) include science and technology, health, teaching and research, and business and public service professionals. 'Associate professional and technical occupations' (SOC3) include science and technology technicians, and culture, media and sports occupations (including artists, authors, musicians, graphic designers, journalists, broadcasters, photographers, sports players, coaches, instructors and officials). An intermediate or narrow definition of freelance work in terms of managerial, professional, scientific, technical and creative occupations might focus exclusively on SOC1-3 occupations.

Key informants took different views of the skills/occupations that might be considered freelance. Some preferred a broad definition, incorporating all those genuinely in business on their own account, whatever their skill/occupation; others preferred a focus on specific occupations, broadly corresponding to SOC1-3.⁸ There was widespread recognition, even among respondents adopting a broad definition of freelance work, that the lower the skill/occupational level, the more difficult it might be for workers to establish they are genuinely in business on their own account. Key informants perceived the semi-skilled as more likely to have a self-employed status forced upon them by end-users and not genuinely in business on their own account; these groups are among the 'vulnerable workers' identified by the TUC (2008).

⁸ A subtler approach might focus, for example, on *particular* occupations *within* SOC major groups rather than the whole group. We do not consider this option further.

Figure 4**Standard Occupational Classification (SOC) 2000, Major Groups**

<i>SOC Major Group Number</i>	<i>SOC Major Group</i>	<i>Brief description of group</i>
1	Managers and senior officials	Occupations whose main tasks consist of the direction and coordination of the functioning of organisations and businesses, including internal departments and sections, often with the help of subordinate managers and supervisors. Working proprietors in small businesses are included.
2	Professional occupations	Occupations whose main tasks require a high level of knowledge and experience in the natural sciences, engineering, life sciences, social sciences, humanities and related fields. Main tasks consist of the practical application of an extensive body of theoretical knowledge, increasing the stock of knowledge by means of research and communicating such knowledge by teaching methods and other means.
3	Associate professional and technical occupations	Occupations whose main tasks require experience and knowledge of principles and practices necessary to assume operational responsibility and to give technical support to Professionals in the natural sciences, engineering, life sciences, social sciences, humanities and related fields and to Managers and Senior Officials.
4	Administrative and secretarial occupations	Occupations undertake general administrative, clerical and secretarial work, and perform a variety of specialist client-orientated clerical duties.
5	Skilled trades occupations	Occupations whose tasks involve the performance of complex physical duties that normally require a degree of initiative, manual dexterity and other practical skills.
6	Personal service occupations	Occupations whose tasks involve the provision of a service to customers, whether in a public protective or personal care capacity.
7	Sales and customer service occupations	Occupations whose tasks require the knowledge and experience necessary to sell goods and services, accept payment in respect of sales, replenish stocks of goods in stores,

		provide information to potential clients and additional services to customers after the point of sale.
8	Process, plant and machine operatives	Occupations whose main tasks require the knowledge and experience necessary to operate and monitor industrial plant and equipment; to assemble products from component parts according to strict rules and procedures and to subject assembled parts to routine tests; and to drive and assist in the operation of various transport vehicles and other mobile machinery.
9	Elementary occupations	Occupations which require the knowledge and experience necessary to perform mostly routine tasks, often involving the use of simple hand-held tools and, in some cases, requiring a degree of physical effort.
Source: ONS (2000)		

Two related distinctions were drawn by a number of informants that may be relevant to freelance status: earnings and formal qualifications. Both of these characteristics are likely to be associated with skill/occupation. Some respondents suggested a distinction should be drawn on the basis of earnings to differentiate those genuinely in business on their own account, and those not. An earnings criterion is clearly relevant but, as respondents often recognised, it may be very difficult to operationalise in practice: at what level should the earnings threshold be set? What justification might be given for the threshold chosen, as inevitably there will be marginal cases? Should regional variations in earnings be taken into account when defining an individual's work status, and, if so, precisely how? Should earnings levels be index-linked in order to be inflation-proof over time? Similar concerns were evident with regard to using formal qualifications to distinguish freelancers/non-freelancers. Which qualifications might be included and which excluded? Professional qualifications are more deeply institutionalised for some occupational groups than others; contrast banking/finance and engineering with IT occupations. Informants reported that qualifications were often of limited importance to freelancers in securing work; work experience was perceived as more important to end-user clients than qualifications. Moreover, a qualifications-based criterion might disadvantage older workers who lack accreditation but who possess many years experience of working freelance.

It is worth noting a caveat in relation to using an occupational framework such as SOC2000 to demarcate freelance/non-freelance workers. Defining freelance work in terms of skills or occupational categories only shifts the definitional problem: how should managerial, professional, scientific, technical or creative skills or work, for example, be defined? Classifications like SOC2000 presuppose homogeneity in occupations similarly defined, although independent data on job content is required to substantiate such claims. Allocating workers to particular occupational groups may be difficult, in some cases, because job titles may not be an accurate indicator of the skills required to perform particular jobs competently or, alternatively, because workers

possess skills that span conventional occupational boundaries, for example, the media freelancers discussed in Platman (2004).

The Nature of End-Users

A third issue of relevance to the definition of freelance work concerns the nature of the end-users with whom workers deal. A broad or intermediate definition might include freelancers serving both organisational and personal clients; a narrow definition might include only those serving organisational clients. Much discussion assumes freelance workers work solely for organisational clients, including businesses, public sector organisations and voluntary, not-for-profit bodies. But is this - or should it be - a defining criterion of freelance work? Might freelance workers serve personal consumers too? Solicitors working solely for personal clients, for example, might be excluded by a narrow definition. Informants suggested other possibilities: IT contractors working for private individuals configuring their home computer facilities; calligraphers designing wedding name-place cards; or educational tutors providing services (e.g. maths, music, languages) to private individuals. It is possible to profile the client base along a continuum, with 100 per cent sales to organisational clients at one pole and 100 per cent sales to personal consumers at the other (Figure 5).



Figure 5: Profiling the End-User Base

Several issues are relevant here. First, using client sales as a criterion of freelance status requires a threshold to distinguish freelancers from non-freelancers. The threshold could be set at 100 per cent organisational sales or at some other level. But what would be the theoretical rationale for the choice of threshold? Setting the threshold at 100

per cent organisational sales has the advantage of clarity but would have the disadvantage of excluding freelancers serving personal clients and hence narrowing the definition of freelance status and, by extension, the size of the freelance workforce. Second, sales to particular client types might vary over time for individual workers, with consequent transitions between freelance and non-freelance status as the balance of sales shifts; this might be a source of confusion. Moreover, over what period should sales be measured? The balance of sales to organisational or personal clients may well vary depending with the period over which measurements are taken. Third, sales data disaggregated by type of client is very difficult to obtain. Given these challenges it might be proposed that the nature of the client base should not distinguish freelance workers from others: freelancers may serve organisational or personal clients.

