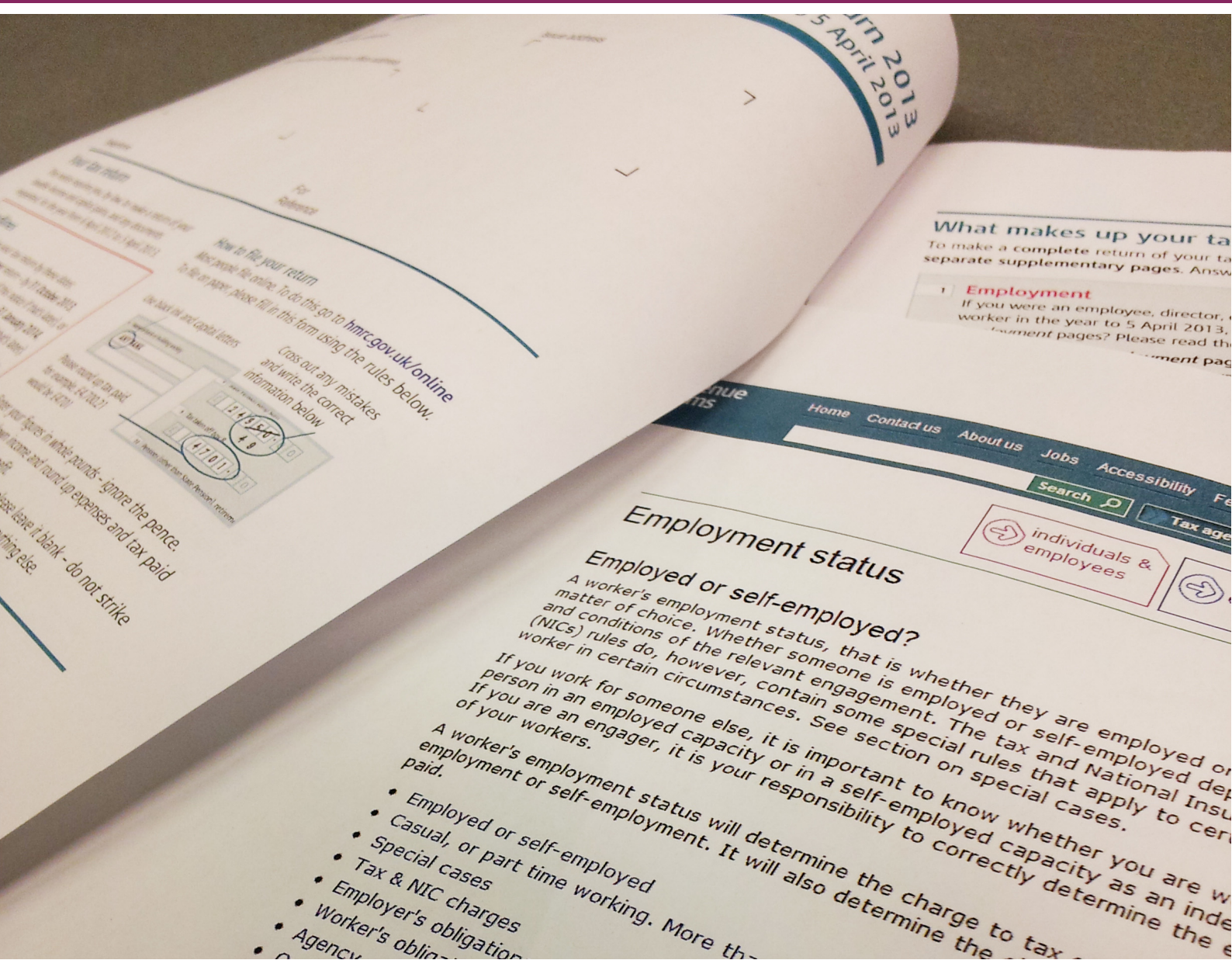


Self-employment in London

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Summary of findings

This paper has drawn on numerous datasets to gain a better understanding of self-employment in London. It has looked at self-employment jobs, characteristics of self-employed people (with some data presented on people who are self-employed in their second job), their income and wealth and their business turnover. The paper finds that:

There has been an increase in self-employment jobs in London and, with faster growth than employee jobs, its share of all jobs has risen....

