

UK Freelance workforce

A SPECIAL RESEARCH REPORT PRODUCED FOR NATIONAL FREELANCERS DAY 2011

Produced by PCG, the cross-sector association
for freelancers, consultants and contractors in the UK



Foreword

Beyond the celebrations of National Freelancers Day, PCG are continuing to promote and enhance the UK freelance workforce. Research is the beating heart of this mission and it is our goal to provide information that will drive understanding and recognition of these independent professionals irrespective of their sector or specialism.

In celebration of National Freelancers Day 2011, PCG are proud to be working with academics from Kingston University and Cranfield School of Management in order to better define the 21st Century freelance workforce and demonstrate the unique value they add to the modern economy. This report provides a mere snap shot of the research that will be delivered by PCG in the coming months.

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Following on from the 2008 report, "Defining and estimating the size of the UK freelance workforce", John Kitching, of Kingston University, provides a concise snapshot of the current UK freelance workforce.

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Small Business
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As a precursor to his study into "The value that freelancers bring to the 21st Century economy", Professor Andrew Burke, of Cranfield School of Management, deliberates on the 4 key roles that freelancers play in the UK economy. Insight is taken from his case studies so far.

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Cranfield
UNIVERSITY
School of Management

The UK Freelance Workforce: Key Figures and Trends

The self-employed and small businesses are important contributors to UK economic performance. Many businesses operate as owner-only operators, without employees.

Within this group, it is arguably possible to distinguish 'freelance workers' as a distinct category, those working alone or with co-owners, but without employees.

Using *Labour Force Survey* data, some key statistics relevant to freelance workers are provided.

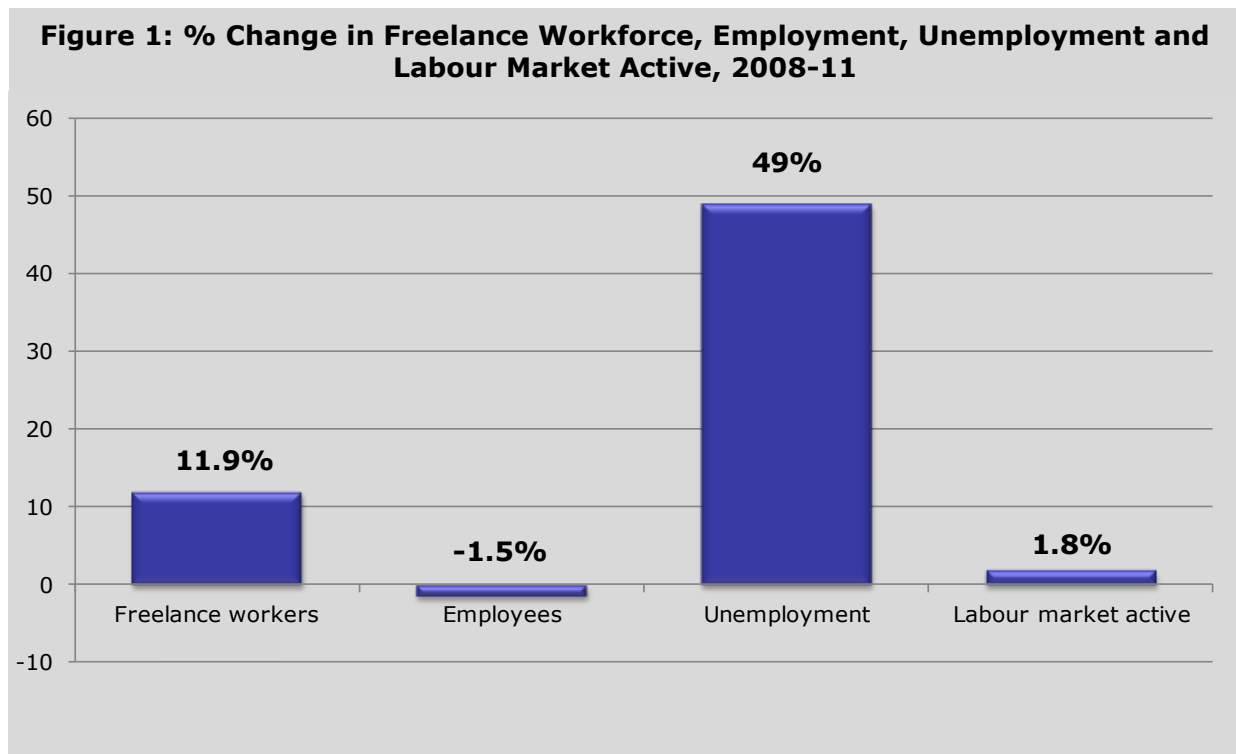
The Trends

1.56 MILLION PEOPLE WORK FREELANCE IN THE UK¹

1.35 million people work freelance in their main job. More than 200,000 people work freelance in second jobs (while being an employee or an employer in a main job).