End-User Numbers

A fourth issue concerns the number of end-user relationships workers participate in. Freelance workers are typically thought to provide labour services to multiple clients either serially, or in parallel; the phenomenon of 'portfolio work' (e.g. Handy 1984; Cohen and Mallon 1999; Fraser and Gold 2001; Clinton et al. 2005). Key informants offered many examples illustrating the diversity of freelance work scenarios with regard to client numbers: a photographer who takes photographs for stock (without a paying client at the time they are taken); a writer who submits pieces to a periodical intermittently and who may not work for anyone else; and an IT contractor who works for end-users serially on 6-month projects.

Number of end-users during a freelance career can be mapped onto a continuum with a single end-user at one pole and multiple clients at the other (Figure 6). The 'multiple end-user' pole is open-ended with no upper numeric limit; freelance workers may serve several clients in parallel, and many more over the course of a career. Contrast freelancers contracting with a single end-user (Platman 2004; Muehlberger 2007), those with a small number of clients, for example, the freelance editors and proof-readers

reported by Stanworth and Stanworth (1997), and those with a larger number of clients, such as the freelance translators in Fraser and Gold (2001). Client numbers are likely to be related to type of client: freelancers serving only organisational clients are likely to have fewer clients during any period than those serving personal customers. A broad or intermediate definition of freelance working might include those with only a single end-user of their labour services; a narrow definition might require multiple clients.

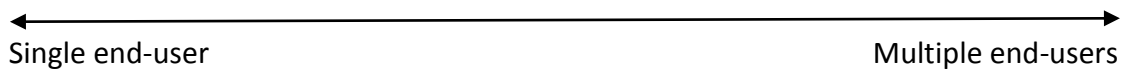


Figure 6: Mapping End-User Numbers

Where workers work for only a single end-user over some period of time, questions might be asked about the precise nature of such a relationship: is this a genuine commercial relationship between independent freelancer and client, or an employment relationship? In such situations employment tribunals and courts would consider the various tests of employment status - control, integration, dependence, mutuality of obligation, personal service – to determine the worker’s status. It is possible, of course, that freelancers work for a single client on a succession of rolling contracts (Inkson et al. 2001; Platman 2004), a situation considered by many workers, end-users, courts and tribunals to constitute an employment relationship. Despite these concerns, it might still be argued that freelance workers can work for only a single client, even over a long period of time; what matters is the nature of the relationship with regard to financial risk, control, independence from company systems and procedures and the absence of any mutual obligation to perform or provide work. One respondent questioned whether it would be proper to distinguish between a consultant working one day per week for five end-users for two years with one working for a single end-user for the same period if working arrangements were otherwise similar.

Contract Duration

Freelancer/client relationships differ from employment relationships in so far as the former are necessarily temporary, whereas employment relationships are usually open-ended with no specified contract termination date. Workers' relations with end-users of labour services can be mapped along a continuum representing contract duration, with 'temporary' and 'open-ended' at either pole (Figure 7). 'Temporary' could be defined in terms of fixed-term calendar periods, or in terms of the completion of particular functions or tasks; these may vary from a day to in excess of a year. An Interim Management Association (IMA) study, for example, found that 4 per cent of interim managers' assignments current during the fourth quarter of 2007 were of longer than a year duration⁹ and a Stop Gap survey of 700 professionals working in marketing, media, advertising and design found that approximately 8 per cent of freelancers reported *average* assignment duration of longer than a year (Stop Gap Group 2007). Key informants offered many examples illustrating the diversity of freelance work arrangements. Contrast a writer who submits an unsolicited piece to a magazine in the hope they will publish, with a cameraman engaged for 1-2 days to shoot a television commercial, with an engineer hired to undertake oil and gas exploration activities for periods of 3-5 years. A broad or intermediate definition of freelance work might include long-term engagements between worker and end-user; a narrow definition might stipulate some maximum period of engagement, a period which might vary between work contexts.

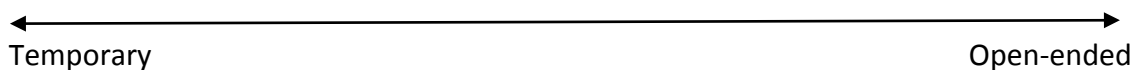


Figure 7: Mapping Contract Duration

⁹ <http://www.interimmanagement.uk.com/docs/lpsosMORIfourthquarter2007.pdf>

Allocating individual workers to a point on this continuum might not, however, be easy. The distinction between temporary and open-ended contracts is not clear-cut. First, some employment contracts are explicitly temporary, fixed-term arrangements and resemble freelancer/client relationships in this regard. Second, in practice, some temporary workers may be engaged in longer relationships with end-users than those engaged on open-ended employment contracts. Contract duration may be a factor that tax authorities and courts take into account when determining an individual's work status in a particular worker/end-user relationship. Long-term engagements might be more likely to be construed as employment relationships rather than freelancer/client relations, particularly where end-users exert a high degree of control over the conduct and location of work. Muehlberger (2007) describes long-term engagements, where elements of authority govern the worker/end-user relationship, as hierarchical outsourcing and more akin to an employment contract. Where workers supply labour services under a succession of contracts over a long period of time, key informants acknowledged that this might be perceived as an indicator of employment status. Third, temporary workers might be engaged on particular contracts with an understanding that there may be future work opportunities: does this imply the mutuality typical of employment relations?

In summary, demarcating freelance from other work statuses is not always easy but, clearly, there is a need to distinguish situations where workers are genuinely in business on their own account, responsible for generating their own work and income, from those where workers are dependent on an employer to provide them with work. **A variety of criteria have been discussed and three separate definitions of freelance status proposed – broad, narrow and intermediate.** We now turn to the task of estimating the size of the UK freelance workforce.

3. ESTIMATING THE SIZE OF THE FREELANCE WORKFORCE

Considering definitional issues is a necessary precursor to estimating the size of the freelance workforce; estimates will vary with the definition adopted. But as there is no single database of freelance workers, estimates have to be constructed from official data sources developed for other purposes (Work Foundation 2007) and from key informant accounts. Official data sources include the SME statistics published annually by BERR, and both published and unpublished Labour Force Survey (LFS) data. These two sources can be used to take different approaches to the problem of determining the size of the freelance workforce, and can be triangulated to move towards a robust estimate. The latest BERR statistics relate to the start of 2007 (BERR 2008a); published LFS data relate to the May-July 2008 period (ONS 2008a) and unpublished data to the January-March 2008 period (ONS 2008b).