In the year to Q2 2012 there were 724,000 self-employment jobs, an increase of 212,750 from the year to Q4 1996 (equal to 2.3 per cent annual growth). Having grown faster than employee jobs, the share of all jobs that are self-employed has risen from 13.0 per cent to 14.5 per cent between Q1 1996 and Q2 2012.

.... some industries have experienced very large increases in self-employment jobs

The number of self-employment jobs has increased since 1996 in all but three industries: manufacturing, wholesale/retail, and other services (the latter two a result of declines since the recession). Construction, professional/scientific/technical activities and education have seen the largest absolute increases in self-employment jobs, accounting for over half of the total increase.

.... and higher occupations have had the largest increase in the number of self-employment jobs.

Looking at the occupational breakdown of self-employment jobs, the largest increase in numbers were amongst the higher occupations (which is in line with the increased self-employment jobs in professional/scientific/technical, education, and finance/insurance/real estate industries). However, the relative increases in skilled trade, process plant and machine operatives, and elementary occupations suggest that a large proportion of the increased self-employment jobs in construction may be at the lower-skill end.

Some industries dominate self-employment jobs and some are dominated by them....

In 2012, construction and professional/scientific/technical activities accounted for over a third of all self-employment jobs in London (similar to their share in 1996). As a share of all jobs, self-employment is particularly important for the construction industry where it makes up over half of all jobs, and the arts/entertainment/recreation industry where it makes up nearly a third. The importance of self-employment within other service activities has been steadily declining since 1996 when it comprised nearly a third of the total. On the other hand, within the education industry the share has nearly doubled (albeit from a low base of 6.3 per cent in the year to 1996).

.... and women continue to be less likely to be in self-employed jobs than men.

In 2011, 33.3 per cent of self-employment jobs were filled by women (up from 27.8 per cent in 1996). However, across industries this share ranges from 3.3 per cent in construction to 76.6 per cent in health/social work.

Growth in self-employment jobs has been particularly fast since the recession....

Since the UK output peak in Q1 2008 self-employment jobs have grown at an annual rate of 3.6 per cent, double the pre-recession rate. Indeed, had self-employment jobs followed their pre-recession trend since Q1 2008, there would have been 3 per cent fewer jobs in 2012.

.... positively affecting some industries....

Self-employment jobs in six industries appear to have been positively affected by the recession (where they have seen faster growth or have started to grow, following a period of stagnation or decline prior to the recession): construction, finance/real estate, professional/scientific/technical, education, wholesale/retail and transport/storage. Furthermore, for four industries (construction, administration/support, wholesale/retail and transport/storage) there may have been a movement from employee (which have declined) to self-employed jobs since the recession (e.g. an employee job may become redundant but the individual then creates a job by becoming self-employed).

.... and self-employment in second jobs.

Having fallen at an annual rate of 2.0 per cent from 2005-2007, self-employment in second jobs grew at a rate of 9.8 per cent between 2007 and 2011. However, main jobs continue to account for over 90 percent of all self-employment jobs.

GLA Economics project self-employment jobs to continue to increase....

Based on the latest projections, self-employment jobs in London are expected to rise by 208,000 from 2011 to 896,000 in 2036. As a share of all jobs, self-employment is projected to account for 15.6 per cent in 2036.

There has been a steady increase in the numbers of self-employed people working in London, especially since the recession...

Since 2004 the number of self-employed people in London has been growing at an annual rate of 2.3 per cent, and reached 673,000 by 2011. Sixty per cent of this increase has occurred in the four years since 2007. Half of all self-employed people work in central and inner London (unchanged since 2004).

....and, compared to employees, self-employed people in 2011 were:

- **less likely commute**, and more likely to live and work in the same London borough,
- **older**, with almost a third of self-employed people aged over 50. This group accounted for 48 per cent of the increase in self-employed people since 2007, with a further 30 per cent from those aged 16-29. This contrasts with the increases from 2004-2007 where 60 per cent was accounted for by those aged 40-49;
- **more likely to be male**, although the proportion of women has increased, especially within the 16-29 and 60 plus age groups. Further, the increase in self-employed women accounted for 78 per cent of the total increase in self-employed people since 2007;
- **more likely to own their property outright or have a mortgage**. However, there has been a fall in the proportions owning outright or with a mortgage for both employee and self-employed people;
- **less likely to be working full-time** (and increasingly so), with a higher proportion working 30 hours or less. However, they are also more likely to work over 51 hours a week;
- **more likely to have 'other' or no qualifications** (although 43.6 per cent had an ordinary or higher degree in 2010, up 10.1 percentage points from 2004).