FREELANCER NUMBERS HAVE INCREASED MARKEDLY IN THE PERIOD 2008-2011...

Freelancer numbers in main jobs have increased 11.9 per cent.



...IN STARK CONTRAST TO TRENDS IN EMPLOYMENT

These freelancer figures are in sharp contrast to the numbers in employment. Employment in main jobs over the same period has decreased by 1.5 per cent, from 25.5 to 25.1 millions.

Unemployment has increased by almost 50 per cent, from 1.67 to 2.49 millions, over the same period.²

Overall, the number of 'labour market active' (those in employment, including the self-employed, and the unemployed) has increased slightly over the 2008-11 period.³

It is tempting to suggest, therefore, that a significant number of those losing jobs, or failing to gain employment during the past three years, have switched to freelance working as an alternative to employment.

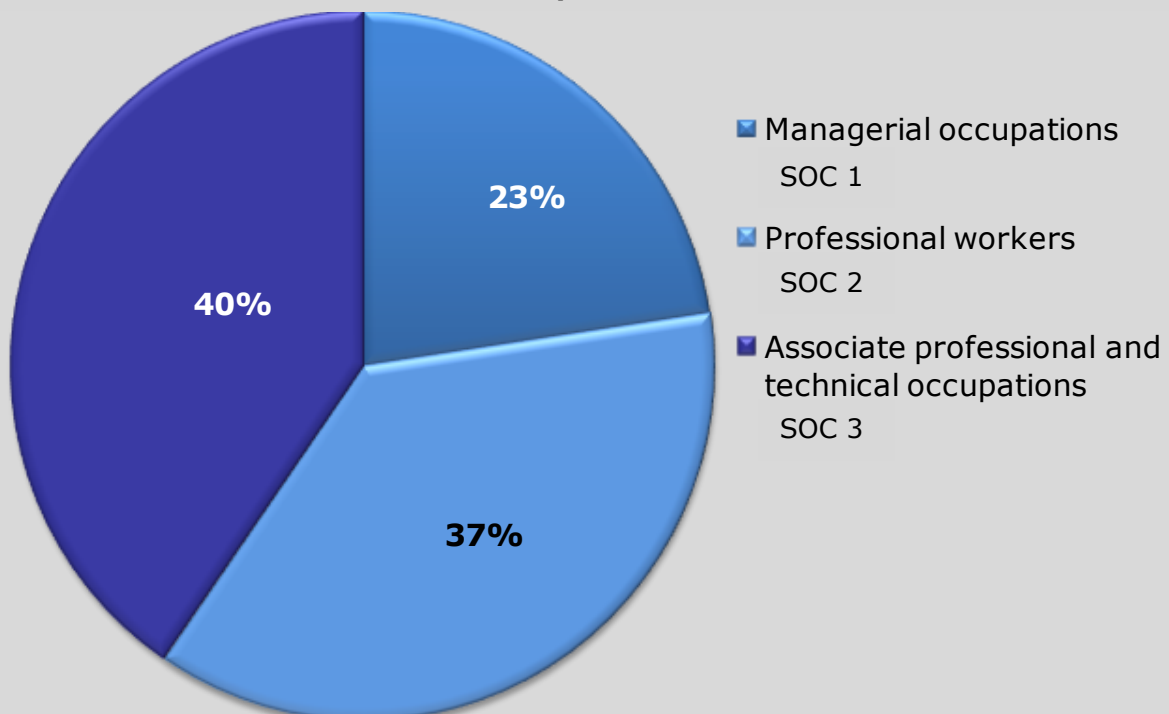
Snapshot of the current freelance workforce

FREELANCERS WORK IN MANAGERIAL, PROFESSIONAL, CREATIVE, SCIENTIFIC AND TECHNICAL OCCUPATIONS⁴

Freelance workers include 'managers, directors and senior officials', 'professional workers' and 'associate professional and technical workers'.

The dominant freelance group, numerically, are those in associate professional and technical occupations, with 630,000 freelancers. More than half a million people work freelance in professional occupations and a further 350,000 work freelance in managerial occupations.