BERR SME Statistics

BERR provide data on the UK business stock, disaggregated by enterprise size. Data on businesses without employees is relevant to estimating the size of the freelance workforce because freelancers may be considered a subset of this larger group, subject to certain qualifications to be discussed shortly. BERR estimates are derived from a number of data sources including the Inter-Departmental Business Register (IDBR) and the LFS. The IDBR provides data on businesses registered for VAT or operating a PAYE scheme, excluding 82,300 Composite and Managed Service Companies (BERR 2008b). To the IDBR figure is added an estimate for the very smallest businesses that are neither registered for VAT nor operating a PAYE scheme, including firms operating on a part-time basis (BERR 2008b). Estimates of unregistered businesses rely heavily on the LFS, to be discussed shortly, and are known to be subject to possible error (e.g. Machin 2008).

At the start of 2007, there were an estimated 4.68 million UK businesses operating in the formal economy (Table 1). There were approximately 3.46 million businesses

without employees – those with only proprietors and no other employees - constituting 74 per cent of the business stock. **An estimated 3.77 million people were owners in businesses without employees and, on the broad definition, a part of the freelance workforce:** 2.67 million sole proprietors, 642,000 partners and 463,000 sole directors¹⁰ in limited companies. Two groups, perhaps, ought to be added to the figure of 3.77 millions in order to be consistent with the broad definition of freelance status: first, proprietors operating companies with two or more directors with no other non-owning employees; and, second, those working under PAYE umbrella company arrangements.

As partnerships without employees are included in official statistics, the same logic should apply to companies with multiple owner-directors. Estimating the number of such companies is difficult as published BERR data do not permit their identification. Companies with two employees, for instance, may comprise two owner-directors or one owner-director and a non-owning employee. At the start of 2007, there were approximately 400,000 limited companies with 1-4 employees, employing more than one million people.¹¹ Owner-directors in some of these companies should be included within the freelance workforce because they do not employ others; it is impossible, however, to estimate their number reliably on the basis of published BERR data. Given the skewed size structure of the business population – that is, there are more companies with two employees than with three, and more with three employees than with four et cetera – and the greater likelihood that smaller companies are more likely to employ only owner-directors, one might hazard a guess that the number of proprietors without employees will be closer to zero than to one million. **A speculative estimate might put the figure of owner-directors in companies with multiple directors without other non-owning employees at between 100-200,000 proprietors.**

¹⁰ The apparent discrepancy between the 471,130 limited companies with only a sole director and the 463,000 sole directors working in these businesses is best explained by the inclusion of companies without employees such as investment trusts (Email communication, BERR Enterprise Statistics team, 01/09/08).

¹¹ Disclosure rules prohibit more detailed disaggregation of this data to prevent identification of individual enterprises (email communication from BERR Enterprise Statistics team, 28/03/08).

Table 1					
Businesses Without Employees, Start-2007:					
Business Stock, Proprietor Numbers and Turnover by Legal Status					
<i>Legal status of business</i>	<i>All businesses</i>	<i>Businesses without employees</i>	<i>Businesses without employees as % of all</i>	<i>Proprietor numbers in businesses without employees</i>	<i>Turnover (£m)</i>
Sole proprietorships	2,984,755	2,668,865	89.4	2,669,000	104,114
Partnerships	506,805	320,370	63.2	642,000	24,554
Limited companies	1,187,520	471,130	39.7	463,000	93,713
ALL	4,679,080	3,460,360	74.0	3,774,000	222,382
Notes: 'Businesses without employees' comprise sole proprietorships and partnerships with only the self-employed owner-manager(s), and companies with only an employee director. Limited liability partnerships are included in the data for limited companies. Turnover column excludes financial intermediation (Section J) because data is not available on a comparable basis. Columns do not sum to 'ALL' row due to rounding.					
Source: BERR SME Statistics, 2007, Table 1, UK Private Sector, and Table 2, Legal Status Available at http://stats.berr.gov.uk/ed/sme/					

The second group to be added to the figure of 3.77 millions are umbrella workers. Such workers are hidden in official statistics because they appear as employees of the umbrella company rather than as self-employed or as directors of their own limited companies. Key informants were asked to comment on the number of PAYE umbrella companies, the number of workers operating under such arrangements and the occupations and sectors in which such working arrangements are present. **Respondent estimates varied from 130 to ‘a few hundred’ umbrella companies, including 10-20 major players, with 40,000 to 250,000 umbrella workers.** Estimates varied with the occupational categories included; some respondents focused primarily on IT contracting; others included other, newer, groups such as teachers, healthcare workers, construction workers and drivers. HMT/HMRC (2008) estimates the number of umbrella workers to be 100,000, a figure reported to have increased since the introduction of new tax rules for Managed Service Companies (MSCs) in 2007 which changed the tax treatment of payments made to workers providing services through an MSC.¹² Informants suggested that some umbrella workers should not be considered freelancers as they are not genuinely in business on their own account and generating appropriate earnings.

To be consistent with the intermediate definition of freelance status, two groups perhaps ought to be excluded from the BERR figure of 3.77 million people: first, those not working in SOC1-3 occupations; and, second, those not genuinely in business on their own account. BERR data do not permit disaggregation by skill/occupation. Nor do they enable identification of the ‘dependent self-employed’; these businesses may only become visible where HMRC or the courts intervene. Consequently, BERR data do not shed much light on the numbers meeting the intermediate definition of freelance status.

¹² Since April 2007, all payments received by workers through an MSC are deemed to be employment income, and subject to PAYE and Class 1 NICs, whatever the form through which workers receive their remuneration <http://www.hmrc.gov.uk/employment-status/details.htm>. The requirement to examine individual contracts to determine whether they fall within the scope of IR35 was perceived by Government as open to non-compliance (HMT/HMRC 2006). An estimated 240,000 people were believed to be operating under MSC schemes in 2005-6.

Businesses without employees (excluding financial intermediation) generated an estimated £222 billion in sales, 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.

In summary, our estimate of the size of the freelance workforce (broad definition) derived from BERR business statistics is in the region of 4 million people. This estimate comprises the 3.77 million proprietors in businesses without employees, possibly 100-200,000 owner-directors in companies with multiple directors and no other non-owning employees, and 40-250,000 umbrella workers. 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 the size of the freelance workforce (intermediate definition) to be made. For this, we must turn to another official data source, the LFS.

Labour Force Survey

The LFS provides quarterly estimates of the numbers of self-employed workers in the UK based on respondents' self-reports of their work status during a specific reference week and provides a range of data on the individual, household and work characteristics of a sample of approximately 50,000 individuals. The LFS categorises respondents as either employees or as self-employed in relation to a main job and, if appropriate, a second job. Results are grossed up to be representative of the population of working age. LFS data is subject to a number of potential errors (Machin 2008). First, the LFS is based on individuals' self-reporting of their work status. It is, therefore, liable to error if respondents (or those who answer on their behalf) report incorrectly; this has tended to lead to over-reporting of self-employment. Second, certain groups are excluded from the survey such as temporary foreign workers and those with three or more jobs; this

understates self-employment. With these caveats in mind, we now examine the LFS data.