.... further, amongst those people self-employed:

- just **over half work from their home** (or with their home as a base);
- **over 70 per cent own or have a controlling stake** in their business;
- **83.2 per cent either work on their own or with a partner(s) but no employees** (slightly higher than in 2004), **and this group makes up a significant proportion of London's business base** (where 76.4 per cent of London's businesses had no employees in 2012). Just over a fifth of businesses in London with no employees are in the construction industry, with a further 16 per cent in the professional/scientific/technical industry. However, businesses with no employees make up over 90 per cent of all businesses in the education, transport/storage and arts/entertainment/recreation industries;
- **there is little change in employment status:** 86.8 per cent of employed people were self-employed a year earlier (in 2012) and around 90-92 per cent remain in self-employment from one quarter to the next (2002-11 average). Further, more than two thirds have been *continuously* self-employed for four or more years, and these proportions have remained relatively constant over time.

The average (mean) income of self-employed people who live in London was £35,100 in 2009/10, but the average self-employed man earned nearly 1.8 times more than the average woman....

Average self-employment income was similar to employees income, and has risen at an annual rate of 5.7 per cent since 2003/4¹. Nonetheless, self-employed men earned, on average, £39,900 (an increase of £12,300 from 2003/4) compared to £22,500 (an increase of £4,300).

....however, the mean income can be exacerbated by a few individuals with extremely high income. Looking at the distribution of income, the 'average' (median²) self-employed person had an income of £11,400 in 2009/10

This was statistically unchanged from 2003/4, and was less than half the median for London employees. However, the proportion of self-employed people who earn under £20,000 has fallen (but remains higher than amongst employees), whilst the proportion earning above £100,000 has risen (and remains higher than amongst employees).

....but this varies across London boroughs....

The median income of self-employed people ranges from £9,410 for those living in Hackney to £14,500 for those in Westminster.

....and self-employed women are more likely than their employee counterparts to earn over £50,000, although the opposite is true for men...

Whilst 16 per cent of women in self-employment earn above £50,000 only 10 per cent of female employees do (a difference which is unchanged from 2003/4). For men, 16 per cent of the self-

¹ It should be noted that the data on incomes covers only income from self-employment (and not a persona total income) but includes anyone with a self-employment job. Further, it includes only those liable to income tax (i.e. where their total income is above the personal tax allowance). The income values are also *not* adjusted to take inflation into account. With rises in the personal income tax allowance and inflation it is reasonable to expect to see some increase in incomes over time. Changes over time will also be affected by the industrial make-up of self-employed jobs.

² If all self-employed people were lined up in order of their income (highest to lowest) then the median income would be the income the self-employed person who is standing on the middle of the line. It is the income of the 50th percentile.

employed also earn above £50,000 but the corresponding share for male employees is higher at 21 per cent (a gap which has increased).

....however, both self-employed men and women are more likely to earn under £20,000 than their employee counterparts.

In 2009/10, 52 per cent of self-employed women and 54 per cent of self-employed men earned under £20,000, compared to 43 per cent and 30 per cent of female and male employees respectively.

Households in London where the head of the household is self-employed have an average (mean) total net wealth of £553,000....

This is higher than the wealth of households where the head is an employee (£478,000). Property (net of mortgages or secured loans) makes up half the value of wealth for self-employed households.

....however, the median household where the head is self-employed has total net wealth of only £264,900....

Although this is again higher than the equivalent for households where the head is an employee (by £8,400). At the extreme ends, the poorest 10 per cent of self-employed households had total net wealth that was £4,500 less than the poorest 10 per cent of employee households (£9,800 and £14,300 respectively). On the other hand, the wealthiest 10 per cent of self-employed households had total net wealth that was £214,400 more than the wealthiest 10 per cent of employee households (£1.38 million and £1.17 million respectively).

....and, compared to households where the head is an employee, self-employed households are more likely to have higher property wealth (net) and physical wealth (including collectables and valuables) but lower pension wealth.

The median property (net) and physical wealth for self-employed households is £30,000 and £12,000 more respectively than for employee households, and the difference increases towards the upper end of the distributions. On the other hand, the median pension wealth for employee households is £38,400 more than the median for self-employed households.

Finally, whilst businesses with no employees make up 76.4 per cent of all London businesses, they account for only 5.5 per cent of all business turnovers....

