

Self-employed women in the UK

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Executive summary

Since the 2008 financial crash, a sharp rise in predominantly female self-employment has absorbed much of the economic shock. In the past 10 years, self-employment among women in the UK has increased at a higher rate than any other category of employment. There are 45.3% more self-employed women than there were a decade ago, a percentage increase two times that of self-employed men over the same period.

At the same time the financial security and resilience of self-employed women in the UK has declined. While self-employment remains a positive option for those with who are established and have personal assets, almost one third of the self-employed, disproportionately women, are low-paid and insecure.

The growing and allegedly flexible gig economy is proving to be anything but for women. Instead it amplifies the inequalities of the old economy. And as for the new tech and STEM economies, women seem to be shut out and falling behind there too.

Changes to the tax and benefits system have been brutal for self-employed women. The welfare safety net is no longer fit for purpose – changes to universal credit have left the vast majority of the low-income self-employed better off unemployed.

Flexible, often part-time, self-employment enabled people with disabilities, carers and lone parents, to maintain their skills, prospects and dignity. For those with few assets and low incomes, Universal Credit changes have made that way of working impossible. Flexible self-employment supported the social care system, families and communities. Its loss is a wider societal blow.

The COVID-19 crisis stretches the resilience of the self-employed to breaking point and beyond. The government's Self-employed Income Support Scheme is patchy and women are much more likely to miss out. Urgent action is needed to rectify this immediately. As COVID-19 continues to evolve, there is a need for a serious review of how the flexible labour market can be reformed to more effectively support societal and economic resilience.

1. Key facts and statistics

- Five million people in the UK are self-employed. That is 15% of those in work. The self-employed are in business on their own account. They include people who run their own limited company, those who are part of a partnership, and individual sole traders. They may or may have employees, though 92 percent – the solo self-employed - do not employ anyone apart from themselves.¹
- Women comprise 36% of the UK self-employed in 2020, 1.7 million women compared to 3.3 million men.²
- The level of female self-employment figures varies across the four devolved nations, with ONS 2019 figures showing a range from 35% of the self-employed in Scotland, 34% in England, 31% in Wales and 26% in Northern Ireland.³
- In the past 10 years, self-employment among women in the UK has increased at a higher rate than any other category of employment. During the decade the number of self-employed women increased by 45.3%, compared to an 18.4% increase for men and a 13.4% increase in female employment⁴. In the last year, to March 2020, there has been almost no increase in male self-employment, compared to a sharp uptick in women becoming self-employed. These significant changes are illustrated in figure 1.