By focusing on the self-employed, it might be argued the LFS neglects freelance workers operating through their own companies or through umbrella companies because such workers may be employees rather than self-employed. But, the LFS captures at least some company owner-directors and possibly some umbrella workers too. Respondents self-reporting as self-employed, or not paid directly by their employers, are prompted to describe themselves using up to four possible responses from a list of seven:

- paid a salary or wage by an agency
- a sole director of your own limited business
- running a business or a professional practice
- a partner in a business or a professional practice
- working for yourself
- a sub-contractor
- doing freelance work

Table 2 aggregates respondents' replies to this question for the self-employed without employees in their main job (the question is not asked of the self-employed in second jobs). The largest group, 2¼ millions, describe themselves as 'working for self' with much smaller numbers providing other replies. Almost half a million (459,000) reported 'freelance work' as one of their four replies. Workers in 'associate technical and professional' occupations (SOC3), a group including media and creative workers, were far more likely to describe themselves as freelance than other occupational groups, reinforcing the belief that the term 'freelance' is more commonly used in particular work settings. Second, it is clear that sole directors of limited companies are included in the figures. Almost a quarter of a million respondents claimed to be the sole director of their own limited company. Third, it seems likely that umbrella workers participating in LFS would describe themselves as self-employed and as doing 'freelance work' or in

terms of one of the other six prompted descriptions listed above. If the LFS were to offer umbrella working as an additional prompted response category to this list, it would be easier to estimate their numbers. Currently, it is impossible to determine whether umbrella workers are covered by LFS or, if so, what their numbers are. Overall, given the sectoral variation in the use of the term ‘freelance’, it is likely that the freelance workforce is considerably larger than the 459,000 explicitly defining themselves as such.

Table 2	
Self-employed Without Employees, Main Job, Descriptions of Status: Labour Force Survey, Jan-March 2008	
<i>Response category</i>	<i>Aggregate responses</i>
Working for self	2,279,700
Running a business or professional practice	604,705
Freelance work	459,435
Subcontractor	411,386
Partner in a business or professional practice	312,275
Sole director of own limited company	243,975
Paid salary or wage by agency	91,519
Notes: Those reporting being self-employed or not paid directly by their employers in their main job code up to four separate prompted descriptions. Data weighted.	
Source: unpublished data available at ONS (2008b).	

Published LFS data indicate there are an estimated 3.84 million self-employed workers in the UK, 13 per cent of the total workforce (ONS 2008a: Table 2.03). Using unpublished data, it is possible to home in on the freelance workforce by distinguishing the self-employed without employees from self-employed *employers*. The majority of the self-employed work alone or with partners, but do not employ others, in both main and second jobs (78 and 95 per cent respectively, with 22 per cent and 5 per cent employing others) (ONS 2008b). Some combine freelancing with other work statuses (Mallon and Duberley 2000; Gill 2002; Purcell et al. 2004; Damarin 2006).

Using LFS data, four separate components of the freelance workforce can be identified; the first three of which are relevant to both the broad and intermediate definitions of freelance status, and the fourth relevant only to the intermediate definition (Table 3).

The four components are:

- The self-employed without employees, working alone or with partners, in their main job;
- The self-employed without employees, working alone or with partners, in a second job *and* who are employees in their main job;
- The self-employed without employees, working alone or with partners, in a second job *and* who are a self-employed employer in their main job;
- The self-employed without employees, working alone or with partners, in a second job in an SOC1-3 occupation *and* who are self-employed without employees, working alone or with partners, in their main job in an SOC4-9 occupation. This group is relevant only to the intermediate definition of freelance status, as including them within the broad definition would be to double count the self-employed without employees in SOC4-9 occupations.

Using data on the nine SOC Major Groups for each of these four component groups permits estimates of the size of the freelance workforce using both the broad and intermediate definitions (Table 3). Taking the broad definition (the 'ALL' row in Table 3), there are an estimated three million self-employed without employees in their main job, and a further 266,000 in a second job, including 252,000 who are employees in their main jobs, and 13,000 who are self-employed *employers* (and who cannot, therefore, be freelancers) in their main jobs. **On the broad definition, LFS data suggests there are close to 3.3 million freelance workers in the UK.**

Table 3					
Self-Employed Without Employees, by Standard Occupational Classification (SOC), Major Group, Labour Force Survey, Jan-March 2008					
	(a)	(b)	(c)	(d)	(e)
<i>SOC Major Group</i>	<i>Self-employed without employees in Main Job</i>	<i>Self-employed without employees in Second Job and Employee in Main Job</i>	<i>Self-employed without employees in Second Job and a self-employed employer in Main Job</i>	<i>Self-employed without employees in SOC1-3 occupations in Second Job and self-employed without employees in SOC4-9 occupations in Main Job</i>	<i>ALL SELF-EMPLOYED WITHOUT EMPLOYEES</i>
1. Managers and Senior Officials	333,853	27,237	4,059	3,799	368,948
2. Professional Occupations	377,389	48,649	1,504	518	428,060
3. Associate Professional and Technical	535,795	87,179	4,166	5,834	632,974
4. Administrative and Secretarial	77,388	11,604	941	n/a	89,933
5. Skilled Trades Occupations	988,107	26,267	1,538	n/a	1,015,912
6. Personal Service Occupations	181,899	18,786	0	n/a	200,685
7. Sales and Customer Service Occupations	54,576	12,300	514	n/a	67,390
8. Process, Plant and Machine Operatives	278,798	6,343	0	n/a	285,141
9. Elementary Occupations	197,910	14,497	581	n/a	212,988
SOC 1-3 Occupations	1,247,037	163,065	9,729	10,151	1,429,982
ALL	3,026,821	252,862	13,303	n/a	3,292,986
Notes: Includes the self-employed without employees, either working alone or with a partner, in main jobs and second jobs. Column (d) is only relevant to the intermediate definition of freelance status. 'ALL' row excludes column (d) cases to avoid double-counting, and includes column (a) cases with missing occupational data; rows in 'all self-employed without employees' column do not, therefore, sum to 'ALL' row. Data weighted.					
Source: unpublished LFS data available at ONS (2008b).					

Turning to the intermediate definition (the 'SOC1-3 Occupations' row in Table 3), there are approximately 1¼ million people are self-employed without employees in SOC1-3 occupations in their main job, with a further 183,000 similar workers in a second job. This estimate for second jobs combines 163,000 who, in their main jobs, are employees, 9,000 who are self-employed employers, and 10,000 who are self-employed without employees in an SOC4-9 occupation. This last group is only relevant to the intermediate definition of freelance status because, on the broad definition, they would be counted as freelance in their main jobs. **On the intermediate definition, LFS data suggests there are more than 1.4 million freelance workers in the UK.**

The differences between the two estimates highlight the importance of definitions, with the intermediate estimate less than half that of the broad estimate. These figures may require upward revision because the LFS is unable to capture work engagements outside the survey reference week and the (probably very small) number working freelance in third (and subsequent) jobs. On the other hand, they may require downward revision to allow for those not genuinely in business on their own account. LFS data permit no reliable estimate of these numbers.