The average turnover per head is relatively low for businesses with no employees (£75,000 in 2012) but ranges from £33,700 in human health and social work to £331,400 in the real estate industry)

Background

There has been much discussion regarding the growth in self-employment. This is particularly true since the 2008 recession, during which self-employment growth continued. The purpose of this paper is to look at self-employment in London more closely. It provides an evidence base using available data to gain a better understanding of self-employed jobs and the characteristics of self-employed people. The paper begins by clarifying exactly what constitutes self-employment. It then goes on to look at self-employment *jobs*, followed by self-employed *people*. Some data is also presented on people who are self-employed in their second job and, finally, we look at the income and wealth of self-employed people and their business turnover.

What is self-employment?

In the UK there is no legal definition of self-employed. However, HM Revenue and Customs provide a check-list to help people determine whether they are employees or self-employed (see Annex A). According to this list, someone is most likely self-employed if they:

- run their own business and take responsibility for its success or failure;
- have several customers at the same time;
- can decide how, when and where they do their work;
- are free to hire other people to do the work for them or help them at their own expense; and
- provide the main items of equipment to do their work.

Data on self-employment from Office for National Statistics (ONS) surveys is self-defined by respondents. This forms the basis for much of the analysis on self-employed people in this report. However, the ONS Workforce Jobs Series (WFJ) makes adjustments for self-classification to bring data in line with HMRC guidelines on what constitutes being an employee or self-employed³.

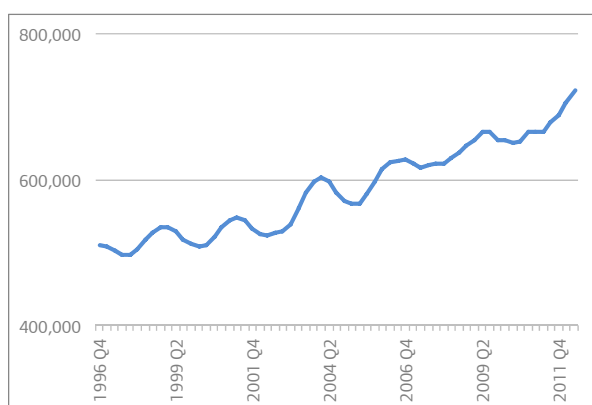
³ See, for example: www.ons.gov.uk/ons/rel/lms/labour-market-trends--discontinued-/volume-114--no--3/understanding-and-improving-national-statistics-of-employment-and-jobs.pdf

Chapter 1: Self-employment *jobs*

Since one person can have more than one job, the numbers of self-employment *jobs* may not equal the number of self-employed *people*. In this section we look at how self-employment *jobs* in London (as opposed to jobs held by Londoners) have been changing. The analysis uses the ONS Workforce Jobs (WFJ) series, which is available from Q1 1996. To smooth the data much of the analysis has been carried out on a four quarter moving average.

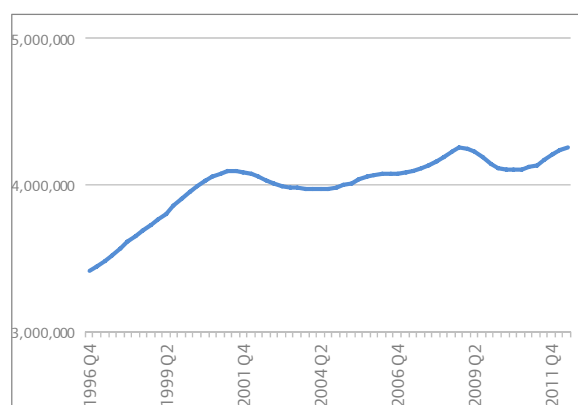
In the year ending Q4 1996 there were an average of 511,250 self-employment jobs in London. By the year ending Q2 2012 there were 724,000, an increase of 212,750, (or a 2.3 per cent annual growth rate) (see Figure 1). During the same period, employee jobs in London increased by 840,750 (or a 1.4 per cent annual growth rate) to reach 4,264,250 in the year ending Q2 2012 (see Figure 2). These changes have increased the self-employment share of all jobs⁴ from 13.0 per cent in Q1 1996 to 14.5 per cent in Q2 2012.

Figure 1: Number of *self-employment jobs* in London, annual average from year ending Q4 1996 to Q2 2012



GLA Economics calculations using data from WFJ (ONS).