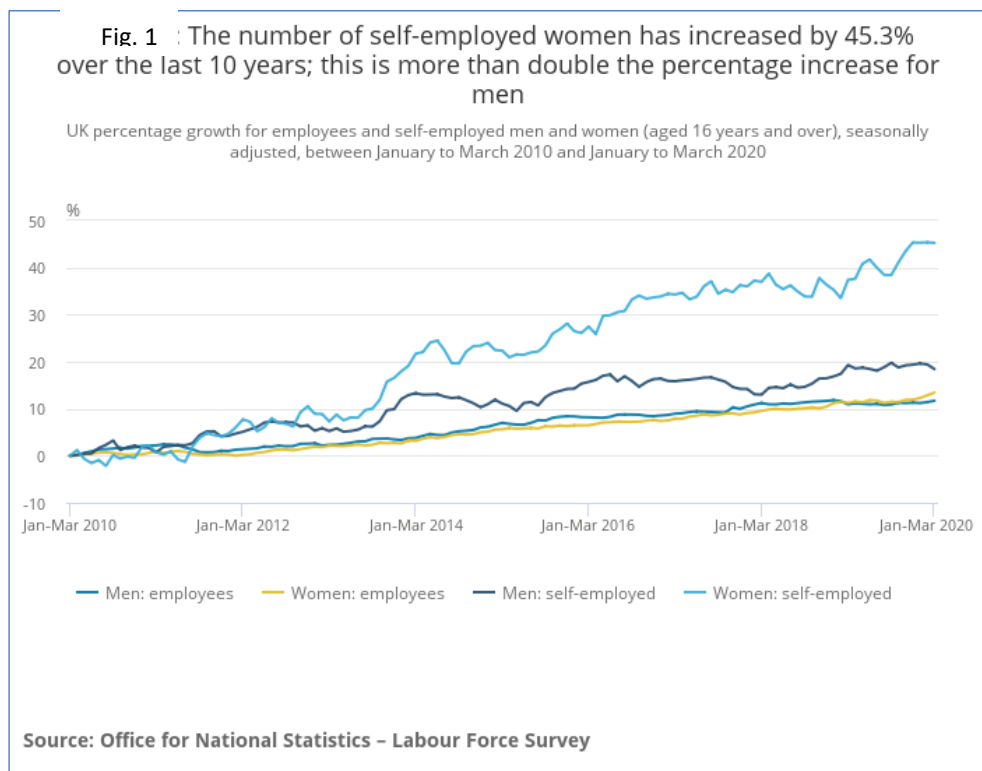


Fig. 1 from ONS 'Employment in the UK', May 2020

¹ Yordanova, I (February, 2020) *Women in Self Employment Report*. London, IPSE.

² Yordanova, I (February, 2020) *ibid*.

³ Office for National Statistics (May, 2020) *Self-employed people by sex, NUTS2 areas, 2019*. Newport: ONS

⁴ Office for National Statistics (May, 2020) *'Employment in the UK'*. Newport: ONS.

- The expansion in women’s self-employment is dominated by women aged over 50⁵, migrant and Black and Minority Ethnic women.⁶ More than half of self-employed women in the UK work part-time, compared to a fifth of self-employed men. For many this is to balance care and other unpaid responsibilities with paid work. For those women with children, flexibility around family care is their number one reason for becoming self-employed⁷. Community contribution is important too; self-employed women give more time to supporting their local community than employed women or employed or self-employed men⁸.
- Occupational segregation mirrors the employed sector. Self-employed men and women are clustered in different industries. More than a quarter of self-employed men work in construction, with another quarter spread across road transport and agriculture. For women the top sectors include the arts and media, hairdressing and related services and cleaning.

Top 5 sectors for self-employed men	Top 5 sectors for self-employed women
<ul style="list-style-type: none"> • construction and building trades (481,000) • road transport drivers (292,000) • agricultural and related trades (197,000) • artistic, literary and media occupations (171,000) • managers and proprietors in other services (160,000) 	<ul style="list-style-type: none"> • artistic, literary and media occupations (136,500) • hairdressers and related services (132,000) • managers and proprietors in other services (109,000) • elementary cleaning occupations (109,000) • teaching and educational professionals (91,000)

Table 1. Occupational groupings⁹

- Due to a large increase in female freelancers since 2008, there is a more even gender distribution in that category, which is currently 58 per cent male and 42 per cent female. Freelancers work in the higher skilled occupational categories (defined as those in managerial, professional and technical occupations). Just over half of the solo self-employed women are freelancers (893,000 women, 52% of solo self-employed women).¹⁰
- In the UK there are a total of 611,000 solo self-employed mothers, around half (302,000) of whom are working as freelancers. The number of solo self-employed mothers has increased by 61 per cent since 2008.¹¹

⁵ Watson, E. & Pearson, R. (2016) *Here to Stay: Women’s self-employment in a (post) austerity era*. London: Women’s Budget Group.

⁶ Al-Dajani, H., Varela, M. & Vershinina, N. (March, 2020) *What Do We Know About Ethnic and Migrant Women Entrepreneurs? A Review of Evidence*. Birmingham: Enterprise Research Centre (ERC).

⁷ Rose, A. (2019) *The Alison Rose Review of Female Entrepreneurship*. London: HM Treasury

⁸ Ahl, H (2011) *Women’s enterprise – a boost or a detriment to the Scandinavian welfare system?* ICSB conference paper

⁹ Office for National Statistics (April, 2020) *Coronavirus and Self-employment in the UK*.

¹⁰ Yordanova, I (February, 2020) *Women in Self Employment Report*. London, IPSE.

