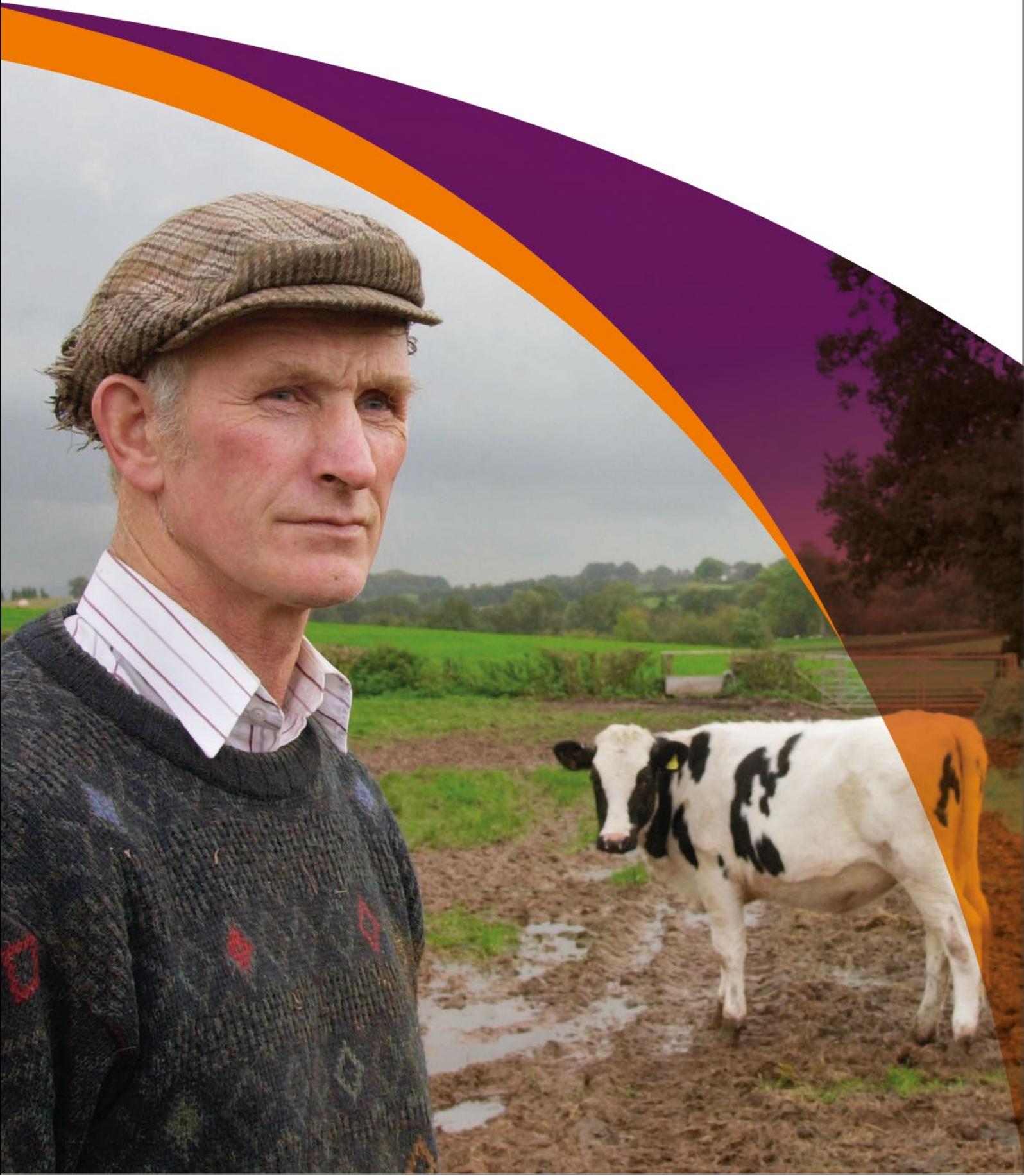


A New Deal for Self-employment

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July 2022



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Executive summary

Over the past decade there has been a substantial rise in self-employment - almost four in every ten jobs created during the decade that followed the 2008 financial crisis were self-employed. Today around one in eight people aged 16-64 is self-employed Wales – some 113,800 men and 54,600 women.

What's the problem?

Whilst many people will have benefited from being self-employed, for many others, the growth in self-employment will have contributed to the rising number of people and families that experience in-work poverty and long-term financial insecurity. The low financial resilience experienced by many self-employed people is a result of a range of factors, including: low-income; lack of income security; a lack of access to state support; and wider personal constraints or responsibilities.

Income from self-employment in Wales is, in general, consistently well below the average income earned from employment. During 2018-19, the median annual income from self-employment in Wales was less than two thirds than that of employed income (£13,500 and £22,500 respectively).

Low-income and insecure self-employment is in many cases symptomatic of the longer-term casualisation of work. In this respect, some self-employed people find themselves subject to many of the requirements and restrictions of employees but they enjoy few of the benefits. Although these trends are not new, the more recent rise of the gig economy and growth of third-party online platforms has increased the visibility of the blurred boundary between employment and self-employment.

Research informing the Bevan Foundation's first report engaged with a range of self-employed people across Wales. These conversations exposed the lack of financial resilience experienced by many low-income self-employed people. Some of these are quoted in this report, but the reader is encouraged to refer back to the first report for a wide range of examples.

This report offers a broader perspective on low-income self-employed people than one that is entirely focused on business support. This is because the lives of low-income self-employed people appear to be more significantly intertwined with the fate of their business activities. It suggests that there are four policy areas that may directly impact low-income self-employed people in Wales. These are:

- *Doing business better* (issues that affect the earnings of low-income self-employed people).
- *Everyday necessities* (issues that affect the lives of low-income self-employed people either specifically, or to a greater extent than employed-status people).
- *Protections* (things that should support low-income self-employed people either specifically, or to a greater extent than employed-status people).
- *Regulatory context* (issues that affect self-employed people, but which are generally less directly controllable by devolved governance in Wales).

It is necessary, therefore, to broaden our understanding of the challenges faced by self-employed people in Wales, both within their business activities and lives and household circumstances. In taking a wider perspective of self-employment, a greater understanding of their precarity and lack of financial resilience is illuminated, and the range of policy responses may be far more integrated.

A New Deal for the Self-Employed

The report offers six key proposals to increase the financial resilience of low-income self-employed people. **These recommendations seek to achieve two broad aims. The first is to help self-employed people achieve rewarding, sustainable, and productive work opportunities. The second is to provide support for low-income self-employed people who, for whatever reason, are finding it a struggle to achieve the first aim.** It suggests that, taken together, such actions might help constitute a 'New Deal' for the self-employed in Wales, and improve the financial resilience of low-income self-employed people, which is the core aim of our research.

Recommendation one: improving access to microcredit

Welsh Government should evaluate the operation of its microloan fund and the proportion of loans that have been made to the self-employed up to a value of £9,000. It should improve the visibility of this fund and make any necessary improvements to the application process to facilitate greater take up by the low-income self-employed where these people have a clearly identified credit need, or to find alternative mechanisms for providing such credit.

Recommendation two: a national accredited training programme

Welsh Government should design and support the establishment of a Wales National Accredited Training Programme for the Self-employed. It should also consider how Personal Learning Accounts might be made available to a wider range of low-income self-employed people to help fund their participation.

Recommendation three: support for the creation of alternative platforms and cooperative forms of self-employment

Welsh Government should evaluate options for establishing a network of alternative place-based platforms based on cooperative forms of ownership. This should be supported by an investment programme to facilitate start-up costs and coordination activities.

Recommendation four: establishing mutuals for the self-employed

Welsh Government should establish a high-level working group to develop a policy programme aimed at supporting the establishment of a network of self-employed mutual organisations in Wales, with a particular emphasis on those that may provide mutual aid and insurance to members.

Recommendation five: action on pensions, savings, and housing options

Working with credit unions in Wales, Welsh Government should evaluate credit union membership take-up by the self-employed and identify and overcome any barriers to potential membership.

Additionally, Welsh Government should evaluate housing options for the low-income self-employed in Wales, with a particular emphasis on what barriers may exist in securing tenancy agreements in the private rental sector.

Recommendation six: ensure equality of access to Welsh benefits for the low-income self-employed

Reviewing and overcoming the barriers experienced by self-employed people in accessing benefits that are administered in a devolved context should become a policy priority for Welsh Government.

1. Introduction

This report is concerned with people who experience low-income self-employment, a specific group of people that face a multiplicity of overlapping challenges in their work and everyday lives. It seeks to encourage and contribute to a policy debate about how, in a largely devolved context, public policy can be better designed to assist this significant part of the Welsh workforce and population to achieve greater financial resilience and household well-being.

Resilience has been defined as ‘the ability to cope financially when faced with sudden changes in circumstances, [an] unexpected cost or drop in income’ (Bevan Foundation, 2021, p. 21). The self-employed are a diverse range of people that are little understood by policy makers. Our central vision in this report is clear:

if you are self-employed your economic status should not discriminate against you, and you should be seen, valued, and supported as an important part of the overall workforce.

Ultimately, the report concludes, there is a need to offer a ‘New Deal’ to people who are low-income self-employed.

This is the second of two reports published by the Bevan Foundation as part of its work on low-income self-employment. The first report, *On the edge: low-income self-employment in Wales**, was published in October 2021. The first report illuminated the context, trends, and experiences of low-income self-employment in Wales. It contained an analysis of official statistics, as well as presenting the findings from a series of interviews with people experiencing low-income self-employment and a wider group of stakeholders.

This second report focuses on a set of specific recommendations for action in the context of devolved governance in Wales, and these have been strongly informed by the evidence included on the previous report. Although we refer to the qualitative and quantitative research undertaken to inform the first report, supplemented by some additional literature, it is not our intention to replicate it here. Instead, this report seeks frame our earlier evidence and to make specific policy recommendations.

Given the challenges facing low-income self-employed people it is perhaps surprising that there does not appear to have been a specific and significant review of devolved policy in relation to self-employment, either by the Welsh Government or by a Senedd committee.

This is despite the Welsh Government providing additional financial support for self-employed people during the pandemic and the recommendations of the Fair Work Commission shortly before (2019). The Commission noted:

‘...self-employment conditions are often poor, with longer hours being worked and the self-employed being less well paid on average than employees. Disadvantage experienced by certain groups within the employed labour force is found also within the self-employed category’ (p.24).