Unpublished LFS data for January-March 1998 suggest there were approximately 1.25 million self-employed without employees in main and second jobs 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) or 20 per cent (broad definition) over the decade.**

LFS data indicates that the vast majority of the self-employed without employees work freelance in their main job: 87 per cent on the intermediate definition, and 92 per cent on the broad definition. Of SOC1-3 occupations, those in 'associate professional & technical occupations' (SOC3) were least likely to work freelance in their main job (85

per cent). Taking the broad definition, 'process, plant and machine operatives' (SOC8) were most likely to work freelance in their main jobs (98 per cent), and those in 'sales and customer service occupations' (SOC7) least likely (81 per cent).

Using the broad definition of freelance status, the largest of the nine SOC major groups is 'skilled trades occupations' (SOC5), with more than one million workers, but even the smallest group, 'sales and customer service occupations' (SOC7), has an estimated 67,000 self-employed without employees. Using the intermediate definition of freelance status, the largest group is 'associate professional and technical' occupations (SOC3), with more than 600,000 workers (44 per cent of SOC1-3 freelancers). 'Professional occupations' (SOC2) and 'managers and senior officials' (SOC1) constitute 30 per cent and 26 per cent of SOC1-3 freelancers respectively.

SOC minor group level data provides a more fine-grained view of occupational numbers. Such occupations are subsets of the nine major groups listed in Table 3. Table 4 presents data on all SOC minor group occupations with 50,000 self-employed workers without employees, with SOC1-3 and SOC4-9 occupations treated separately. Among SOC1-3 occupational groups, those falling within the intermediate definition of freelance work, 'artistic and literary occupations', 'managers in other services industries', and 'teaching professionals' have the highest incidence. In SOC4-9 occupations, there are very large numbers of self-employed without employees in the 'construction trades' (447,000) and 'transport drivers and operatives' (225,000).

To summarise, our estimate of the size of the freelance workforce (intermediate definition) on the basis of LFS data is approximately 1.4 million people. For the broad definition, LFS data suggest an estimate of approximately 3.3 million people, a lower figure than that suggested by the BERR data. These LFS figures include not only the self-employed but also some working as sole company directors, through agencies and, very possibly, through umbrella companies. Some of those included might, however, be

better described as disguised employees, particularly at the lower-skill end of the occupational scale. Adjustments to the estimates should be made to allow for them; official sources do not permit reliable estimates of their number to be made.

Table 4	
Self-Employed Without Employees, by Standard Occupational Classification (SOC), Minor Group, Labour Force Survey, Jan-March 2008 (Qualification: SOC Minor Group Occupations with 50,000 or more)	
<i>SOC Minor Group</i>	<i>Number</i>
(A) SOC1-3 OCCUPATIONS	
Artistic and literary occupations	146,474
Managers in other service industries	142,170
Teaching professionals	110,811
Media associate professionals	74,523
Design associate professionals	68,007
Business and finance associate professionals	67,783
Information and communications technology	66,587
Functional managers	66,361
Business and statistical professionals	61,378
Therapists	56,791
Public service & associate professionals	54,967
Engineering professionals	54,915
Sales & related associate professionals	53,622
Health professionals	51,955
(B) SOC4-9 OCCUPATIONS	
Construction trades	447,454
Transport drivers & operatives	225,441
Agricultural trades	177,958
Building trades	154,245
Elementary cleaning occupations	103,261
Electrical trades	84,241
Childcare & related personal services	81,579
Hairdressers & related occupations	70,842
Notes: Includes the self-employed without employees, either working alone or with a partner, in main jobs <i>and</i> second jobs. Data weighted.	
Source: unpublished data available at ONS (2008b).	

Summary

Size estimates of the UK 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 here, estimates have to be assembled as best they can from available sources. Using two official data sources, BERR business statistics and LFS data on individuals, and key informant accounts of numbers working under PAYE umbrella arrangements, it has been possible to construct estimates relevant to two separate definitions of the freelance workforce – first, an intermediate definition focusing only on self-employed workers and company directors without employees genuinely in business on their own account in SOC1-3 occupations, and, second, a broad definition, incorporating all those meeting the definition set out in Figure 2. BERR business statistics facilitate estimates using the broad definition; LFS data enable estimates using both the intermediate and broad definitions. Combining the two data sources, it might be cautiously suggested that an intermediate definition of freelance status, based on SOC1-3 occupations, might perhaps put the figure at 1.4 million people; and a broad definition would suggest a figure in the region of 3¼-4 million people. This highlights the importance of definitions, with the broad figure being more than twice that constructed from using the intermediate definition. Some allowance ought perhaps to be made to cover those nominally freelance but, in reality, operating as disguised employees, a number impossible to determine using official data sources. Summary measures derived from the two data sources are provided in Table 5.

Table 5			
Size Estimates of the UK Freelance Workforce: Summary Measures			
<i>Component of the Freelance Workforce</i>	<i>LFS (intermediate definition)</i>	<i>LFS (broad definition)</i>	<i>BERR (broad definition)</i>
Self-employed without employees in main job	1,247,037	3,026,821	
Self-employed without employees in second job <i>and</i> employee in main job	163,065	252,862	-
Self-employed without employees in second job <i>and</i> a self-employed employer in main job	9,729	13,303	-
Self-employed without employees in SOC1-3 occupations in second job <i>and</i> self-employed without employees in SOC4-9 occupations in main job	10,151	n/a	-
Proprietors in businesses without employees	-	-	3,774,000
Companies with multiple directors but no other non-owning employees	-	-	100-200,000
PAYE umbrella company workers	-	-	40-250,000
Less: those not genuinely in business on their own account	n/a	n/a	No data
FREELANCE WORKFORCE	1,429,982	3,292,986	3,914,000- 4,224,000
Notes: Definitions and numbers discussed in the text. Neither LFS nor BERR data sources permit reliable estimates of the number of umbrella workers, or those not genuinely in business on their own account, to be made.			
Sources: unpublished LFS data available at ONS (2008b), BERR SME Statistics, 2007, available at http://stats.berr.gov.uk/ed/sme/ and key informant accounts.			

4. PROFILING THE FREELANCE WORKFORCE

Freelance workers vary in terms of personal, work and organisational characteristics. Personal characteristics include gender, age, and educational qualifications. Work characteristics include skill/occupation, business sector and location; freelance workers might work in a single occupation or span multiple occupations (Platman 2004; Clinton et al. 2005). Organisational characteristics include the legal form of freelancers' businesses, whether they work alone or with partners, and whether they work under PAYE umbrella companies. In this section, we draw on a combination of official statistics and key informant accounts. Key informants often referred to their own, or others' research on particular occupational groups; others described their views as 'informed conjecture', derived from their experience of working with particular groups, rather than being based on systematic research.