¹¹ Yordanova, I (February, 2020) *Ibid*

- There has been a disproportionate rise in the number of disabled women becoming self-employed – up 48% in the 5 years to 2019 (compared to a 30% increase in all disabled people becoming self-employed and a 39% rise in disabled women becoming employees).¹²

2.COVID-19

A gender analysis of the government’s support for the self-employed during the COVID-19 crisis finds major flaws. The Self-Employment Income Support Scheme (SEISS), pays a grant of 80% of profits, up to £2,500 per month, in arrears for the three months from March 2020 and then 70% of profits for the 3 months from July 2020. The scheme discriminates against women who have taken maternity leave during the qualifying period and excludes those who’ve started their business in the last year – almost all of whom are women.

- Half a million self-employed mothers who have taken maternity leave in the past three years, are missing out on SEISS. Payments of 80% average income over the past 3 years explicitly excludes periods where income was reduced due to maternity leave. This will drastically reduce average earnings per year.¹³
- Government estimates that 3% of the self-employed, 151,000 people, who started up after March 2019, will miss out on the SEISS scheme. ONS statistics, illustrated in Figure 1, suggest that practically all of the 151,000 newly self-employed people are women¹⁴.
- Self-employed workers are more likely than the employed to work in sectors impacted by social distancing rules¹⁵. Women’s businesses are more likely to be in personal services, such as cleaning, childcare, beauty and hairdressing.
- The IFS estimate that in total 18% of the self-employed, 650,000 people, are not eligible for SEISS. As well as new self-employed businesses, that group includes company owner-managers.¹⁶ The latter group is more likely to be male.
- Support for self-employed households is much less than for employed households protected under the Coronavirus Job Retention Scheme. Policy in Practice analysis finds that a single-earning family with one child, previously earning £30,000 per annum would see a 17% reduction in take home income if they were a furloughed employee and an 84% drop in income if they had previously been self-employed and were now supported by Universal Credit.¹⁷

¹² All Party Parliamentary Group (APPG) on Women and Work *Annual Report 2019*.

¹³ Brennan, H. (April, 2020) *Self-employed mothers who took maternity leave will get less Covid-19 income support*. London: Daily Telegraph.

¹⁴ ONS JOBS04: Self-employment jobs by industry (March, 2020) shows an increase of 119,000 in female self-employment in the year to December 2019, compared to a decrease of 17,000 in male self-employment for the same period.

¹⁵ Adam, S., Miller, H., Waters, T. (2020) *Income Protection for the Self-Employed and Employees and during the Coronavirus Crisis*. London: IFS.

¹⁶ Adam, S., Miller, H., Waters, T. (2020) *ibid*.

¹⁷ Charlesworth, Z., & McClean, M., (March, 2020) *The impact of the COVID-19 welfare support measures on household income*. London: Policy in Practice.

- Furloughed workers are paid immediately, while the self-employed have to wait for 3 months before receiving their grant. A quarter of the self-employed do not have assets to cover 3 months income¹⁸.
- Low interest loans have also been made available, although it should be noted that women are much more reluctant to take on financial risk¹⁹.
- Other temporary support for the self-employed during the crisis include business rate relief and grants, increases in the basic allowances in universal credit (UC) and working tax credit; both been increased by £1,000 per year. The UC minimum income floor has been suspended (see section 3.6).
- Self-employed households, in common with employees, with assets in excess of £16,000 are still not entitled to receive Universal Credit.
- The COVID crisis brings the additional responsibilities and chores of home-based working, care, home schooling and competition for space to work in the home. Those inevitable will fall disproportionately on women and put further pressure on self-employed earnings and potential²⁰.
- The government has hinted that the price for generous support to the self-employed during the COVID-19 crisis will be bringing self-employed National Insurance Contributions (NICs) into line with employees, mostly likely a 3% increase from the current 9% self-employed rate of Class 4 NICs, to the 12% employee rate²¹. While this would likely decrease bogus self-employment, it would also increase Limited Company formation among the higher earning self-employed. Women tend to be lower earners and they have been disproportionately left out of the COVID-19 support schemes. The result would be self-employed women paying the price for support that they were more likely to have missed out on.

3. Other challenges

3.1 Gender pay gap and low incomes

- The self-employed gender pay gap in the UK is 43%, much wider than for employed workers.²²
- Almost half of self-employed adults aged over 25 earn less than the minimum wage, with women faring particularly badly, with 52% earning less than the minimum wage of £8.21 an hour.²³

¹⁸ Adam, S., Miller, H., Waters, T. (2020) *ibid*.