* This can be accessed at the Bevan Foundation website: <https://www.bevanfoundation.org/wp-content/uploads/2021/10/On-the-edge-low-income-self-employment-in-Wales-FINAL.pdf>

The Commission suggested, for example, that this included women, who tend to earn less than men, and disabled people who are overrepresented in self-employment. As part of its recommendations, the Commission proposed that a 'fair work standard' be developed that is suitable for the self-employed, as well as the wider workforce in Wales (p. 63).

The recently introduced Social Partnership and Public Procurement (Wales) Bill (Welsh Government, 2022) is seeking to take forward commitments to fair work. The Bill seeks to amend section 4 of the Well-being of Future Generations (Wales) Act 2015 by substituting 'fair work' for 'decent work' within the 'Prosperous Wales' goal. This will mean that all public bodies subject to the Well-being of Future Generations Act will need to consider fair work.

The current cost of living crisis is accentuating the urgent need for self-employment to be fully recognised in Welsh public policy. It is hoped that this report, taken together with the Bevan Foundation's 2021 findings, will prompt a greater prominence for self-employment, and that the policy proposals contained within are given serious consideration.

2. Low-income self-employment

Self-employment accounts for a substantial, but often hidden, proportion of the workforce. The section summarises the key characteristics of low-income self-employment in Wales, drawing on the Bevan Foundation's earlier research as well as other evidence on Wales and, where necessary, the rest of the UK.

2.1. What is self-employment?

The difficulties in measuring low-income self-employment are compounded by the fact that self-employment takes a multiplicity of forms. The ONS Annual Population Survey (Jan-Dec 2019) categorised the seven most common groups of self-employed people as:

- Working for self (68%)
- Running a business (18.7%)
- Sole director in own limited business (14.3%)
- Freelance (12.3%)
- Partner (10.6%)
- Sub-contractor (10.2%)
- Agency (3.3%)

Whereas the largest proportion of self-employed people report that they are working for themselves, this is complicated by the fact that some self-employed people may belong to multiple categories (e.g. freelancers using third party platforms as agency workers when there are lulls in their other work) or might be both employed and self-employed. It is also possible to be an employee for employment rights purposes, whilst simultaneously self-employed for tax purposes. This latter category has been described as 'bogus self-employment' (where workers are told they are self-employed, when legal tests would likely define them as employed). Citizens Advice (2015) calculated that in 2015 around 460,000 people across the UK fell into this definition.

In addition, stakeholders have mentioned during our research that there are people who believe they are employees, but whose employer treats them as self-employed. Ultimately, for us, self-employment appears to fall into one of three broad types: genuine, dependent, and gig-workers.

2.2. Trends in self-employment

Over the past decade or so, there has been a significant rise in self-employment in Wales, and almost four in every ten jobs created in Wales during the decade that followed the 2008 financial crisis were self-employed (Henley and Lang, 2017a). Self-employment in Wales peaked in 2014-2015 (Bevan Foundation, 2021) and now stands at 13.1 per cent.

Whilst many of the people who became self-employed during this period will have gained significant material or other benefits, there is also no-doubt that for many others it will have contributed to in-work poverty (Beatty et. al., 2021; Galloway et. al., 2016) and long-term financial insecurity (D'Arcy and Gardiner, 2014).

The Covid-19 pandemic had an immediate and substantial impact on self-employment, as significant numbers of people were forced to urgently seek alternative sources of

income. Around 16,000 people have left self-employment since the year to March 2020, although it is important to note that self-employment had already started to decline prior to the onset of the pandemic. The Covid-related reduction was therefore less marked than elsewhere (ONS, Annual Population Survey, 2019q3-2021q3). The decline that did come as a result of the pandemic was, in part, because of the overrepresentation of self-employment in sectors more likely to have been affected by 'lockdown' measures, such as accommodation and food, arts and leisure, transport services, and domestic services (Henley, 2020), and people could not access economic support.

The Welsh Government sought to fill some of the gaps in support for self-employed people by, for example, providing additional assistance for cultural industry freelancers, who lost up to 80 per cent of their work during 2021 (Donnelly and Komorowski, 2022). Even here, however, there may have been some unintended shortcomings. Donnelly and Komorowski have suggested, for example, that '...deficiencies in support were particularly noticeable for freelancers with protected characteristics and/or who had caring responsibilities' (p.2), and less experienced freelancers had most difficulty navigating the available support.

The impact of the pandemic on self-employed people's household finances and wider household circumstances were substantial. The most significant loss of livelihoods was felt by the younger, the less well educated, and minority ethnic self-employed people. These groups were already likely to experience the lowest-paid and most precarious patterns of self-employment. (Henley, 2020; Daniel et. al., 2021). Berrill et. al. (2021) show that self-employed people in general tend to experience greater financial distress at times of crisis than employees, and this is particularly true for those on lower incomes. In other words, the people who experience precarious and low-income self-employment were likely to have been worst affected by the pandemic.

Similar to the findings in academic literature (Daniel et. al., 2021) the Bevan Foundation also found that many (but not all) self-employed people had had to survive the pandemic by a variety of means, from becoming an employee to selling equipment to borrowing from formal and informal sources. As one person told us:

The truth is at the moment I'm thinking will I have to sell something. It's a huge step to take and not a place you want to be at 55. I didn't think I would have to re-assess quite so dramatically (Bevan Foundation, 2021, p.)

2.3. Variations within Wales

The Bevan Foundation has previously identified that rural areas in Wales tend to experience the highest rates of self-employment, with, for example, Powys exceeding 20 per cent self-employment of 16-64 year olds at various times between 2014-18. Conversely, other areas, including many south Wales communities, tend to experience significantly lower rates of self-employment. In 2021, Blaenau Gwent's self-employment rate among 16-64 year olds was just 4.8 per cent, whilst in the same year it was 17.8 per cent in Powys. Wales' largest urban area, Cardiff, had a rate of 9.4 per cent during the same period.

In every area of Wales male self-employment is significantly higher than female self-employment, and in Wales overall men are more than twice as likely to be self-employed than women. In the year July 2020 to June 2021, there were 113,800 self-employed men

and 54,600 self-employed women in Wales of working age (16-64), which is consistent with broader and longer-term UK trends (Bevan Foundation, 2021, using Annual Population Survey data).

Although the rate of male self-employment is greater than female self-employment in every local authority area in Wales, there are significant variations in the rate of female self-employment. Those areas of Wales with the highest overall rates of self-employment also tend to experience the highest rates of female self-employment. Consequently, nearly all rural local authority areas have female self-employment rates above the all-Wales female average.

Daniel et. al. (2021) found that women who are self-employed were at significantly higher risk of disruption during the Covid-19 pandemic as a result of the uncertainties associated with home caring, and because female self-employment is particularly concentrated in sectors that have been especially vulnerable to sequential lockdowns (p.14). Given the spatial characteristics of female self-employment noted, it is entirely possible that self-employment in rural areas of Wales is therefore likely to have been particularly badly affected by Covid, as these areas have higher rates of female self-employment. These findings also help illustrate the impact that particular household circumstances have on the working patterns of self-employed people.

The first stage report also noted that disabled people tended to have a slightly higher propensity to be self-employed, which is also notable in Scotland (see: Jackman et. al., 2021), and that the propensity to be self-employed generally increased with age.

There is also significant variation in the proportion of self-employment across different industries. The first stage report found that the three industries where self-employment is most prevalent are primary production, utilities, and construction, within which nearly two in every five jobs are self-employed. Moreover, some sectors experience a particularly high level of low-income self-employment. In 2016, Broughton and Richards (2016b) identified that five sectors accounted for 64 per cent of UK low-income self-employment (occupations emphasised experience the greatest concentrations of low-income self-employment):

- Construction - *building site work, electricals and plumbing, decoration, and roofing.*
- Administrative and support activities - *cleaning and gardening.*
- Transport and storage - *taxi, lorry, and coach drivers.*
- Professional, scientific, and technical - *design, photography, and translation services.*
- Wholesale and retail trade – *retail.*

Although representing a smaller part of the overall employment, sectors such as the creative industries also experience high rates of self-employment. The creative industries also experience some of the lowest income self-employment. Research undertaken in Wales by Donnelly and Komorowski (2022) found that amongst their respondents the average annual income in this sector in Wales was £17,000 per year. Therefore, although the five sectors identified by Broughton and Richards represent the largest concentrations of low-income self-employment, it is important to recognise that other smaller sectors also include disproportionately high levels of low-income self-employment.

2.4. Low-income self-employment

Low-paid employment is commonly defined as those earning less than two-thirds of the median hourly pay, however it is more difficult to calculate for people who are self-employed. In 2016, the Social Market Foundation (Broughton and Richards, 2016b) found that measured on an hourly basis 49 per cent of the UK's self-employed had a low-income, compared with 22 per cent of employees (55 per cent and 29 per cent respectively on a monthly basis). The TUC (2018) had similar findings. The Bevan Foundation found that more than half of self-employed people in Wales earned less than two-thirds of median earnings of employees (Bevan Foundation, 2021).

Income from self-employment in Wales is, in general, consistently well below the average income earned from employment, as it is, on average, across the UK. The Bevan Foundation found that during 2018-19 the median annual income from self-employment in Wales was less than two thirds than that of employed income (£13,500 and £22,500 respectively). During the same year, the Bevan Foundation found that income from self-employment in Wales was the second lowest (after Northern Ireland) of the twelve UK nations and English regions.

There is significant spatial variation in average incomes from self-employment in Wales, with the highest levels in Wrexham (£15,800) and lowest in Carmarthenshire (£8,120) during 2018-19. Although experiencing the highest overall rates of self-employment, rural areas of Wales experienced the lowest average incomes from self-employment. Income for female self-employed tends to be lower, on average, than male self-employed. This partly reflects the far greater propensity of mothers with dependent children to work part-time hours (ONS Annual Population Survey, Jan-Dec 2019). Even when considering hourly earnings, however, women are still more likely to be low-income self-employed than men. Women also tend to disproportionately make up the number of individuals in low-income self-employment on a sustained basis for more than one year (Broughton and Richards, 2016a).

2.5. Push and pull factors

The rise in self-employment since 2008 has been driven by a range of so-called 'push' and 'pull' factors. Pull factors include positive choices to 'be your own boss' and enjoy the benefits that brings. There is strong evidence to suggest that 'opportunity pull' provides a fuller account of the overall rise of self-employment, since until recently self-employment growth rates were higher where local economic conditions were more vibrant' (Henley et. al., 2020).

However some people are pushed into self-employment by other factors, and evidence suggests that they are more likely to have low incomes than others. In their 2016 study, Galloway and colleagues identified two broad types of 'poor self-employed'.