Personal Characteristics

Official data sources provide some insight into the gender distribution of the freelance workforce. Unpublished LFS data indicate that, although men are more prevalent in absolute terms, a slightly higher proportion of self-employed women work without employees in comparison with men, both in their main jobs (82 to 77 per cent), and in second jobs (96 to 94 per cent). Looking only at SOC1-3 occupations, consistent with the intermediate definition of freelance status, self-employed women are more likely than men to report working without employees, both in their main jobs (77 to 64 per cent), and in second jobs (95 to 93 per cent). **In January-March 2008, there were an estimated 2.3 million self-employed males without employees, and one million females** (ONS 2008b). Women comprise three in ten of all self-employed without employees, and more than a third (38 per cent) of the self-employed without employees in SOC1-3 occupations. This is interesting as it suggests that women constitute a higher proportion of high-skilled freelance jobs than of lower-skilled jobs.

Table 6			
Self-Employed Without Employees by Gender and Standard Occupational Classification (SOC), Major Group, Labour Force Survey, Jan-March 2008			
<i>SOC Major Group</i>	<i>Male</i>	<i>Female</i>	<i>ALL</i>
1. Managers and Senior Officials	241,980 (65.6)	126,968 (34.4)	368,948
2. Professional Occupations	290,350 (67.8)	137,710 (32.2)	428,060
3. Associate Professional and Technical	361,031 (57.0)	271,943 (43.0)	632,974
4. Administrative and Secretarial	15,601 (17.3)	74,332 (82.7)	89,933
5. Skilled Trades Occupations	946,073 (93.1)	69,839 (6.9)	1,015,912
6. Personal Service Occupations	21,036 (10.5)	179,649 (89.5)	200,685
7. Sales and Customer Service Occupations	39,878 (59.2)	27,512 (40.8)	67,390
8. Process, Plant and Machine Operatives	262,320 (92.0)	22,821 (8.0)	285,141
9. Elementary Occupations	132,398 (62.2)	80,590 (37.8)	212,988
SOC 1-3 Occupations	893,361 (62.5)	536,621 (37.5)	1,429,982
ALL	2,303,550 (70.0)	989,436 (30.0)	3,292,986
Notes: Includes the self-employed without employees, either working alone or with a partner, in main jobs <i>and</i> second jobs. Bracketed figures indicate the percentage of males and females in each SOC Major Group. 'ALL' row excludes 10,151 cases included in SOC1-3 rows to avoid double-counting, and includes 1106 cases with missing occupational data; rows in 'ALL' column do not, therefore, sum to 'ALL' row. Data weighted.			
Source: unpublished data available at ONS (2008b).			

There are very marked gender differences across occupational groups. Contrast 'skilled trades occupations (SOC5), where 93 per cent of the self-employed without employees are male, with 'personal service occupations (SOC6), where 90 per cent are female (Table 6). Academic studies and respondent accounts also identify gender differences.

Males appear to be prevalent in management, IT, engineering, and broadcasting (Skillset 2006); females appear more highly represented in translation services (Fraser and Gold 2001) and as proof-readers and editors in book publishing (Stanworth and Stanworth 1995).

Key informants reported that freelancers often held high educational qualifications, although this varied with work context and with workers' ages. Professional and vocational qualifications are more important in particular sectors; compare IT where are a limited number of relevant qualifications with more traditional sectors such as engineering and banking. Furthermore, younger freelancers might be more qualified than older workers. Having said this, respondents reported that qualifications were less important to freelancers than to employees because clients placed more emphasis on work experience than qualifications in choosing a freelancer. It would be interesting, however, to know whether the educational profile of the freelance workforce differs from that of employees in similar occupations.

The relationship between age and freelance status is also of interest. On one hand, freelancing may be related to age because individuals need to obtain the skills and experience that would make them attractive to end-user clients, implying that freelancers need to be of a certain maturity to commence and sustain a freelance career. On the other hand, organisational decisions to outsource activities to external providers, as in the television sector (e.g. Ursell 2000), increase the freelance work opportunities available, including those for younger workers. Such workers might, therefore, choose, or feel constrained, to go freelance at an earlier age than hitherto. Older workers might also be turning to freelance status, either out of positive choice or due to redundancy or scarce employment opportunities. There is some evidence, for instance, of a shift to freelance status among older workers in television (Paterson 2001). Stability in the average age of freelancers might mask a widening age

distribution of the freelance workforce, with both younger and older workers turning to freelance work in greater numbers.

Work Characteristics

Freelance workers operate in a wide range of industries; some, like film production, have a long history of freelancing. The incidence of freelance working varies by industry, and by sub-sector within industries. BERR publish annual data on the number of businesses without employees, and proprietor numbers, at the Standard Industrial Classification (SIC) Section level (Table 7). All those who work in businesses without employees are presumed to be proprietors, whether self-employed sole proprietors or partners, or sole company directors. Proprietor numbers were highest 'real estate, renting and business activities' (Section K) (885,000) and in 'construction' (Section F) (866,000).

Freelancers work on both a full-time and part-time basis. Table 8 presents data on workers' full/part-time status by occupation, treating all second jobs as part-time, irrespective of hours worked. **Using the intermediate definition of freelance status, unpublished LFS data show that 43 per cent of the self-employed without employees work part-time. On the broad definition, the proportion is lower at 34 per cent.** Some combine part-time freelance jobs with part-time employment or, alternatively, with non-paid work activities such as undertaking family or caring responsibilities. Part-time freelance workers may be less visible to practitioners, agencies and other organisations with an interest in freelance working who are more accustomed to dealing with those who work full-time. Contrast 'administrative and secretarial' occupations (SOC4), where 72 per cent of the self-employed without employees work on a part-time basis, with 'skilled trades occupations' (SOC5) where only 13 per cent work part-time. Differences in full/part-time working may correlate with gender: female-dominated occupations may be more likely to work self-employed without employees on a part-time basis, as with the employed workforce.