Figure 2: Freelance Workforce 2011: Occupational Structure of managerial occupations, professional workers and associate professional and technical occupations⁴



THE HIGHEST PROPORTION OF FREELANCERS WORK IN ARTISTIC, LITERARY AND MEDIA OCCUPATIONS

Across the managers, directors and senior officials, professional workers and associate professional and technical workers most freelancers are distributed in the following categories⁵:

<i>SOC Minor Group (SOC1-3)</i>	<i>2011</i>
Artistic, Literary and Media Occupations	265,000
Managers and Proprietors in Other Services	161,000
Teaching and Educational Professionals	110,000
Information Technology and Telecommunications Professionals	93,000
Business, Research and Administrative Professionals	84,000
Health Professionals	75,000
Sales, Marketing and Related Associate Professionals	71,000
Functional Managers	70,000
Sports and Fitness Occupations	61,000
Business, Finance and Related Associate Professionals	60,000

This briefing note is a taster for a more detailed report, providing a more comprehensive picture of the UK freelance workforce and recent trends in the size of constituent sub-groups. The report will look in closer detail at freelancer characteristics, including gender, full- and part-time status, and industry.

APPENDIX: EXPLANATORY NOTES

¹Estimates of the size of the freelance workforce vary with the definition of freelance status adopted. We define them as the self-employed without employees working in Standard Occupational Classification (SOC2010) major groups 1-3. Estimates should be treated with caution as there is no official, or widely accepted, definition of freelance status.

²Employment and unemployment data are provided in ONS (2011b).

³'Labour market active' refers to those who are in employment (including the self-employed) or unemployed. The category is to be contrasted with those who are inactive, that is, not seeking work and/or unable to start work.

⁴ These occupations are covered by SOC 2010 categories 1, 2 and 3. 'Managers, directors and senior officials' include proprietors and freelance managers working in a wide range of private and public sector organisations. 'Professional occupations' include scientists, engineers, programmers and software development professionals, medical practitioners, teachers, solicitors and accountants. 'Associate professional and technical occupations' include lab technicians, paramedics, artists, musicians, graphic designers, sports players, fitness instructors, financial advisers and driving examiners.

⁵ The table below outlines the types of professions included within these SOC Minor Groupings.

Artistic, Literary and Media Occupations - Photographers, audio-visual and broadcasting equipment operators, Arts officers, producers and directors, Musicians, Dancers and choreographers, Actors, entertainers and presenters, Authors, writers and translators, Artists
Managers and Proprietors in Other Services - Property, housing and estate managers, Garage managers and proprietors, Hairdressing and beauty salon managers and proprietors, Shopkeepers and proprietors – wholesale and retail, Waste disposal and environmental services managers, Managers and proprietors in other services
Teaching and Educational Professionals - Teaching and other educational professionals, Education advisers and school inspectors, Senior professionals of educational establishments, Special needs education teaching professionals, Primary and nursery education teaching professionals, Secondary education teaching professionals, Further education teaching professionals, Higher education teaching professionals
Information Technology and Telecommunications Professionals IT specialist managers, IT project and programme managers, IT business analysts, architects and systems designers, Programmers and software development professionals, Web design and development professionals, Information technology and telecommunications professionals
Business, Research and Administrative Professionals - Chartered and certified accountants, Management consultants and business analysts, Business and financial project management professionals, Actuaries, economists and statisticians, Business and related research professionals, Business, research and administrative professionals
Health Professionals Medical practitioners, Psychologists, Pharmacists, Ophthalmic opticians, Dental practitioners, Veterinarians, Medical radiographers, Podiatrists, Health professionals
Sales, Marketing and Related Associate Professionals - Buyers and procurement officers, Business sales executives, Marketing associate professionals, Estate agents and auctioneers, Sales accounts and business development managers, Conference and exhibition managers and organisers
Functional Managers - Financial managers and directors, Marketing and sales directors, Purchasing managers and directors, Advertising and public relations directors, Human resource managers and directors, Information technology and telecommunications directors, Functional managers and directors
Sports and Fitness Occupations - Sports players, Sports coaches, instructors and officials, Fitness instructors
Business, Finance and Related Associate Professionals - Estimators, valuers and assessors Brokers, Insurance underwriters, Finance and investment analysts and advisers, Taxation experts, Importers and exporters, Financial and accounting technicians, Financial accounts managers, Business and related associate professionals.