Firstly, there are the previously long-term unemployed and those with health and disability problems, who had been encouraged into self-employment not least as a way of managing their circumstances. There are also others who are locked out of the job market such as people with caring responsibilities and first generation migrants (Broughton and Richards, 2016b). Similarly, the Bevan Foundation's first report reported

on conversations with people who had previously been subjected to discrimination as employees and became self-employed as a result. One interviewee explained:

I never thought that I would be able to be self-employed, but...I had no other option. I was scared...in case I experienced the same thing again. I decided to pursue it and for someone not to have that control over me again. (Bevan Foundation 2021, p. 6)

Galloway et al suggested that the enterprises set up by such people often did not provide even subsistence-level income, and that the chance of sustainable self-employment was likely to be low.

Secondly, there are those who had become self-employed because of broader trends toward contractualisation of the workforce, where responsibilities of employment have shifted from organisations to individuals. These so-called 'dependent self-employed' are substituted for employees by businesses seeking to avoid the cost of recruitment, training, redundancy, or other requirements such as pension contributions and the minimum wage. Indeed, the regulatory and National Insurance system may be making it attractive for firms to engage contractors rather than take on employees. There is also some suggestion that the introduction of a National Living Wage may have unintentionally contributed to this trend (Broughton and Richards, 2016b).

Although the casualisation of the workforce is not new, the rise of the gig economy and growth of third-party online platforms has added greater visibility of the question of whether someone is employed or self-employed. In 2017, 1.3 million people in the UK were working in the gig economy (Beatty et. al., 2021).

In some instances, casualised working can be used in a more positive way. Evidence contained in the first stage report suggests that some self-employed people, particularly those working in sectors prone to strong degrees of seasonality such as retail, used platform working as a periodic filler for occasions when their other work declined. For some self-employed people this practice was more difficult to achieve, e.g. for those whose main form of self-employment was effectively tied to a particular premises (such as a shop with specific opening hours) and who therefore find it difficult to gain supplementary income from other forms of self-employment or supplementary PAYE-based employment elsewhere.

2.6. Financial resilience

The pandemic has exposed the precariousness that a large proportion of self-employed people experience. Recent research appears to indicate that financial insecurity was higher and more persistent for the self-employed during the pandemic, because the self-employed have more of the characteristics associated with insecurity (including demographic, skills, housing, household, and health), and that these characteristics had stronger associations with insecurity for the self-employed compared with the employed (Reuschke et. al., 2022).

People who are low-income self-employed are more likely to live in low-income households than employees. In 2013/14 around 28 per cent of low-income self-employed people across the UK lived in low-income households, compared with 19 per cent of low-paid employees (Broughton and Richards, 2016b). This suggests that an

important source of financial resilience – other household income – is unlikely to be of assistance to a large proportion of those experiencing low-income self-employment (Henley and Lang (2017a). The pressure this puts on self-employed people is considerable as our interviews showed:

Doing this on your own is all fine and dandy but when things go wrong, even slight things going wrong, it can be catastrophic for a business, especially when there's no one else to pick up the slack. (Bevan Foundation, 2021 p.32

Self-employed people in Wales as in the rest of the UK are also far more likely to have no other sources of personal income aside from their self-employment earnings. The financial resilience of people who are low-income self-employed and their households is likely, therefore, to be amongst the most precarious in society.

The Bevan Foundation's interviews with low-income self-employed people revealed the reality of financial precarity. Like many other people on low incomes, self-employed people faced daily challenges with paying for essential items. The Foundation's research also showed that a combination of lack of disposable income and doubt about financial products meant that low income self-employed people struggled to protect themselves against financial crisis. Few had savings, most did not have insurance and many could not set money aside for pensions. The issues are explored in more depth in later chapters.

The current 'cost of living' crisis is compounding the financial and other pressures felt by low-income self-employed households, as well as low-income households more generally. In April 2022, UK inflation hit nine per cent (using the Consumer Prices Index), the highest level since March 1982. Some of the most significant increases in the cost of living have resulted from electricity, gas, and other fuels price rises, as well as the rising cost of rents and, particularly, groceries (ONS, May 2022). These pressures now are expected to last significantly longer and be more extreme than initially believed. The Bank of England does not now expect inflation to be below its 2 per cent target until sometime during 2024 and the Office for Budget Responsibility expects inflation to remain well above its previously predicted level throughout 2023 (OBR, 2022).

2.7. Policy priorities

Given the spatial, demographic, and sectoral characteristics of low-income self-employment, and the impact of the gig economy and the other contextual influences that we have outlined, this report suggests action across *four broad policy areas*. These, we suggest, have the potential to directly affect low-income self-employed people in Wales, and which are explored in the following chapters. These are as follows:

- *Doing business better* (issues that affect the businesses or earnings of low-income self-employed people).
- *Everyday necessities* (issues that affect the lives of low-income self-employed people either specifically, or to a greater extent than employed-status people).
- *Protections* (things that should support low-income self-employed people either specifically, or to a greater extent than employed-status people).

- *Regulatory context* (issues that affect self-employed people, but which are generally less directly controllable by devolved governance in Wales).

It is essential to consider this broader set of perspectives, rather than simply focus on the traditional realm of business support, important through this is, as the lives of the self-employed are significantly intertwined with their business activities. **If the financial resilience of low-income self-employed people in Wales is to be improved, it is necessary to broaden our understanding of the challenges faced by self-employed people in Wales, both within their business activities and their lives and household circumstances.** In taking a wider perspective on self-employed people, a greater understanding of their precarity and lack of financial resilience is illuminated, and the range of policy responses may be far more integrated.

A recent inquiry into self-employment undertaken by Prospect, Community Union, and the FSB (2021), argued that self-employed people fall ‘...between gaps in Government categorisation, treated as businesses by one department, as taxpayers by another, but very rarely looked at in the round’ (p. 10). The four policy arenas we have identified above provide the focus for the next four chapters of this report and seek to broaden our understanding of self-employment.

3. Doing business better

Self-employed people incur a different set of costs and experience a different range of difficulties than those in traditional employment. They must also navigate processes that those in employed status roles are not required to traverse. These include, but are not limited to: navigating business support programmes; business start-up and ongoing costs such as equipment, materials, marketing, preparing accounts or instructing an accountant; spend time on unremunerated work, such as preparation and basic research, travel, and quotations work; experience the late or non-payment of invoices; or experience poor broadband connectivity that affects their business operations (see: Donnelly and Komorowski, 2022, echoing the recommendations made by the National Infrastructure Commission, 2020).

Although many of these issues affect self-employed people more generally, their impact is often more acutely felt by those who experience low-income self-employment. One interviewee quoted in the Bevan Foundation's first report, for example, talked about the impact of the non-payment of an invoice in the approach to Christmas and the embarrassment they felt chancing their client for payment. They commented:

I kept it quite close to myself because I was embarrassed that I had let myself get into that position. I felt like I was begging. I felt worse than I felt in my entire life, it was awful (p. 25).

As we have seen, people who in low-income self-employment also tend to be more prevalent in certain sectors, are less likely to access training and are generally less networked, and often work through third party platforms that limit their business freedom and often dictate payment rates. In addition, many low-income self-employed people live in low-income areas of Wales, and so face contextual limitations of local markets. Furthermore, as noted earlier, many self-employed people are self-employed as they need to fit their working lives around wider household responsibilities, and this can be a significant constraint on their business growth potential. Therefore, whereas traditional business support programmes tend to be heavily focused on business growth, the prospects of low-income self-employed people are likely to be severely limited. Similar policy programmes have been pursued in Scotland (see for example: Johnston and Fridge, 2020), where they are equally distant from the priorities for low-income self-employed people (Kapasi, 2019).

Figure one provides a summary of business support services in Wales. The Taylor Review (2017) observed that it is, of course, '...inaccurate to suggest that all self-employed people seek to create employment opportunities, with the overwhelming majority neither employing anyone nor having plans to do so' (p. 75). In a survey undertaken by the FSB (2021), the majority of self-employed people believe they are treated less favourably than larger businesses by business support programmes, and in a more recent report (FSB, 2022) it also found that of those of its members who had used Business Wales services, just 51 per cent were satisfied, whilst 25 per cent were unsatisfied, and the remainder were neutral.

Figure 1: Business Support Locations in Wales

Welsh Government	Business Wales Development Bank of Wales Redundancy Action Scheme (ReAct) SMART Cymru Wales Tourism Investment Fund
UK Government	British Business Bank Start Up Loans Company
Local Authorities	Each of the 22 Local Authorities in Wales have business support sections.
Not for Profit Business Support	Business in Focus Purple Shoots
Support for social Enterprises	Wales Co-operative Centre WCVA
Support for Female Entrepreneurs	Chwarae Teg Female Entrepreneurship Funding

Source: FSB, 2022, p. 24.

Post-EU business support funding structures remain unresolved. There remain few details on how and what business support will be funded, but there are strong indications that Welsh Government will be increasingly by-passed by the UK Government, as demonstrated by the few funds that have so far been announced by the UK Government. The FSB (2022) has argued that any new programme should address access and eligibility shortcomings of existing structures, particularly for small businesses (or the self-employed).

It has also suggested, however, that **business support provided through institutions like Business Wales and the Development Bank for Wales is just part of the overall mix of support that is needed**, and that wider government intervention must address similar shortcomings. Support packages need to be as accessible as possible and must include not only financial assistance, but help with basic skills, including, for example, help with gaining a driving licence where this is relevant business ventures.

The FSB has consequently argued that apprenticeships and skills programmes should include evaluation metrics that are relevant to small businesses (and we would suggest the self-employed), as the emphasis on growing overall apprenticeship numbers incentivises a concentration of programmes on larger companies. More fundamentally, ‘...business support should move beyond simple job creation targets...’ and ‘any business support system needs to be geared toward long-term development, have fewer incentives to push money out onto projects that may be “shiny new things” but do not build a foundation for small businesses, and needs to incentivise wider timelines for success’ (FSB, 2022, pp. 4, 30). **If business support programmes are to address the difficulties experienced by people who are low-income self-employed, then there needs to be a significant change in approach, one that seeks to raise incomes rather than business growth.**

Stakeholders have suggested that Business Wales support can be difficult to navigate, and we therefore suggest that low-income-self-employed are treated by Business Wales as a hard-to-reach group. There also needs to be a recognition, as the Taylor Review (2017) argued, that self-employment is not right for everyone, and ‘the provision of advice to those considering self-employment should help them weigh up the pros and cons’ (p.75).

How then might business support programmes be more targeted to support low-income self-employed people? We would like to suggest that there are several areas where devolved governance in Wales might wish to focus greater attention.