Table 7				
Businesses Without Employees by Standard Industrial Classification Section, Start-2007				
<i>SIC Section</i>	<i>All Businesses</i>	<i>Businesses without employees</i>	<i>Business without employees as % of all</i>	<i>Proprietor numbers in businesses without employees</i>
A Agriculture, Hunting and Forestry	160,145	96,450	60.2	139,000
B Fishing	8,355	7,105	85.0	8,000
C, E Mining and Quarrying; Electricity, Gas and Water Supply	13,025	11,830	90.8	13,000
D Manufacturing	348,250	240,990	69.2	275,000
F Construction	978,065	834,920	85.4	866,000
G Wholesale and Retail Trade; Repairs	562,030	314,215	55.9	367,000
H Hotels and Restaurants	149,765	33,515	22.4	41,000
I Transport, Storage and Communication	297,550	251,345	84.5	268,000
J Financial Intermediation	67,275	47,060	70.0	53,000
K Real Estate, Renting and Business Activities	1,130,890	819,690	72.5	885,000
M Education	162,540	148,330	91.3	155,000
N Health and Social Work	273,570	219,530	80.2	243,000
O Other Community, Social and Personal Service Activities	527,625	435,385	82.5	461,000
ALL	4,679,080	3,460,360	74.0	3,774,000
Notes: 'Businesses without employees' comprise sole proprietorships and partnerships with only the self-employed owner-manager(s), and companies with only an employee director. Data combined for Section C (Mining and Quarrying) and Section E (Electricity, Gas and Water Supply) to avoid disclosure. Columns do not sum to 'ALL' row due to rounding.				
Source: BERR SME Statistics, 2007, Table 5, UK Sections. Available at http://stats.berr.gov.uk/ed/sme/				

Table 8			
Self-Employed Without Employees by Full/Part-time Status and Standard Occupational Classification (SOC), Major Group, Labour Force Survey, Jan-March 2008			
	<i>Full-time (%)</i>	<i>Part-time (%)</i>	<i>ALL</i>
1. Managers and Senior Officials	245,712 (66.6)	123,236 (33.4)	368,948
2. Professional Occupations	235,085 (54.9)	192,975 (45.1)	428,060
3. Associate Professional and Technical	331,473 (52.6)	298,769 (47.4)	632,974
4. Administrative and Secretarial	25,399 (28.2)	64,534 (71.8)	89,933
5. Skilled Trades Occupations	881,324 (86.9)	132,496 (13.1)	1,015,912
6. Personal Service Occupations	101,058 (50.5)	99,018 (49.5)	200,685
7. Sales and Customer Service Occupations	34,838 (51.7)	32,552 (48.3)	67,390
8. Process, Plant and Machine Operatives	218,238 (76.8)	65,670 (23.2)	285,141
9. Elementary Occupations	112,283 (52.7)	100,705 (47.3)	212,988
SOC 1-3 Occupations	812,270 (56.9)	614,980 (43.1)	1,429,982
ALL	2,186,516 (66.5)	1,099,894 (33.5)	3,292,986
<p>Notes: Includes the self-employed without employees, either working alone or with a partner, in main jobs <i>and</i> second jobs. All second jobs are treated as part-time, irrespective of working hours reported. SOC rows do not sum to 'ALL' column due to missing cases. Bracketed figures indicate the percentage of full-time and part-time workers in each SOC Major Group; percentages derived from numbers shown where there are missing cases. 'ALL' row excludes 10,151 cases included in SOC1-3 rows to avoid double-counting, and includes 1106 cases with missing occupational data; rows in 'ALL' column do not, therefore, sum to 'ALL' row. Data weighted.</p> <p>Source: unpublished LFS data available at ONS (2008b).</p>			

In terms of *where* freelancers work, there are arguments suggesting that freelancers are more likely to work at home than employees *and* arguments suggesting they are more likely to work away from home. The higher incidence of homeworking among the self-employed, relative to the employed workforce (ONS 2008b), suggests that freelancers might not necessarily be located close to clients. Key informants reported that freelancers tend to be located near the main cities and urban hubs because that is where the jobs are, although long-distance commuting and working away from home is not uncommon. In broadcasting, for example, most freelancers are located in London (Skillset 2006). In some occupations/sectors, working overseas is common; one respondent estimated that up to 200,000 engineers contracting through agencies are working overseas at any particular point in time. Informants made a number of points related to this issue. First, freelancers might work at or from home at least one day a week in order to complete business paperwork and possibly to reinforce their independent status and to avoid being caught by IR35. Second, there are often strong constraints on freelancers working at or from home. Clients were perceived as often preferring freelancers to work on site to facilitate close interaction with co-workers in order to get work done. Television editors, for example, might be able to work at home using editing facilities, but clients might require them to attend the workplace to enable others to contribute directly to the editing process. In financial services, clients might have regulatory and security reasons to require freelance workers to operate on site rather than work at home.

Organisational Forms

Freelancers supply labour services either as self-employed sole proprietors or partners, as sole company directors, including through temporary recruitment agencies, or as umbrella workers. Freelance workers might, of course, use different arrangements with different end-users. Using the broad definition of freelance status, Table 1 demonstrated that the majority of owners in businesses without employees – more than 2.6 millions – work in sole proprietorships. Most businesses without employees

are sole proprietorships, of which nine in ten do not employ others, but nearly four in ten limited companies employ only a sole director. Freelancers' working arrangements vary markedly with industry and occupational context. In the media and creative sectors, key informants reported working freelance on a self-employed basis, rather than through a limited company format, to be more common. In journalism, and film and television production, for instance, very few freelancers operate through limited companies, and most work as individuals rather than in partnership with others. In IT, engineering, interim management, and banking/finance, freelancers often operate through their own companies. Such differences are likely to relate to the presence of agencies in different sectors. Agencies prefer freelance workers to operate through their own companies for tax reasons. Several respondents reported a recent increase in umbrella working, primarily as a consequence of the new MSC tax rules. Respondent estimates suggested that as many as 80 per cent of the 130-140,000 freelancers in IT, telecoms and engineering operate through umbrella companies.

Many freelancers find work through temporary recruitment agencies. Key Note (2008) estimated the temporary and contract recruitment market to be worth £23 billions in 2007. Estimates of the size of the agency workforce vary widely. Unpublished LFS data indicate that approximately 255,000 workers reported being paid a salary or wage by an agency in January-March 2008 (ONS 2008b). Other sources suggest higher figures. The CBI estimates the figure to be approximately 850,000 and the REC estimates the number of temporary agency workers in any given week to be 1.377 million.¹³ These differences possibly reflect the nature of the samples studied and differences in respondent perceptions of 'agency working'. Agency workers undertake a range of occupations (KeyNote 2008; REC 2008), some of which come within the intermediate definition of freelance (accounting/finance, computing/IT, education, professional/managerial, technical/engineering and, possibly, some construction and nursing and other medical workers), but many others probably fall outside it (industrial/blue collar,

¹³ Reported at <http://www.rec.uk.com/aboutrec>

secretarial/clerical, hotel/catering and drivers). The REC tracking study found that in the first quarter of 2008, approximately one third (32 per cent) of the 2,400 agency workers sampled define themselves as working in 'professional/business services', 'technical', or 'healthcare' - occupational groups that would probably fall within the intermediate definition of freelance. The remaining two thirds work in 'clerical/sales/retail' and 'semi-skilled' categories (REC 2008). Only 2 per cent of the REC sample describe themselves as 'freelance'; the vast majority (81 per cent) described themselves as 'temporary workers'. Again, perhaps, not too much weight should be placed on such a low figure, given the diversity of terms used to denote freelance status.