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Freelancers at the Heart of the 21st Century

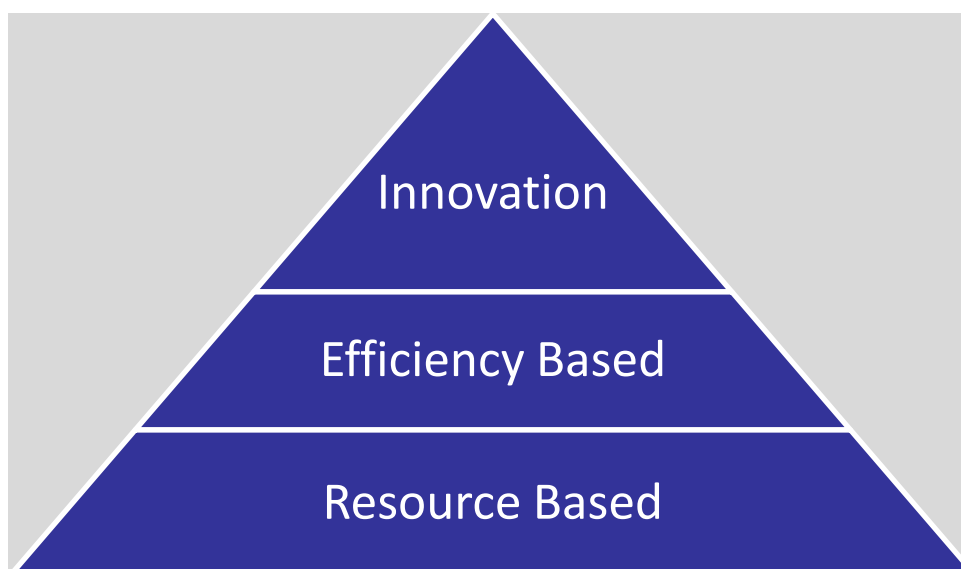
Agility-Based Economy

INTRODUCTION: FREELANCERS AND THE CHALLENGE FACING THE UK ECONOMY

The scale of the global debt crises and associated UK austerity policies imply that we cannot rely on either consumer or Government expenditure to generate growth. So all hope is being placed on an entrepreneurial Britain gaining new international market share and finding untapped market space through innovation.

Modern economies such as the UK are viewed as having evolved from being predominantly resource based, then to efficiency based and now to being mainly innovation based (see figure 1). Most economies will be comprised of a mix these three drivers of economic prosperity but in developed economies innovation is the most important.

Figure 1: Economic Development and the 3 Engines of Growth



So if Britain is to succeed it needs a sufficient supply of innovative businesses. But that will not be enough.

In order to maximise performance Britain requires a vibrant supply of freelancers who can both undertake key entrepreneurial functions as well as create an agile economic environment which causes innovation to thrive.

Freelancers play 4 important roles in adding value to the modern UK economy:

1. CONTRACTING INNOVATION AND ENTREPRENEURSHIP TO FREELANCERS

More and more business are contracting parts of their innovation and entrepreneurship activities to freelancers. This occurs at every stage of the innovation process. Freelance non executive directors and consultants are often sources of new ideas and instrumental in devising entrepreneurial strategies for business; interim managers pilot new ventures for companies and undertake change management associated with the implementation of innovation.

Freelance IT consultants are often given a sketchy vision of a potential business opportunity and play a key entrepreneurial role in developing this into a clear technology based business proposal and then implementing it. In sum, businesses contract freelancers to do innovation in areas such as:

- R&D and the commercialisation of innovation
- Market research and analysis
- Profit opportunity identification
- Strategy development
- Change management
- Interim management to pilot and/or launch a venture
- Technological change and implementation; particularly IT

Freelancers are increasingly used because the need for innovation has become more prevalent. Furthermore, today innovation is less characterised by an internal R&D unit focusing on the 'big project' and more usually by a sequence of diverse 'mini projects' which suit the flexibility and skill range of freelancers. Likewise, the increasing use of lean management techniques has meant thinner layers of management and hence corporations frequently do not have sufficient internal management capacity to project manage a new entrepreneurial initiative. Also contracting freelancers to do innovation allows a business to develop a new 'rising star' without upsetting the internal 'cash cow'.

In addition, by making increasing use of freelancers companies are becoming more aware of the benefits of open innovation. The use of freelancers mean that companies are less limited by the skill range of internal employees as they can draw on the diverse expertise of freelancers – often at short notice. They are also more aware that the independence of freelancers implies objectivity and the ability to cut through internal politics.

2. UNLOCKING AN ECONOMY'S CREATIVE POTENTIAL

By contrast to successful owner-managers or corporate entrepreneurs who are typically committed to one business for at least 5 years, freelance contractor-entrepreneurs can make a creative input to many more businesses in the same time period. Contracting freelancers allows business to separate entrepreneurship from management; particularly in the creative and early start-up stage of development. Once an innovation input is completed (such as implementing a new information system to integrate sales, manufacturing and distribution) the freelancer can move on to make another innovation in another business. By contrast successful owner managers usually must stay committed to the same business for many years.

Therefore, contracting innovation and entrepreneurship to freelancers is a means of unlocking the potential in an economy's endowment of entrepreneurship.