3.1. Increasing hours and charges

An obvious option to boost income is to increase the number of hours worked. However, Broughton and Richards, 2016a found this has limited potential impact as 60 per cent of low-income self-employed already work 30 hours or more per week, whilst 40 per cent worked 40 hours or more per week. Those working fewer hours often have personal constraints that prevent them doing additional hours.

Alternatively, self-employed people could increase their rates of pay by raising prices as a result of providing a higher quality service and / or finding customers that are willing to pay more. Again, whilst this might be an option in some sectors with widely recognised qualifications, such as construction, in other sectors, such as those with intense local competition or a limited local market, the potential impact is less clear cut.

For many, then, increasing hours and charges is simply not a feasible option.

3.2. Training

Self-employed people are far less likely to access training than employees, partly because it is far more difficult for a self-employed person to identify and organise appropriate training options, or to afford the financial or time commitment, than an employee. As shown in the first report (Bevan Foundation, 2021), **for many low-income self-employed people, accessing training can be prohibitively expensive and difficult to access, and too generic to meet their own particular needs.** IPSE (2020) has suggested that as the self-employed find it difficult of afford ether the time or expense to undertake training, and consequently just 12 per cent of the UK’s solo self-employed had received job-

related training in the previous three months, compared to 26 per cent of employees. IPSE recommended, amongst other things, that the UK government should make training for new skills tax-deductible for the self-employed.

Whereas changes to the tax system may assist some self-employed people, a broader recognition that current provision isn't delivering for low-income self-employed people is necessary. The Welsh Government (2016) has previously stated that it wishes the framework for post-compulsory education to develop stronger links between education policy, provision, and social and economic goals. Nevertheless, there remain clear limitations in the self-employed gaining access to affordable and relevant training. Research for the further education sector in Wales (Colegau Cymru, 2019) made three particularly relevant recommendations: firstly, efforts should be made to strengthen the local, place-based skills coordination; secondly, efforts should be made to better involve a broader range of businesses, including SMEs, within the skills agenda; and thirdly, the funding of post-16 skills training should be reviewed to provide longer-term funding arrangements that support collaboration in skills delivery.

The Welsh education and skills system appears to be caught between what Buchanan et al. (2020) described as '...the desire to be "a learning country", where learners are "placed first" and the desire to serve the needs of "the economy" where more skills are a route to competitiveness and economic development' (p. 18). In this mix of competing priorities, they argued that the needs of the economy tend to be prioritised and improving workforce skills are seen as important elements in attracting inward investment. In this skills landscape, it is not difficult to see how the training needs of individual low-income self-employed people may have fallen from the list of priorities.

It should be noted that, whereas the most significant proportion of post-16 vocational training is undertaken by further education colleges, other sources of training provision are available. The Open University for example is a well-known provider of flexible online learning. Some training is private sector delivered, and other sources are also important. The CULT Cymru learning project, for example, is a partnership involving BECTU, Equity, the Musicians' Union, the Writers' Guild, and the TUC. It organises learning activities and networking activities in the creative industries. Such learning ranges from more generic business skills, through to role specific skills, and the emphasis is on learning that is relevant to particular people, accessible and affordable. (CULT Cymru, ND)

3.3. Networks and co-operatives

Henley and Lang (2017a) identified that where an existing culture of local business networks that are supportive of entrepreneurialism exist, this appears to have a significant impact on patterns of self-employment. There remain many areas, however, where such networks are weak and subsequently the conditions for local self-employment and entrepreneurship are less fertile. As our interviews with stakeholders for this and the first stage report showed, **low-income self-employed people, in particular, have extremely limited access to professional networks and consequently to sources of information about business opportunities or potential support.** They are less likely to be linked into, or be members of, the various organisations that offer training, advice, policy intelligence or support. This lack of engagement also tends to restrict their ability to negotiate higher rates of payment.

The Resolution Foundation is supporting initiatives that seek to improve the position of low-income workers by assisting the establishment of **new 'Workertech' technology ventures**, which can give new tools and information to workers that helps them improve their pay, prospects, and power. This may include helping them improve their knowledge of training opportunities, connecting them to colleagues or making more significant changes in their workplace. (Resolution Foundation, 2020) **There are significant opportunities presented by this approach, which need not be limited to those in traditional employed status roles.** Such technology also has the potential to support the self-employed, particularly the dependent self-employed and those engaged in the gig-economy.

The Taylor Review (2017) recognised that such technology is helping to provide self-employed people with new forms of support. Workertech is enabling the greater pooling risk and resources for self-employed individuals. Such 'portable benefits platforms' can, it suggested, '...provide ways for people who are self-employed...to gain access to a range of non-statutory benefits and protections. They also present an opportunity to "nudge" people who are self-employed to set aside money for the long term, e.g. for retirement, in case of injury, or to pursue personal development and training opportunities to further their career' (p. 76). The Taylor Review provided the following illustrative case study as an example of how such a scheme might work:

The *Black Car Fund* is a benefits platform for limousine and black car drivers in New York. It is a not-for-profit insurance provider that provides compensation for drivers that are injured while working. A 2.5 per cent surcharge is added to passenger's fares for drivers that are in the scheme, and this entitles the drivers to claim, in case of injury. The Fund also offers safety training for drivers in the scheme. Although this platform is not portable, its effective applications have led to it being the basis for some initial calls for Portable Benefit Platforms for those working in the sharing economy. (p.76)

The Review therefore recommended the creation of 'Workertech Catalysts' in the UK to encourage innovative ideas and bring together businesses, stakeholders, and government support to drive change and impact. **Such initiatives could help provide the self-employed with a stronger voice, as well as potential sources of protections.**

There are various examples of how freelancers have come together to form co-operatives to share services and to provide mutual support. Conaty et. al. (No Date) summarised that self-employed workers have needs and requirements that can and, in some places, are being met by the formation of co-operative and mutual organisations, including:

- Advice, support, and companionship
- Back-office services including invoicing and financial control
- Legal and financial advice
- Shared workspace – serviced and hot-desked
- Shared equipment
- Access to finance at sensible cost
- Collective insurance
- Marketing

They highlighted three UK-based examples of such initiatives being established: Swindon Music Co-operative, which is a not-for-profit association of over 40 self-employed music teachers who have come together to share marketing and other services; RICOL Language Services, which is a London-based co-operative that formed by interpreters; and Oren Actors Management Co-op, which is a Wales-based co-operative of actors.

To these we could add many more successful examples of co-operatives for self-employed workers, including DRIVE Taxis in Cardiff. Conaty et. al. (No Date) suggested, however, that in comparison to the number of UK examples, international experience of such initiatives is far more extensive and much more developed. These include the Freelancers Union in the USA, the formation of general unions for the self-employed in the Netherlands and Spain, and the Self-employed Women's Association in India. They also highlight SMart, a mutual for creative industry workers in commercial art and design that acts as a modern guild for its members and has a wide range of services for its members. SMart was originally formed in Belgium but has subsequently expanded over several European countries.

3.4. Procurement

Given the concentration of low-income self-employment in certain sectors policy intervention may need to be better targeted. In a devolved context and with the powers available within Wales, such intervention might include public sector procurement practices. Indeed, procurement is, perhaps, one of the most important policy levers available in Wales. The Welsh Government Plaid Cymru Co-operation Agreement states a desire to improve the level of public sector procurement contained within Wales, with just 52 per cent of such procurement currently based in Wales. Procurement is a central part of Welsh community wealth building policy initiatives. There are examples of innovative procurement experiments in Wales, with, for example, the establishment of ELITE Clothing Solutions in Ebbw Vale as a result of Welsh Government's Jobs Closer to Home pilots. Despite such welcome initiatives, there remain barriers to self-employed people accessing public contracts either directly or indirectly as sub-contractors.

Self-employed subcontractors in many cases experience low rates of hourly and daily remuneration and have few protections. This suggests the need for greater levels of intervention - for example, requiring minimum day rates, timely payment of invoices, or on-site facilities - potentially secured through additional or strengthened clauses in public sector procurement regarding the treatment of self-employed subcontractors and freelancers.

The Living Wage Foundation accreditation scheme requires that if the self-employed work on a firm's premises for more than two hours for eight consecutive weeks (similar policies are in place for those without fixed places of work that are central to the business operation, i.e. delivery drivers) then they must be paid the Living Wage. There must also be an agreed plan in place for third party contracted staff to receive the living wage. Although this requires a firm to want to seek Living Wage accreditation to be impactful, perhaps such **accreditation should be required as part of public sector procurement processes, at least for contracts over a certain price.**

Public sector procurement might also more directly connect with low-income self-employed people. **Where possible, public sector procurement requirements and processes should be made more accessible to smaller scale local enterprises and independent freelancers.** For example, interviews conducted for this research project have identified structural changes in childcare in Wales, with a significant shifts away from self-employed childminders toward larger day care settings. This, it is suggested, is partly the result of procurement practices that favour larger settings during tendering processes. Although this trend is not uniform across Wales as local authorities have considerable flexibility in how they procure childcare, or across all Welsh government childcare programmes. This process, it has been suggested, has simultaneously reduced the potential share of the childcare provision that is effectively open to self-employed childminders, as well as reducing the choice available to parents, particularly in rural areas.

In the creative industries Welsh Government is working to develop stronger relationships between local public bodies and cultural freelancers to help plan and deliver local services. Arising from Welsh Government's Cultural Recovery Fund, work is ongoing to crystallise thinking around the Welsh Freelancer Pledge. This is likely to involve creative freelancers co-creating solutions with the community, contributing to local development plans and development, or bringing new approaches to capital projects. This might be in areas such as culture, but also, for example, health or sustainable development and the built environment. By opting into the pledge when submitting their applications for grant support via the Recovery Fund, freelancers joined a national database that is now accessible to local authorities to aid with procurement and wider discussions. Although these developments are still at an early stage, they appear to demonstrate significant potential for a richer approach to local procurement and dialogue between public service planning and delivery and local freelancers.

A Welsh Government review of self-employment should consider ways of enabling more collaborative rather than competitive tendering by the self-employed. In this way, the public sector has far greater direct potential of improving the financial resilience of Wales' low-income self-employed. **This requires not only an emphasis on smaller local businesses and the self-employed, but also an emphasis in wider economic policy on locally grounded goods and services.** It might choose, for example, to prioritise intervention in sectors that experience the highest rates of low-income self-employment. Such initiatives might include smaller scale procurement, invitations for collaborative bidding, or additional procurement support. The developing work around the Freelancer Pledge would appear to be contributing to such a process. The recently introduced Social Partnership and Public Procurement (Wales) Bill would seem to offer important opportunities as '...public bodies will also be expected to carry out contract management duties to ensure that socially responsible outcomes are pursued through supply chains' (Welsh Government, 2022).