¹⁹ The GEN Collective (March, 2020) 'Stay Home' and Work? Implications of COVID-19 and the UK Governmental Response for Self-Employed Women. Birmingham, ERC.

²⁰ The GEN Collective (March, 2020) *ibid*

²¹ Adam, S. & Miller, H. IFS (May, 2020) Covid-19: will tax reform be the silver lining or the missed opportunity? Tax Journal.

²² Klair, A. (2019) *Almost half the self-employed are on poverty pay*. London: TUC.

²³ Yordanova, I (February, 2020) *Op. Cit*.

- The low-paid self-employed comprise half of the 3.7 million UK workers identified as being in insecure work, by the TUC.²⁴
- Citizens Advice suggests that bogus self-employment is increasing in traditionally female dominated sectors, including caring and cleaning. Many of these occupational groupings also deliver essential state services that are now outsourced to private companies.²⁵

3.2 The not-so-flexible gig economy

The flexible promises of the gig economy are not delivering for women.

- The gig economy, or online platform-based work, is expanding rapidly. TUC research in 2019 found that the number of working-age adults who had worked for an online platform at least once a week had more than doubled in a three year period. Today almost 10% of working age adults earn some income from platforms (4.7 million people).²⁶
- Most gig economy work is seen by workers as a top-up for an employed job or other earnings. Almost half (48.1%) of gig workers are full-time employees. 10.7% of gig workers define themselves as self-employed. The remainder are part-time employees (12.4%), full-time parents (5.7%), retired (3.8%) and students (11.3%).²⁷
- RSA research finds that the potential flexible benefits of the gig economy unravel when it comes to women. Women are much less likely to engage in platform-based work (38% less than men) and of those who do 49% give up, compared to 35% of men²⁸.
- The gender pay gap in the gig economy is estimated to vary between 7 and 37%, depending on the sector²⁹.
- Women are more likely to have platform work as their only source of income (11.6% of women and 7.6 of men who trade via platforms.)³⁰
- While ostensibly flexible, most platforms are in fact time-inflexible, with a requirement for swift responses to work alerts.

3.3 Universal Credit (UC)

- The introduction of UC for the self-employed has severely and negatively impacted the low-paid self-employed. This group are disproportionately female, disabled and lone parents.³¹
- UC for the self-employed includes a feature called the Minimum Income Floor (MIF). For employed claimants, payments relate to actual income. For the self-employed, uniquely, UC payments are made on the basis of notional, rather than actual income. Income is *assumed* to be at least equivalent to the minimum wage for a 35 hour week, after a one year period to build the business. This has resulted in 72.4% (640,000) of self-employed households becoming worse off after the one-year grace period, when the notional MIF starts. In a study

²⁴ Klair, A. (2019) *ibid*

²⁵ Watson, E. & Pearson, R. (2016) *Op. Cit.*

²⁶ University of Hertfordshire (2019) *Platform Work in the UK 2016-2019*. TUC and University of Herts.

²⁷ University of Hertfordshire (2019) *ibid*.

²⁸ Balaram, B., Warden, J., Wallace-Stephens, F. (2017) *Good Gigs: A Fairer Future for the UK's Gig Economy*. London: RSA

²⁹ Cocco, Federica (2019) *Women going freelance face bigger gender pay gap*. London: Financial Times.

³⁰ University of Hertfordshire (2019) *ibid*

³¹ Watson, E. & Pearson, R. (2016) *Op. Cit.*

by Policy in Practice, only 1% stayed in self-employment when the MIF kicked in, 74% became unemployed and 25% got employed jobs.³²

- UC has been relaxed for COVID-19, from 6 April for the duration of the outbreak, enabling self-employed people to claim against actual income for this period. Suspension of the UC MIF has resulted in an average increase of 28% or £398 per household per month³³

3.4 Skills

- Labour Force Survey data shows that only 12 per cent of the UK's solo self-employed (the 92% of the self-employed without employees) have received job-related training in the last three months, compared to 26 per cent of employees.³⁴
- Cost is the main barrier. Women are more likely than men to participate in subsidised or free training when it's available, especially when it is female-focused. Studies find women are less confident in their entrepreneurial abilities and that female-focused training triples their level of confidence, as well as increased levels of skills.³⁵
- Women are being left behind in the new economy, according to the RSA and others. Women bore the brunt of job losses after the financial crisis. The increase in female self-employment reflects the declining sectors women have worked in, for example public sector management and administration, tele-sales, childcare and teaching assistants.³⁶ Women are not being upskilled in STEM growth sectors. Only 1 in 20 tech industry jobs are going to women and that disparity is reflected in self-employment³⁷.