3. ALWAYS HAVING THE 'A TEAM' INSTEAD OF 'JACKS OF ALL TRADES'

We find that the availability of freelancers means that businesses have the option of using the A Team on each project. Rather than try to run with 'jacks of all trades' they can assemble a team fit for purpose – usually a team comprising a mix of employees and freelancers. Freelancers' variable cost model allows business access to expertise that they could not justify using on a longer term non contingent basis. This makes business much more flexible and agile – attributes that are key to prosperity in increasingly dynamic and uncertain markets.

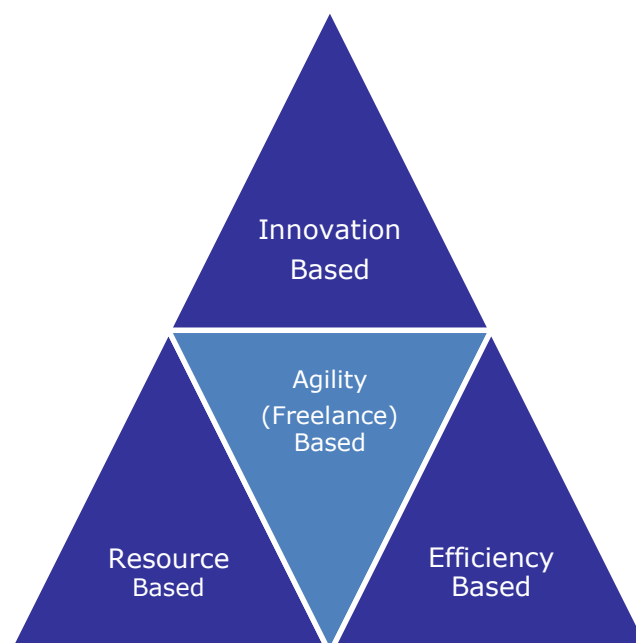
4. ENABLING INNOVATION AND COMPETITIVENESS

The freelancer 'pay as you go' model for use of managerial, technical and professional freelancers has the same implications as it did for an earlier study on 'subbies' in the construction industry¹. It allows firms to ring fence and stage the finance on both the trial and roll out of an innovation. This reduces cost and risk and creates the ability to adapt if unexpected different skills are needed as the innovation unfolds. In sum, it increases the return on investment in innovation. Importantly, the availability of freelancers in Britain encourages some multinationals to base more of their enterprise activities in the UK.

THE 21ST CENTURY AGILITY BASED ECONOMY

So the modern economy is innovation driven but there has been a shift in the type of innovation required towards a series of diverse open innovation mini projects suitable for freelancers. Likewise, the economy is manifested by change and the need for business to be adaptable – again, areas suited to freelancers. But it is not an either/or discrete choice between employees and freelancers but in fact a partnership. Therefore, Figure 1 needs to be augmented where agility is at the heart of the economy; supporting the efficiency based and resource based sectors but crucially underpinning innovation based economic performance.

Figure 2: The Agility-Based Economy



¹ Burke, A.E, (2010), The Economic Role of Freelance Workers in the Construction Industry, Report published by Hudson Contract, Yorkshire, UK.

NURTURING FREELANCERS: NURTURING ECONOMIC PERFORMANCE

Therefore, a key challenge for policy makers is to recognise this driver of economic performance so that freelancers are not overlooked or penalised for not fitting labour force categories designed for the 20th Century. If the economy is to thrive we need to ensure that we have a sufficient supply of freelancers and furthermore, that they can work in an environment which enables them to maximise their positive contribution to the economy.

THE FREELANCE GENERATION

We need to take the recognition of the role of freelancers on the same journey as entrepreneurship in successful modern economies. In the 1970s entrepreneurs in Britain were viewed as people who made money by 'exploiting workers' and not surprisingly few people wanted to be associated with entrepreneurship. Today entrepreneurs are known as job and wealth creators who bring to market new products and services which enhance people's lives. Importantly, these contributions are celebrated. Today entrepreneurs receive industry awards, knighthoods and become media stars.

The incredible contribution that freelancers make to the economy is not sufficiently recognised and celebrated. We need to change this if we want a vibrant agile economy. Organisations such as the PCG and events such as National Freelancers Day are the first important steps in the journey towards achieving this objective.

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About PCG

PCG, the voice of freelancing, is the cross-sector association for freelancers, contractors and consultants in the UK, providing its members with knowledge, representation, community and insurance.

With around 20,000 members, PCG is the largest association of independent professionals in the EU.

It is PCG's fundamental belief that flexibility in the labour market is the key to ensuring Britain's future economic success.

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