3.5. Third party platforms

Platforms have, often rightfully, tended to be seen as negatively contributing to low-income self-employment and are closely linked to the rising numbers of so called 'gig-economy' workers. The Taylor Review (2017) suggested that platform-based working could provide flexibility and opportunities for those unable to work in more conventional ways, but whilst wishing to maintain such flexibility the Review also argued that there was

a need to ensure fairness for those who work through such platforms, as well as those who compete with them. It suggested that 'worker' (or 'dependent contractor' as they suggested renaming it) '...status should be maintained but we should be clearer about how to distinguish workers from those who are legitimately self-employed' (p. 9). Current legislation was not helpful and, it concluded, 'the legislation must do more and the courts less if we are to improve clarity and ensure that irresponsible employers are not able to game the system and take advantage of working people. Nowhere is this more evident than the line between worker status and genuine self-employment' (p. 33).

There is a general lack of reliable evidence to support policy responses to the emergence of digital labour platforms. In 2017, research undertaken across 14 EU member states (included the UK) on behalf of the European Council and the European Parliament sought to provide quantitative evidence on platform working. The research estimated that although on average 10 per cent of adults in the EU have worked through online platforms, just two per cent of the adult population earned more than 50 per cent of their income and/or work more than 20 hours per week through such platforms. Of the 14 countries, the UK experienced the highest incidence. (Pesole et. al.,2018) This **data would appear to support other evidence that, for many, platform working is a supplementary source of income, rather than a main source.**

Evidence also suggests that platform working may, for some, provide useful additional sources of income. During the interviews undertaken with self-employed people as part of this research, it was clear that some low-income self-employed used platform working as a useful supplement to their other business activities. One interviewee reported:

'I like to keep them [platform opportunities] going because you never know when you're going to need them...' (p. 19).

Similar findings were identified in interviews undertaken with the self-employed during the Covid-19 pandemic as part of a recent ESRC research project (Reuschke et. al., 2021).

The question that arises, therefore, is whether the problem is not the existence of third-party platforms *per se*, but the current ownership structure and/or operation of these platforms? Is it possible to either intervene to make existing platforms function more fairly for those who work through them, or to support the creation of alternative forms of platform working that design out the failings of existing ones and return a sense of agency to those who work through them? We shall return to this question below.

3.6. Spatial and demographic targeting

Higher rates of low-income self-employment tend to be experienced by certain people and in certain places. Understanding these differences is important as they can help better target business support policy-interventions. Henley (2022) shows that the self-employed are at greater risk of poverty as a result of a combination of compositional factors (such as age, education levels, occupation, household characteristics), as well as the precarious nature of self-employment. He found that although, in general, self-employed households may experience higher levels of material deprivation than employed households (particularly those households with a sole self-employed income), those *without* children and the consequential access to welfare and other forms of support that having children may bring are particularly at risk.

Patterns of self-employed income may also be highly gendered, as female self-employment is often concentrated in certain low-income sectors. The effects are sometimes significant and, for example, Beatty et. al (2021) find, '...working women on low or unstable incomes are resorting to food banks in times of financial hardship; and that for many, this is a function of non-standard working practices', and, moreover, that welfare reform is a contributory factor in food bank usage (p. 995). There is also a greater propensity amongst immigrant communities to become self-employed than employed (Andersson et. al., 2021). Moreover, the ONS Annual Population Survey (Jan-Dec 2019) found that three ethnic groups, in particular, experienced higher rates of self-employment than others: Pakistani (25 per cent), other ethnic group (20 per cent), and Bangladeshi (19 per cent). Immigrant and BME communities are also amongst the most likely groups to experience low-income self-employment.

In the cultural sector, for example, freelancers with protected characteristics, or who have caring responsibilities, face additional barriers (Donnelly and Komorowski (2022). Moreover, women are disproportionately represented among the lower income bands in the cultural sector, as were freelancers who are black, Asian, and/or of mixed/multiple ethnicities while disabled freelancers experience similar income disparities. When demographic characteristics are overlaid with spatial locations, as shown by Henley and Lang (2017) in rural areas of Wales, such disparities are amplified.

4. Everyday necessities

Policy makers must understand the lack of financial resilience and precarity experienced by people who are in low-income self-employment beyond their pure business interests – their personal and wider household circumstances must also be understood if their resilience is to be strengthened. Citizens Advice has, for example, found that households where all income is derived from self-employment are almost twice as likely to be behind with household bills (see: Bevan Foundation, 2021) and self-employed households are particularly vulnerable to material deprivation (Henley, 2022).

In interviews undertaken with people who experience low-income self-employment, three issues consistently emerged as presenting particular household difficulties. These are: housing; the lack of affordable and accessible childcare; and pensions and savings. Although these also often represent challenges to the wider population, there are conditions that appear to accentuate their impact on low-income self-employed people. The current cost-of-living crisis appears to be heightening these difficulties for many households.

4.1. Housing

Many low-income self-employed people do not have sufficient income to afford to purchase a property and are likely to be struggling to afford rents in the private rental sector. Housing is one of the largest financial costs of low-income households, and rising rents and other housing related costs are exacerbating these challenges. Although there are caps set on increases in rent in social rented sector, private rented sector rents are driven by market forces, and in the year to December 2021 rose by 9.8 per cent in Wales, whilst Local Housing Allowance rates are being frozen at March 2020 levels (Thomas et. al., 2022).

In addition to the cost of housing, there are specific barriers related to the evidence required to access both the private rental sector and obtain mortgage. Previous research by the Bevan Foundation (2021b), specifically considering private rental housing, shows that many landlords or letting agents require extra proof during a tenancy application. These include: excessive deposits or bonds; a requirement for multiple references; a requirement for at least one guarantor; and the setting of minimum income requirements (p. 18). **Many low-income self-employed people find fulfilling some or all of these requirements particularly difficult.** Proving they meet minimum income requirements is often impossible for the low-income self-employed.

In terms of accessing mortgages, the requirement to provide several years of accounts as part of mortgage applications effectively freezes out many self-employed people from the home-owner market or, at the very least, limits their choice of mortgage product and potentially increases interest rates charged. D'Arcy and Gardiner (2014) found that 20 per cent of self-employed people were unable to secure a mortgage because of being self-employed, a far greater rate than employees. There is no reason to believe the situation has improved in recent years, and for many low-income self-employed people, private rented accommodation remains their only option. Those who do own their own home face the risk not only of losing it if they are unable to afford to repay their mortgage but also if they have borrowed against it to invest in their business.

It should also be noted that, running a business from home can bring additional difficulties depending on the nature of the work, the type of self-employment and the accommodation. Our discussions with stakeholders as part of this research have suggested, for example, that self-employed childminders are often required to submit planning applications (or prove they are not required to) to run childminding businesses from home. In addition, depending on whether a self-employed person works via a limited company, it can sometimes be difficult for tenants to secure permission from their landlord to register their business at their rented home address.

The Welsh Government and Plaid Cymru Co-operation Agreement pledges the introduction of a White Paper on rent control, but few details have yet emerged. In respect of the other issues identified here, there appear to be little or no current policy proposals to support people in low-income self-employment.

4.2. Affordable and accessible childcare

Working parents of children aged three and four currently receive up to 30 hours of free childcare per week under the Welsh Government's Childcare Offer scheme. As a result of the Co-operation Agreement, from September 2022 the Childcare Offer is due to be extended to two-year-olds in some of Wales' most disadvantaged communities as a first phase, with commitments for further expansion to other areas of Wales following this date. Although these are clearly very welcome developments for many families, at the time of writing it is not clear how much childcare will be available for two-year-olds and, even in the best case, there would remain a childcare gap between six months and two years.

The Bevan Foundation (Winckler, 2019) has previously highlighted the impact that gaps in provision have for self-employed people and people who do not work traditional hours, which particularly affected those on low-incomes. During the Covid-19 pandemic lockdowns, the inability to access childcare magnified the inability of some self-employed people to continue to work (Daniel et. al., 2021), but this is not simply a symptom of the pandemic lockdowns. **During the interviews conducted for this research, low-income self-employed people explained that they often don't know when they will require (or be able to afford) childcare as they may not know when they will have paid work.** Low-income self-employed parents tend to be particularly prone of unpredictable working patterns, which means they may need to pay for childcare days they do not necessarily need in order to maintain their ongoing access to provision when they do need it.

Beyond issues relating to access, the general affordability of childcare provision is also a significant issue for those in low-income roles. The Bevan Foundation (Winckler, 2019) previously estimated that those earning less than median wages, the cost of childcare is prohibitive. It found that, 'even with a contribution from Universal Credit, a parent with one child under two in a nursery at average fees would have to contribute more than £80 a week from an already-low income' (p. 28). It concluded that childcare remains a major constraint on participation in work, particularly for women, and that this remains the case despite the introduction of the Welsh Government childcare offer. Moreover, 'for children from three to five years of age, the childcare offer is valued by women working for around

30 hours a week, but with four out of ten women working part-time it is not always a good fit and it is simply not available for women on the lowest of incomes' (p. 29). For those with children in full-time school, the lack of availability and sometimes high costs of before and after school care, and of holiday provision continues to severely restrict their working lives.

A Welsh Government commissioned study (Hughes and Jones, 2021) exploring the barriers to accessing existing childcare provision found, amongst other issues, that there were administrative barriers that prevented some self-employed parents from claiming funded childcare due to their self-employment status. It found that the process of claiming was more complex for self-employed people. There may, it is suggested, also be issues around newly self-employed proving that they are gainfully 'employed', as they did not have payslips to demonstrate their eligibility. The Co-operation Agreement states that Welsh Government will seek to 'enable those in education/training or on the edge of work to access childcare', which might seem to imply that this particular difficulty would be overcome, but there remain few details on what is proposed.

A recent Equality and Social Justice Committee (2022) inquiry report recommended that, '...the Welsh Government sets out in its response how it intends to address the eligibility criteria in the Childcare Offer to make it easier for parents employed in atypical hours, such as insecure work, shift work or on zero-hours contracts, to access provision'. **It is clear such a response also needs to consider difficulties experienced by self-employed parents.**

4.3. Provision for savings and pensions

People who are low-income and self-employed often find it impossible to save, either to build up a short-term safety net or for longer-term pension provision. Interviews undertaken with the self-employed as part of the first stage of this research project clearly identified that most **self-employed people found it difficult to save on a regular basis, and most did not therefore have any resources they could draw on in case of a sudden drop in income or an unexpected cost.**

The Bevan Foundation's first report quoted interviewees who said:

'I don't see me saving anytime soon because...I can't even save for Christmas at the moment'

'It doesn't take long for savings to disappear. I've got through a lot, and I know how quickly they go and how impossible they are to replace' (p.33).