3.5 Childcare and maternity

- Self-employed women with caring responsibilities, in England and Wales, receive less support than employed women. They return to work more quickly after having children and usually have little or no maternity cover.³⁸
- Self-employed mothers are not entitled to Statutory Maternity Pay. Instead they can claim a Maternity Allowance (£151.20 per week or 90% of average gross weekly earnings whichever is the smaller amount) and can work up to ten Keeping in Touch (KIT) days to maintain their business.³⁹ Only one third of self-employed mothers take the full 39 week period of Maternity Allowance.⁴⁰
- Shared Parental Leave (SPL) legislation came into force across the UK on 5 April 2015. Self-employed parents have been explicitly excluded from this right.⁴¹

³² Charlesworth, Z. & Fells, B., (2018) *Evidence to the London Assembly: The Impact of Universal Credit on the Self-Employed*. London: Policy in Practice.

³³ Charlesworth, Z., & McClean, M., (March, 2020) *The impact of the COVID-19 welfare support measures on household income*. London: Policy in Practice.

³⁴ Yordanova, I (February, 2020) *Op. Cit.*

³⁵ Martinez et. al. (2010) *GEM Special Report: A Global Perspective on Entrepreneurship Education and Training*. Boston: Babson College.

³⁶ RSA (2019) *Women bearing the brunt of job losses as the age of automation takes hold, warns RSA*. London: RSA.

³⁷ Singh, A. & Darrall, S. (2019) *From Precarity to Empowerment: Women and the future of work*. London: RSA.

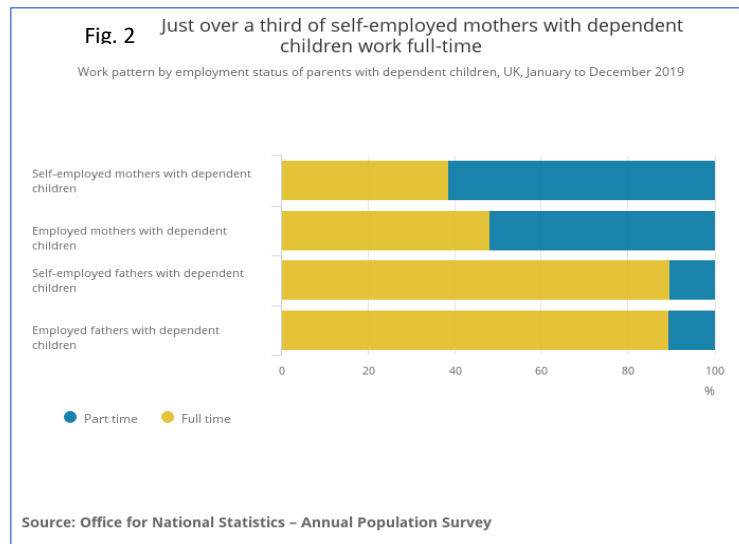
³⁸ Limmer, H (2012) *Self-Employed Women in England and Wales; the Employment Trajectories and Outcomes of Women Who Are Self-Employed During Pregnancy*. PhD Thesis, University of Manchester.

³⁹ Yordanova, I (February, 2020) *Op. Cit.*

⁴⁰ Yordanova, I (February, 2020) *Op. Cit.*

⁴¹ Yordanova, I (February, 2020) *Op. Cit.*

- Self-employed mothers with dependent children are much more likely to work part-time than either employed mothers or self-employed fathers, as illustrated in figure 2. While almost 90% of men work full-time, regardless of employment status, just over a third of self-employed mothers work full-time.