Key informants reported that agencies prefer dealing with freelancers as limited companies rather than as self-employed workers because it is administratively more convenient in relation to tax issues, and might also make it easier to avoid debt transfer rules under which liability for workers' unpaid PAYE and NICs debts can be transferred to third parties. In occupational groups where agency working is common, few freelancers work on a self-employed basis, predominantly newcomers lacking sufficient experience to be attractive to agencies. One informant suggested that end-users might also be disinclined to deal with self-employed freelancers, particularly on a long-term basis, in order to avoid any suggestion they might be employees, with all the legal obligations such a status brings.

In summary, freelancers are a diverse group, varying in their personal, work and organisational characteristics. There is no 'typical' freelance worker. Freelancers may be men or women, young or old, working in a range of occupational and industrial contexts, as a main or second job, and on a full- or part-time basis. They supply labour services on a self-employed basis, through their own limited companies, through agencies, and as employees of PAYE umbrella companies. When discussing freelance workers, therefore, we should be careful to specify which ones we are talking about and be wary of making generalisations about *the* freelance workforce.

5. CONCLUSIONS

This report has addressed three research objectives – defining freelance status; estimating the size of the UK freelance workforce; and profiling freelancers' characteristics. There is no legal definition of freelancing or any consensus on the size of the freelance workforce or of the characteristics of freelance work. Discussion is clouded by the variety of terms used to refer to freelance status, and by the diversity of freelance working arrangements. Defining freelance status requires consideration of a range of criteria, including worker in/dependence, skill/occupation, the nature and number of end-users with whom workers deal, and contract duration. Given the range of possible definitions of freelance status, a broad and a narrow definition have been proposed, with a third, intermediate, position combining elements of both. This intermediate position starts from the same point as the broad definition but then tightens it in relation to those genuinely in business in a subset of occupations, those demanding managerial, professional, scientific, technical and creative skills.

An attempt has been made to construct size estimates of the freelance workforce using the intermediate and broad definitions (but not the narrow definition), drawing on official data sources and key informant accounts. Combining two official data sources, BERR business statistics and the LFS, it might be cautiously suggested that an intermediate definition of the freelance workforce, based on SOC1-3 occupations, would suggest a figure of approximately 1¼ million people. The broad definition, covering all occupations, might perhaps put the figure at 3¼-4 million people. Freelancers are a sizeable group whichever of these definitions one adopts. One should perhaps use these estimates cautiously as official data sources do not permit proper consideration of several of the criteria discussed in Section Two. They do not, for instance, permit reliable estimates to be made of those *not* genuinely in business on their own account, and who might better be described as 'disguised employees'. Such qualifications are, perhaps, more relevant at the lower-skill end of the occupational spectrum and

therefore of greater importance to the broad definition of freelance status. Nor do official sources permit estimates of the nature or number of end-users that freelance workers serve, or of the duration of contracts. Primary data on particular worker/end-user relationships is required to examine these issues adequately.

Freelancers vary in their personal, work and organisational characteristics. Official data sources provide some systematic evidence on these issues but we have also relied heavily on respondent accounts to provide insight. There are a considerable number of gaps in the evidence base on freelancers' characteristics. In particular, it is uncertain whether freelancers differ from their employee counterparts in terms of, for example, educational qualifications. Nor can we be precise about the number of umbrella workers, their occupational distribution and other characteristics.

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 approximately 8 per cent of business turnover. Freelancers are also a diverse group, varying in gender and age, operating in a wide range of industries and occupational contexts, and using a variety of organisational forms. This study has gone some way towards identifying their numbers and their characteristics, but much research remains to be done.

APPENDIX: KEY INFORMANT TOPIC GUIDE

Name of respondent:
Organisation:
Website:
Address:
Telephone:
Email:

Introductory statement: Thank you very much for agreeing to meet me. We have been commissioned by the Professional Contractors Group to carry out research into the freelance workforce in the UK. We are particularly interested in your views as to how freelance work might be defined, estimating the size of the freelance workforce and identifying freelancers' personal and work characteristics. We will send you a copy of the final report on completion of the study.

Introduction

Q1 Could you start by telling me about your experience of dealing with freelance workers?

Probes: Nature & purpose of organisation?

Activities in relation to freelance workers?

Defining the Freelance Workforce

I'd like to begin by asking about how we might define the 'freelance worker'.

Q2 In your experience, how should we define the freelance worker?

Probes: occupation/skill level?

nature of client base?

number of clients?

duration of contracts?

Q3 What distinguishes freelance workers from other, non-freelance workers?
Probe, if needed, in relation to: the self-employed, agency workers, employees?

Q4 Are you aware of any other terms by which freelance workers might be described in different sectors or occupational contexts?

Estimating the Size of the Freelance Workforce

I'd now like to ask some questions about how we might go about estimating the number of freelance workers there are in the UK.

Q5 Is it possible to estimate how many freelance workers there are in the UK?
Probe: Data sources used – or methods used to estimate?

Q6 Is it possible to estimate how many freelance workers there are in particular occupations or sectors?
Probe: Data sources used – or methods used to estimate?

Profiling the Freelance Workforce

I'd now like to move on to a few questions about the characteristics of the freelance worker.

Q7 Can you tell me anything about the *work* characteristics of the freelance workforce?

- What occupations do they undertake?
- What industries do they work in?
- Where, geographically, do they work?
- Extent of home/teleworking?
- How many work freelance as a primary/secondary work role (i.e. combined with employee jobs)?

Q8 And their *personal* characteristics?

- Gender
- Age
- Education
- Do these vary in relation to the work characteristics in Q7?

Organisational Form

I'd like to finish by asking about the organisational forms used by freelance workers.

- Q9 Do you have any knowledge of the number/proportion of freelance workers that operate...?
- (a) as individuals, either as sole proprietors or as the sole directors of limited companies, and
 - (b) in combination with others, either within partnerships or in limited companies?

Probes: link to work and personal characteristics in Q7-8.

- Q10 It is believed that some freelance workers operate within PAYE 'umbrella companies', under which they become employees but do not run the companies; and the umbrella company is responsible for invoicing the client on behalf of the freelancer and for paying the freelancer's salary after tax and NIC deductions.

Are you able to provide any information with regard to...?

- Numbers of such 'umbrella companies'?
- Numbers of freelance workers working under such 'umbrella companies'?
- Occupations/functions, where these arrangements exist?
- Industry/sectors, where these arrangements exist?
- Data sources - or methods used to estimate?

Are there any other sources of information that you think would be useful regarding the issues we've covered?

Any other comments?

THANK AND CLOSE INTERVIEW.

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