Where people did have such resources, they were often dependent on wider household income, typically from a partner with a more traditional source of income. As one interview said in response to being asked if she had a financial buffer:

Me personally, no. Really, I just need to not ever get divorced! As a family we have the buffer but not for me individually

Similar findings were identified by research undertaken by Daniel et. al. (2021). As we have discussed, often the most precarious low-income self-employed live in households where income from self-employment is the only source of household income. In these circumstances there is often no wider household safety net.

Pensions are another major policy issue. **When faced with the immediate challenges of everyday living expenses, low-income self-employed people often find it impossible to put money aside for their pension. This difficulty is exacerbated by the lack of compulsion.** Self-employed people cannot be auto-enrolled onto company pension schemes and there is no employer contribution (see: Hoppner, 2020). The IFS (2020) identified that the proportion of self-employed people in the UK paying into a private pension scheme has actually been in decline for the past two decades (in 2018 just 16 per cent of self-employed people were contributing to a pension). Moreover, D'Arcy and Gardiner (2014) found that self-employed people have traditionally been less likely to have been members of personal pension schemes, identifying that just 31 per cent were contributing to a pension. They found that the situation amongst women was even worse, with just 20 per cent of self-employed women having any kind of personal pension.

Several interviewees quoted as part of the Bevan Foundation's first report talked about their experiences of pensions. Comments received included:

Sometimes I worry about it and other times I don't even let myself think about it, because you can't worry too far ahead. Let's just worry about getting through this month.

I've lately been looking at pensions and now I'm too old to start a pension fund. They don't want to know because I would have to pay so much that it's not worth it.

I think our generation, there's a general understanding that you're going to have to keep working and keep supporting yourself. (p. 33-34)

The Taylor Review (2017) had recommended auto-enrolment for the self-employed, and the 2017 UK Conservative Manifesto included a commitment to make auto-enrolment '...available to the self-employed'. Following the 2017 election, an expert working group was established to look at this issue, and although the possibility of auto-enrolment appears to have been ruled out as impractical, other options were and are continuing to be considered, including more flexible 'sidecar' savings products for the self-employed (DWP, 2019).

Sidecar savings are a relatively new policy idea aimed at improving savings for retirement. An instant access savings account that is tied to a pension, that permits account holders to access savings in the event of an emergency (Prabhakar, 2021). In the five years since the Taylor Review was published, however, little progress has been made. The Covid-19 pandemic is likely to have made matters worse, with many self-employed people experiencing significant drops in income. The cost-of-living crisis will also be placing additional strain on household finances and, consequently, the available income to save as a short-term safety net or for retirement is likely to be further reduced. Ultimately, lack of income is the major factor limiting the ability of low-income self-employed people to put money aside for savings or pensions.

5. Protections

This chapter considers some of the severe limitations on the social protections available to many low-income self-employed people and their households. Self-employed people have far more limited and complicated access to the UK and Welsh benefits system, experience a total lack of paid leave and sick leave, whilst finding private income insurance prohibitively expensive. The combination of these circumstances significantly reduces the financial resilience of low-income self-employed people and adds to their personal and household precarity.

The Bevan Foundation's first report quoted several interviewees who talk about the impact of this precarity on their households. One commented:

'there's been a few times when I haven't been able to pay my bills and I've had red letters...you don't really talk about it because it makes you feel like a failure...'

Another explained:

'the kids have stuff they need, but you go without yourself...' (p.26).

5.1. Social security benefits

Although the state benefit system is largely controlled at a UK level, the Bevan Foundation (2020) has identified twelve different devolved schemes that it suggested should be seen as part of a Welsh Benefits System. With identification based on three criteria (administered by a devolved body or by a Welsh local authority, provide households with cash or reduce their costs, and means-tested, rather than being targeted on specific groups of people or places). These included the following:

- Council Tax Reduction Scheme
- Disabled Facilities Grant
- Free School Meals
- Discretionary Housing Payments
- Education Maintenance Allowance
- Welsh Government Warm Homes Programme Nest
- Discretionary Assistance Fund
- Welsh Government Financial Contingency Fund (Further Education)
- Welsh Government Learning Grant Further Education
- Pupil Development Grant - Access
- Healthy Start Vouchers
- Help with Health Costs (NHS Low-income scheme)

Currently these schemes largely operate independently of each other, which means that multiple applications to different organisations or departments must be made. Moreover, **complex eligibility criteria are preventing many people who need support from accessing the system.** This has led to the Bevan Foundation calling for the creation of a far more simplified and unified Welsh Benefits System, making the application process more straightforward.

It is important that, as well as a simplified application process, fair eligibility criteria are also used. Currently, eligibility for such Welsh benefits is often based on entitlement to non-devolved benefits, such as Universal Credit. Claiming Universal Credit is, however, potentially more complex for self-employed people (LITRG, 2021). **One problem experienced by self-employed accessing support relates to any money they have set aside for tax being treated as personal saving during eligibility checks. Similarly, any money set aside for future business investment.**

One interviewee quoted in the Bevan Foundation's first report commented:

I was on Universal Credit for part of the pandemic and it's such a head stress. I had to go on it because I wasn't earning enough money. I found it very complicated to fill in and get done...you really feel like you're being grilled, like they're investigating your life (p. 27).

Another commented:

I don't qualify for any support because I'm foolish enough to have some savings, or I did have savings. The last year we have been burring through our savings... Where am I going to be in six months when I don't have any savings left and Universal Credit isn't going to cut it? (p. 27).

The failures of the benefit system have led to many low-income self-employed people accessing food banks (see: Beatty et. al., 2021). The problem with basing eligibility criteria of Welsh benefits on the eligibility for UK benefits, is that any failings in the UK benefits system are, by default, replicated at a Welsh level. Where possible, eligibility criteria for Welsh benefits should therefore be reviewed to ensure they do not replicate failings elsewhere.

Difficulties in accessing benefits (due to gaps in provision) and/or navigating support (due to lack of knowledge, experience, or information) are not limited to the self-employed, but there do appear to be additional difficulties experienced by those in low income. Welsh Government are clearly aware of the complexities of the benefits application process and the need to improve take up of entitlement, and in 2021 it developed a best practice toolkit for local authority administered benefits (Welsh Government, 2021 b). One way of avoiding such difficulties in administering benefits is to make entitlement universal as is the case with free school meals for primary school pupils.

5.2. Lack of paid leave

Perhaps one of the most significant differences between employed and self-employed people is the lack of, or limited access to, sick pay, as well as paid holidays, and maternity or paternity pay. This has significant physical and mental health implications, particularly for people who experience low-income self-employment. **The lack of paid sick leave, in particular, may mean that people who are low-income self-employed are less likely to access treatment that might require time off work** (see Goncalves and Martins, 2020). One self-employed carer commented to the Bevan Foundation:

'I was off for a week and a half, and I didn't get any form of sick pay. It was the recovery as well – they say "no lifting" – well my job is to lift!' (p.20).

The self-employed were also disproportionately affected by poor mental health and well-being during the pandemic (Henderson and Johnson, 2021). This is not limited to the pandemic, however, and Berrill et. al. (2021) found that when self-employed workers experience financial distress the negative consequences for their well-being are more severe than for employees.

A survey undertaken by IPSE (2020) found that there had been **a significant 300 per cent rise in the number of self-employed people experiencing poor mental health since before the pandemic, with the largest impact on women and young freelancers**. One self-employed person commented to the Bevan Foundation's first report:

My working conditions are shocking. No holiday pay, no sickness pay. It's really full on. I start early in the morning and finish at 8 at night. Although there's lots of good things about it, you couldn't employ anyone to do this job because it would be completely unacceptable, there's no breaks... (p.17).

One of IPSE's (2020) recommendations was that public and private sector clients, and presumably those in the third sector, should help enable a positive environment for freelancers including better communication, safer working, timely feedback and timely payment of invoices. Bectu (2022) identified that 90 per cent of off-screen professionals in the film and television industry had experienced mental health issues in work. With a significant proportion of self-employed people working in this sector many will have been affected. This has led to Bectu developing a model welfare policy template for use by companies in the sector, covering freelancers as well as employees.

Research by Community Union (2022) has shown that 57 per cent of self-employed applications for the UK Government's Test and Trace Support Payment were rejected (with various reasons given, such as not meeting income thresholds, and not providing sufficient evidence), despite one in five applications to the scheme coming from the self-employed. This, the Community Union argued, helped demonstrate the need for the Government to deliver on sick pay for the self-employed, who are currently excluded from being able to claim Statutory Sick Pay. Important and welcome though these recommendations are, other options are also available and, as we have seen, these have included voluntary mutuals for the self-employed.

Previous work by the Bevan Foundation (Winckler, 2021) has found that workers often face significant pressures when they are ill. It identified that 'the combination of inadequate or no sick pay and tough sickness absence targets encouraged workers to attend work when they are ill' (p.24). The lack of any sick pay is clearly a significant problem for the low-income self-employed, who, as we have seen, regularly lack the financial safety net of savings to support them when they cannot work. The Bevan Foundation recommended that Welsh Government may be able to address the provision of sick pay, particularly where sick workers in the workplace are a risk to public health, potentially by developing **a system of emergency payments to workers paid for by a levy** (via devolved taxation powers) on employers without sick pay schemes. Although this previous work was concerned with workers more generally, **we should suggest that such an arrangement could be expanded to cover self-employed workers on low incomes**.

5.3. Income insurance

Low-income self-employed people tend to be particularly affected by unpredictability of income. Interviews conducted with the self-employed demonstrated that very few had insurance to cover loss of earnings or illness, either because suitable products were not available or because the cost of such insurance is prohibitively expensive. In recent years income protection insurance policies for the self-employed have become available (Financial Advisor, 2017), but for low-income self-employed people these remain a prohibitively expensive option. One interviewee stated:

They are so expensive and in lots of cases they don't pay out anyway. If you've got any spare money to pay for an insurance policy, you're just better off putting that away yourself and knowing it's there if you need it. (P. 33)

Social protection to cover loss of income for the self-employed in the UK is limited, as is access to parental leave and the state pensions. Despite occasional suggestions about increasing self-employment NICs in return for equal access to such protections, such as the hastily abandoned announcement as part of the 2017 budget (Bennett, 2019), such inequalities persist. Nor is this a phenomenon limited to the UK, with limited social protections and similar debates taking place in, for example, the Netherlands and Germany (Conen and Buschoff, 2019).