3.6 Pensions and financial security

- In 2001, the self-employed were just as likely to have a private pension plan as people in jobs. Now, while 35% of the employed don't have a private pension, over 70% of the self-employed find themselves in that position. It's a gap that is set to increase, as the self-employed have not been included in mandatory auto-enrollment regulations. And the gap is greater for women. Only 22% of self-employed women are saving into a private pension fund, compared to 33% of self-employed men.⁴²
- 37% of self-employed women, compared to 26% of men, are currently not saving for their retirement in any way.⁴³
- Citizens Advice calculate that just 2.2% of the £27 billion spent by government on Pensions Tax relief goes to the self-employed, despite their making up 15% of the labour force.⁴⁴
- Self-employed men are more likely than self-employed women to say they could handle a major unexpected expense (72% compared to 57% of women) and that they are secure in their financial future (63% compared to 54% of women).⁴⁵
- Self-employed women were more likely to say that they have felt stressed or anxious (57% in comparison with 46% for men), depressed (33% in comparison with 24% for men), experienced feelings of inadequacy/failure (34% in comparison with 22% for men) and lacked confidence (38% in comparison with 29% of men) as a result of financial worries.⁴⁶

⁴² Yordanova, I (February, 2020) *Op. Cit.*

⁴³ Yordanova, I (February, 2020) *Op. Cit.*

⁴⁴ Citizens Advice Press Release (2015) *Pension tax relief system is 'working against' self-employed and low earners.*

⁴⁵ Yordanova, I (February, 2020) *Op. Cit.*

⁴⁶ Yordanova, I (February, 2020) *Op. Cit.*

4. Recommendations

4.1 Fair income support for self-employed women during the coronavirus crisis

The new self-employed, who started their business after April 2019, are excluded from the COVID-19 Self-employment Income Support Scheme. Almost ALL of this group are women. The scheme also discriminates against women who took maternity leave during the three year assessment period.

Recommendation 1

Immediately adjust the COVID-19 Self-employment Income Support Scheme to fairly support self-employed start-ups, almost all of whom are women, and self-employed women who have taken maternity leave during the SEISS qualification period.

4.2 Equalise parental benefits for the self-employed

Self-employed mothers are not entitled to Statutory Maternity Pay, instead they can claim a much lower amount of Maternity Allowance. Self-employed parents have been explicitly excluded from the right to Shared Parental Leave, introduced in 2015.

Recommendation 2

Equalise parental benefits, so that self-employed parents are entitled to the same level of Statutory Maternity Pay and Shared Parental Leave as employed parents.

4.3 Incentivised retirement savings

Self-employed women have fallen far behind employed people and self-employed men in their ability to save for retirement. Just 22% are saving towards a private pension, compared to 33% of self-employed men and 65% of people who are employed.

Recommendation 3

Incentivise pension contributions and ISA schemes for the self-employed.

4.4 A skills strategy for women in the new economy

The occupational segregation of self-employed women mirrors the employed sector. Women are more likely to work in and to become self-employed in sectors that are in decline and they are highly under-represented in growth sectors, particularly STEM. In addition, general support

for new businesses has in recent years more often excluded the solo self-employed. The vast majority of these who have become solo self-employed in the last 10 years have been women.

Recommendation 4

A government skills strategy for women in the new economy. This must include a strong focus on women into STEM industries and female-focused skills training, coaching, business incubation and support for self-employed women.

Business support and training for the self-employed is to a great extent delivered via public funding. As such, this support is subject to the Public Sector Equality Duty and it should be required to demonstrate and ensure greater equality of outcome.

4.5 A social security safety net fit for a post-COVID economy

While flexible, often part-time, self-employment has, in the past, enabled people with disabilities, carers and lone parents, to maintain their skills, prospects and dignity, the introduction of Universal Credit for the self-employed has left the vast majority of those groups better off unemployed.

Most self-employed women aren't just earning an income, they are also providing more unpaid work at home and in their communities than most other people.

A post-COVID economy is predicted to have higher levels of unemployment and underemployment. In that light, the current inflexibility of Universal Credit for the self-employed looks particularly short sighted, in terms of both societal and economic resilience.

Recommendation 5

The Universal Credit Minimum Income Floor (MIF) has been suspended for the duration of the COVID crisis, providing temporary relief to the low-income self-employed. The MIF should be permanently abolished along with the £16,000 asset limit.

Recommendation 6

The COVID crisis has shown us the limit of individuals being able to absorb the shocks affecting the wider economy. Beyond this crisis, a more holistic social security safety net will be needed. A Citizens Jury should be commissioned to investigate the merits of a Universal Basic Income.