As private insurance take-up is prohibitively expensive for low-income self-employed and the availability of social protection limited, mutual protection would seem to offer a potential alternative. As identified above, one example of such an approach is SMart - a successful worker co-operative for largely self-employed workers across several European countries. Originally established for creative freelancers in Belgium in 1998, it now offers members a wide range of services, including legal advice, insurance packages and a guarantee fund. Members contribute a percentage of their income in return for access to these benefits, which increase along with the percentage contributed. Effectively, SMart acts as an employer for self-employed people, affording them with the benefits of being employed, whilst being self-employed. (Charles et. al., 2020) Whilst such an arrangement may not suit every self-employed worker, the potential of such an approach for low-income self-employment would appear to offer real merit of further consideration.

6. Regulatory context

Recommendations in this report relate to issues where the Welsh Government and other Welsh public bodies appear to have greater scope to directly implement. It is, however, important to note some aspects of the UK regulatory context, as self-employment and other innovative forms of working are, as the Taylor Review (2017) suggested, beginning to seriously question the current legislative framework.

6.1. National Living Wage

Although it is clearly a welcome change for the wider workforce, it is important to note that **the National Living Wage (NLW) does not assist people who experience low-income self-employment**. Consequently, when it was introduced in 2016 the Social Market Foundation had calculated it missed out 1.73m low-paid workers. Moreover, there is some evidence to suggest that people who might have previously been employed are now being taken on as self-employed freelancers by unscrupulous employers seeking to avoid the paying the NLW, as well as employer pension contributions and sick pay. (Broughton and Richards, 2016a). We are certainly NOT recommending an abandonment of the NLW, but suggest there needs to be better enforcement to ensure self-employment is not used as a means for employers to avoid paying the NLW.

6.2. Taxation and National Insurance

The Taylor Review (2017) argued, that ‘over the long term, in the interests of innovation, fair competition and sound public finances we need to make the taxation of labour more consistent across employment forms while at the same time improving the rights and entitlements of self-employed people’ (p. 9). The Taylor Review also concluded that the tax system provides incentives for the bogus claiming of self-employment status for both individuals, but particularly businesses who are not required to pay employer National Insurance Contributions for self-employed workers. It also highlighted, however, the fact that **the self-employed are entitled to fewer public benefits than employed status people. This is because National Insurance Contributions (NICs) are assessed differently for self-employed people**, who pay both Class 2 (a fixed weekly amount if they earn over a Small Profits Threshold) and Class 4 (based on profits) NICs. Class 4 NICs do not count toward any state benefits, with eligibility to certain benefits (i.e., Maternity Allowance and, in some cases, contributions-based Employment Support Allowance) dependent on having paid sufficient Class 2 NICs. State pension entitlement may also be affected (LITRG, 2021).

6.3. IR35 and Personal Service Companies

A recent House of Lords (2020) report noted the growth in the use of personal service companies (PSCs) by the self-employed that has accompanied the rise in overall self-employment. It received evidence that suggested such arrangements were common among the lower-paid self-employed, but that these workers were at particularly high risk from ‘unscrupulous umbrella companies’. It received evidence that one impact from the changes to IR35 in relation to the public sector was that that there was a major shift of people out of limited companies into ‘...highly aggressive umbrella company models’

(p.27). It was told that a **'new wave' of off-payroll workers tended to earn less than was traditionally the case for self-employed contractors engaged in skills and specialist roles**. It concluded, however, that although the growth in the gig-economy had increased low-paid self-employment, the challenges posed by these changes went **'...well beyond the tax system. Trying to address them from a tax perspective alone is unlikely to deliver the optimal solution'**. (pp.7-8) On this basis, **it does not look as though the change to IR35 has noticeably removed the regulatory incentive to contract rather than employ**.

7. A New Deal for the self-employed

The preceding discussion has highlighted a range of challenges that, we suggest, are either experienced uniquely by the self-employed or to a greater extent than the wider workforce. As we have shown, many of these are felt more acutely by people who in low-income self-employment. By adopting this more expansive perspective and not, therefore, limiting the discussion to the realm of traditional business support, the range of possible policy responses within a devolved context is widened.

In the remainder of this report we want to focus on six proposals that we believe have the potential to help to increase the financial resilience of low-income self-employed people. In so doing, we wish to emphasise that the purpose of these proposals is not so much to ameliorate the worst effects of unscrupulous employment practices that have led to dependent self-employment, but rather to improve the viability of the businesses of those who experience low-income self-employment and to reduce the financial precarity of their household circumstances.

The six recommended policy responses we suggest are:

- improving access to microcredit;
- a national accredited training programme for the self-employed;
- support for the creation of alternative platforms and cooperative forms of self-employment;
- support for the establishment of mutuals for the self-employed;
- action on pensions, savings and housing options; and
- equality of access to Welsh benefits for people in low-income self-employment.

Taken together, such actions constitute a 'New Deal' for the self-employed in Wales. **These recommendations seek to achieve two broad aims. The first is to help self-employed people achieve rewarding, sustainable, and productive work opportunities. The second is to ensure the resilience of low-income self-employed people who, for whatever reason, are finding it a struggle to achieve the first aim.**

It should be noted that we do not make any specific recommendations with regard to regulations. This is because many of the regulatory issues highlighted in this report appear to fall outside of the direct control of the Welsh Government. We do, however, strongly urge Welsh Government to use any and all opportunities to press the UK Government into action to ensure a more equitable regulatory regime for low-income self-employed in Wales, and in particular on a fairer tax and National Insurance system. The remainder of this report will now consider our six specific policy recommendations.

7.1. Recommendation one: improving access to microcredit

As we have seen in this research, access to credit appears to be particularly difficult for the self-employed. Sources of 'microfinance' in Wales, as elsewhere, are limited, as traditional lenders are often unwilling to provide credit for the newly and/or low-income self-employed. This is because they sometimes have limited or poor credit ratings, don't fit into standard 'boxes', or find that their entitlement to benefits counts against them. Where possible, the gap in provision is filled by smaller third sector providers. During this research stakeholders have suggested that public sources of finance in Wales do not

provide sufficient microcredit for the self-employed. Some have suggested that Welsh Government's own Development Bank of Wales needs to play a far bigger role in providing such credit (Thomas, 2022). This is despite the establishment of a £30m microloan fund in 2019, which aims to provide loans from between £1,000 to £50,000.

Stakeholders have suggested that the proportion of loans made through Welsh Government's microloan fund at the lower end of the lending scale to the self-employed are extremely limited. If this is the case, it would seem that there are weaknesses in the operation of the fund and/or its take up by the self-employed. For the newly self-employed, particularly those on lower-incomes, the ability to purchase essential tools or equipment can make a real difference to their earnings potential. Often this requires relatively small sums of capital of perhaps up to £5,000. Although it is necessary to accept that a higher percentage of business failure, which may result in a larger proportion of microcredit being written off, the potential impact of such loans on those who are successful is likely to be significant. Nevertheless, it has also been suggested that loans in these cases can have a stronger incentive than grants as they teach newly self-employed people the importance of ensuring their business ventures are profitable, particularly as they need to be able to pay back the credit.

We recommend that Welsh Government evaluate the operation of its microloan fund and the proportion of loans that have been made to the self-employed up to a value of £9,000. If, as has been suggested during our stakeholder interviews, there has been far less take up by the self-employed at this scale, then Welsh Government should seek to improve the visibility of this fund and to make any necessary improvements to the application process, or to find alternative mechanisms for providing such credit. It might prove that the Development Bank for Wales is not the best fit in taking forward the administration of microcredit for the self-employed. If this is the case, then an alternative means should be found.

7.2. A national accredited training programme

Training has significant potential to improve the income of low-income self-employed people but it tends to be far less accessible to them than the wider employed workforce. Financial and time constraints are part of the problem, but wider accessibility and, indeed, relevance to specific needs are also important considerations. The challenge faced by training provision in Wales, is how to become more accessible, affordable, and relevant for the self-employed.

One of the major obstacles is the fact that the self-employed are an incredibly diverse and distributed group of people. Whereas relationships between training providers and large and, to a lesser degree, medium-sized employers are comparatively easier to manage via discussions between providers and personnel managers, and with training programmes therefore able to respond to specific business needs, such arrangements are seemingly implausible for individual self-employed people. Consequently, training provision available to the self-employed is often too generic.

Although regularly under stress during periods of economic turmoil, larger employers tend to have dedicated training budgets and time allotted to training activities for their employees. The self-employed on the other hand rarely have funding available for training activities and time is seldom available during the working day to undertake

training. Moreover, knowledge of what training opportunities do exist tends to be quite limited. These problems are heightened for the lower-income self-employed. As a result, training is seldom accessed and rarely prioritised by the self-employed.

To respond to these shortcomings in existing provision and the low take-up by the self-employed in accessing training we wish to propose the establishment of a Wales National Accredited Training Programme for the Self-employed. We wish to suggest the following model be subjected to further detailed exploration:

- A national training programme with recognised accreditation delivered by multiple local/regional providers.
- A modular training offer, providing a mixture of general business skills (i.e. basic book keeping, marketing, etc.) and, crucially, vocationally specific modules (i.e. building trades, horticulture, beauty, etc.).
- General modules (and course administration and pastoral support) to be delivered in person by local or regional providers, as these would be relevant to a wider cohort of self-employed learners. Trade/vocationally specific modules could be provided online by a single national provider with a particular specialism.
- Although general modules are likely to need timetabling, these should be scheduled at the most accessible points for self-employed learners, with catch-up points designed into the programme for those unable to make certain sessions. Online modules could be designed in a way that is demand accessible for individual learners, as could assessment methods for both aspects.
- Although the programme is unlikely to be entirely open ended, the timescales for completion could be relatively wide.
- Accreditation is important as this would add value to the goods or services offered by those completing the programme and, consequently, is likely to improve their income.
- As the emphasis of the programme should be on raising income levels, rather than business growth, the focus of the programme should be low-income self-employment. Consequently, a degree of targeting of certain sectors/professions is likely to be required, at least initially.
- Course costs should be minimised for the individual learner.

We are conscious that such a programme would require detailed design and planning, as well as collaboration between multiple training providers. This might be subject to a tendering exercise issued by Welsh Government as part of a New Deal which encourages collaborative bids between various training providers. It is important that such training providers are recognised and trusted.

It is also likely to require ongoing financial support from Welsh Government, as well as incurring costs to individual learners. In this respect, consideration should be given to how Personal Learning Accounts (PLAs) might be made available to a wider range of low-income self-employed people to help fund their participation. Currently it appears that PLAs, which can help fund part-time skills training, are available to people who are low-income self-employed, but only to those that work in certain sectors. Some of the available sectors overlap with the five sectors where we have identified the majority of low-income self-employment exists, but others do not.

Detailed pedagogical consideration would also be required in relation to the delivery of the programme via a mix of in-person and demand responsive online learning and assessment methods. This is particularly important given the high degree of likelihood that most of the learning is liable to be vocational in emphasis. Blended learning can be successful, however, and micro credentials can be made very specific. Wales has done particularly well in comparison to elsewhere in terms of providing bite-sized support for learners (for example Big Ideas Wales), particularly at tertiary level, the challenge is to build on that success in a cohesive approach.

7.3. Support for the creation of alternative platforms and cooperative forms of self-employment

As we have seen in the preceding discussion, policy and, indeed, evidence has failed to keep pace with the steady rise in the number of people working through third party platforms over the last ten years or so. What evidence does exist seems to be contradictory. Whilst there are very real concerns about platform working restricting business freedom from those who work through them and add greater potentially unfair competition for those who do not, many self-employed people chose to work through them as an alternative supplementary source of income. The challenge for public policy responses to platform working is to reinstate a sense of agency to platform workers and limit unfair competition, whilst at the same time not removing what for many low-income self-employed people is an important source of alternative and additional income.

The problem that arises is not the existence of third-party platforms *per se*, but the current ownership structure and/or operation of these platforms. It may be possible to intervene to make existing platforms function more fairly for those who work through them, and to act to ensure regulation limits unfair competition. These actions may require intervention at a UK level. In a devolved context, we wish to propose that greater consideration is given to supporting the establishment of alternative types of platform working based on cooperative forms of ownership.

It is worth pausing to reflect on the main aspects of platform working, these are:

- Paid work is organised through online platforms.
- Three parties are involved - the online platform, the worker, and the client.
- Work is contracted out.
- Jobs are broken down into tasks.
- Services are provided on demand.

Platform work may be delivered either online or in person, and the most common tasks performed include: professional tasks, transport, household tasks, and micro tasks (i.e. tagging images on web pages). (EurWORK, 2018) There is nothing about these processes that is dependent on current ownership structures of existing platforms. Platforms themselves clearly need to provide certain services (i.e. maintaining databases of workers, administering booking facilities for clients, marketing etc.), but again, although investment and organisation is required, these need not be undertaken under existing ownership structures.

Public investment in the creation of cooperative forms of platforms might overcome the shortcomings for existing platform working but continue to provide useful sources of income for self-employed workers. We see something of this in the creation of the Welsh Government Freelancer Pledge, but this has the potential to go much further. Using a sector that currently experiences a high percentage of low-income self-employment to act as a pilot (as we saw above these included: construction; administrative and support activities; transport and storage; professional, scientific, and technical; and wholesale and retail trade), it might be possible for Welsh Government and other Welsh public bodies to help establish and offer grant investment in local, regional or national cooperative platform. Place-based platforms might seem to offer significant potential in certain sectors.

The essential principles of platform co-operatives appear to be: broad-based ownership of the platform (workers control the technological features, production processes, algorithms, data, and job structures of the online platform); democratic governance (all stakeholders who own the platform collectively govern the platform); co-design of the platform (all stakeholders are included in the design and creation of the platform ensuring that software grows out of their needs, capacities, and aspirations); an aspiration to open source development and open data (new platform co-operatives can lay the algorithmic foundations for other co-operatives) (Platform Cooperative Consortium, No Date).

Unlike other initiatives that often depend on public sector procurement for their business model, such an initiative should be aimed at wider markets/consumers in the same way that traditional platforms currently operate. The difference, by eliminating profit extraction, would be that higher rates of income might be derived for workers, greater investment might be available for reinvestment into the platform, and given the ownership structure a sense of agency might be re-established. As we saw in chapter three, there is now growing evidence elsewhere that such approaches can work, and last year the Wales Co-operative Centre provided a briefing for the Senedd Cross Party Group for Co-operatives and Mutuals on the potential of such initiatives (Coop News, 2021).

7.4. Establishing mutuals for the self-employed

As discussed in this report, one of the major challenges faced by low-income self-employed people is the limited protection in the event of their income falling or stopping. Although social benefits provide some degree of support, their accessibility to the self-employed is more restricted and difficult to access than for the wider workforce. The Welsh benefits system though more limited than that controlled by the UK Government, does provide some degree of additional support, but this too risks replicating some of the deficiencies of the UK system regarding the self-employed. Although we clearly encourage improvements to both social systems, and the Bevan Foundation has made recommendations elsewhere in that respect, we wish to propose a concerted programme of support for the creation of a network of mutuals for the self-employed in Wales.

In their research, Conaty et. al. (No Date) identified that the majority of mutuals and cooperatives for self-employed people in the UK tended focus on more traditional business services (i.e. professional standards, marketing, invoicing). These are clearly very welcome initiatives, and they help improve the business performance of their members in a spirit of cooperation. There are several examples in the UK, but more commonly elsewhere, of mutuals that also offer forms of mutual aid and insurance for members,

including sickness benefits. Conaty et. al. highlighted the existence of so called 'Bread Funds' in the Netherlands as one such example, and in 2016 they were able to identify some 7,000 members of Dutch Bread Funds across 88 towns and cities.

A Bread Fund is a group of 25 to 50 people who contribute money each month into a fund that is available to support a member that is unable to work because of illness or injury. Contributions to the fund and any payments made to members take the form of a gift, and members can choose different levels of contributions that subsequently affect the level of support they may receive if needed. Clearly such an arrangement must operate based on mutual trust and therefore tend to be place-based in reach and operation. A feasibility study on setting up Bread Funds in the UK was completed in 2014 and this concluded that such an approach was feasible, but recommended that it was advisable to begin with pilot groups to test and refine the concept before embarking on a full-scale launch (Taylor, 2017). It should be noted, that such schemes are not designed to insure against work lost as a result of reduced demand, but against reduced ability to work on the part of the individual.

Although the successful promulgation of such organisations in Wales is likely to require detailed policy work, and depending on the particular model adopted may require changes to legislation at a UK level, they do appear to offer much potential to help support low-income self-employed people and overcome some of the deficiencies in social support. We therefore recommend that Welsh Government establishes a high-level working group to develop a policy programme aimed at supporting the establishment of a network of self-employed mutual organisations in Wales, with a particular emphasis on those that may provide mutual aid and insurance to members. This, we believe, would be consistent with Wales' long-standing tradition of cooperatives, mutuals and trade unionism.

7.5. Action on pensions, savings, and housing options

As we have seen, the severe lack of savings and pension provision made by the self-employed is a long-standing problem. The growing proportion of self-employed people over the last twenty years who make no kind of pension provision perhaps reflects the shifting patterns of self-employment. As identified in this and previous research, precarious low-income self-employment has been increasing significantly since the 2008 financial crisis. To this problem there is no easy fix, and proposals around auto-enrolment in pensions for the self-employment appear to have reached a dead end. Consideration of the development of 'side-car' pensions arrangements for self-employed are welcome, but this is an issue that is largely playing out at a UK level. One stakeholder suggested during our research that consideration may be given to attaching a self-employed pension levy to large-scale procurement in Wales, which certainly deserves further exploration.

There are two areas where, in a devolved context, Wales does appear to have more scope for action: further development of credit unions, and social and private rented housing. Credit unions are not for profit community lenders that provide affordable loans and savings accounts. Across Wales, credit unions have around 80,000 members, with £53m in savings and £23m in loans. Membership has significantly increased over the last ten years, and they now represent a major source of ethical financial products in Wales. This growth, however, is not something confined in Wales and estimates suggest that there

are now 40,000 credit unions in over 80 different countries. Indeed, in Ireland over 70 per cent of the population are members of a credit union.

In Wales, credit unions have more than 150 'payroll partners' who offer their workers the ability to pay into credit union savings accounts and/or repay a credit union loan directly from their salary. Whereas this clearly benefits many people who occupy traditional employed status roles and has accounted for an important proportion on the increasing numbers of people who are members of credit unions, this specific option does not appear to be open to the self-employed. Whereas self-employed people are entirely free to join a credit union, and many do, this important source of employer organised entry is absent. For that reason, we believe it is important for Welsh Government, working with credit unions in Wales, to evaluate credit union membership take-up by the self-employed, and identify any barriers to potential membership.

As with pensions, action on improving access for self-employed people to mortgages appears to be an issue requiring UK level intervention. As we have seen, however, there is some suggestion that the self-employed also appear to experience some difficulty in accessing rental agreements. This is likely to relate to circumstances where the newly or low-income self-employed are unable to provide sufficient evidence about their credit worthiness. This is something that is particularly likely to affect the younger self-employed, who may also lack references from previous landlords and be more heavily dependent on the private rental sector. We believe it is important for the Welsh Government to evaluate housing options for the self-employed in Wales, with a particular emphasis on what barriers may exist in securing tenancy agreements.

7.6. Equality of access to Welsh benefits for the low-income self-employed

In chapter five we identified the difficulties that many low-income self-employed people experience in accessing the state benefit system. Although many of these benefits are the responsibility of the UK Government, a growing raft of provision is administered in a devolved context in Wales and amount to what the Bevan Foundation has called 'the Welsh Benefits System'. As we have seen, however, accessing these benefits can be far more problematic for the self-employed and eligibility criteria that are commonly based on UK Government programmes can be far more complex to navigate. As we suggested, the problem with basing the eligibility criteria of Welsh benefits on eligibility for UK benefits, is that any failings in the UK benefits system are, by default, replicated at a Welsh level. This is particularly notable through the Universal Credit system, which is fraught with difficulties for the self-employed.

As we have seen, one way of avoiding such difficulties in administering benefits is to make entitlement universal, and one such move has been the extension of free school meals to all primary school pupils in Wales from September 2022. Universal entitlement for free prescriptions in Wales is another important example. Where universality has not been taken forward as a policy initiative, accessing various devolved grants and allowances often remains more complex, and provision more limited, for people in low-income self-employment than the general workforce.

Consequently, we believe reviewing and overcoming the barriers experienced by self-employed people in accessing benefits that are administered in a devolved context should become a policy priority for the Welsh Government. This might take the form of

extending universality to additional benefits but might also include reviewing application processes to make entitlement take-up for self-employed people at least as efficient as the wider working population. The Welsh Government should also consider whether it is possible within its powers to set its own eligibility criteria, rather than be dependent on existing entitlement to UK Government administered benefits. We believe that such initiatives would form an important part of the New Deal for the self-employed in Wales.

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