Figure 2: Number of *employee jobs* in London, annual average from year ending Q4 1996 to Q2 2012



Source: GLA Economics calculations using data from WFJ (ONS).

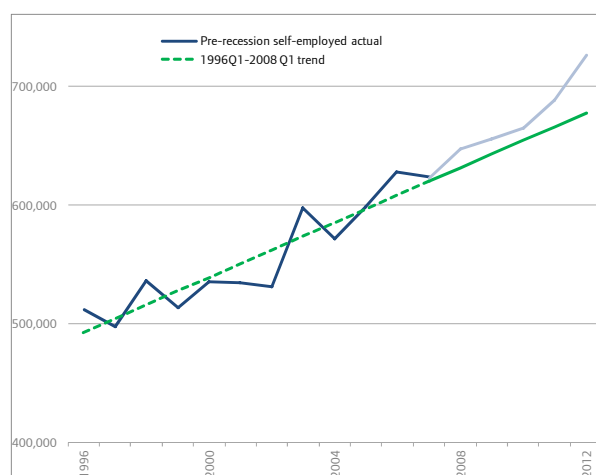
Whilst both self-employment and employee jobs have seen increases since 1996 there are interesting differences in their evolution before and after the 2008 recession. From the year ending Q4 1996 to Q1 2008 (when UK output peaked before falling into recession) self-employment jobs in London rose by 115,500 to 622,750. This is equal to a 1.8 per cent annual growth rate. Since Q1 2008 self-employment has risen by a further 101,250, equal to a 3.6 per cent annual growth rate. Indeed, had self-employment followed the same trend⁵ since Q1 2008 as before, there would have been 3 per cent fewer jobs in 2012 than there actually were (see Figure 3).

By contrast, employee jobs rose by 740,500 between 1996 and the year ending Q1 2008, an annual growth rate of 1.8 per cent. Since then, they have increased by only 100,250, equivalent to a 0.6 per cent annual growth rate. Had employee jobs continued their pre-recession trend, there would have been around 3.7 per cent more employee jobs in 2012 (see Figure 4).

⁴ Within this report, all (or total) jobs are taken as employee jobs plus self-employed jobs only, ie, it excludes government supported trainees and HM Forces jobs.

⁵ Trend estimates are based on a least-squares linear regression of 4 quarter annual average data from 1996 to 2007.

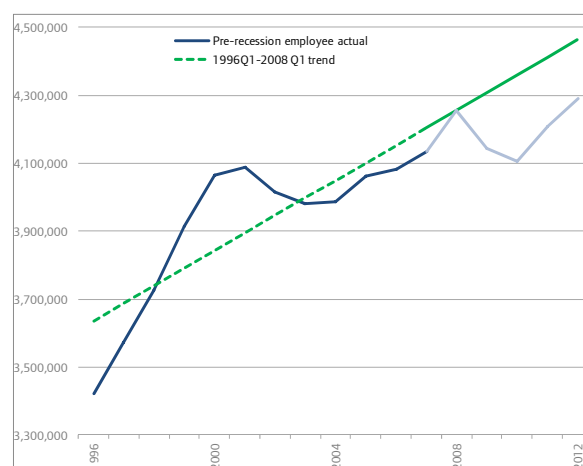
Figure 3: Self-employment jobs in London, pre-recession and post recession growth vs trend, 1996-2012



Note: Data uses average of four quarters for annual estimates. Estimate for 2012 is based on the average for Q1 and Q2 only. Trend estimates are based on a least-squares linear regression.

Source: GLA Economics calculations using data from WFJ (ONS).

Figure 4: Employee jobs in London, pre-recession and post recession growth vs trend, 1996-2012



Note: Data uses average of four quarters for annual estimates. Estimate for 2012 is based on the average for Q1 and Q2 only. Trend estimates are based on a least-squares linear regression.

Source: GLA Economics calculations using data from WFJ (ONS).

Self-employment jobs by industry

Data on self-employment jobs in London is also available by industry. However, it comes from a survey where results with fewer than 10,000 jobs are based on small sample sizes and are considered unreliable. For London, self-employment in the primary/utilities and public administration/defence industries are consistently below this level. The industry breakdown, therefore, excludes these two sectors (although they are included within the totals analysed above).

The incidence of self-employment jobs varied significantly across industries in 1996. Self-employment jobs made up 48 per cent, 32 per cent and 31 per cent of all jobs in the construction, other service activities⁶, and arts/entertainment/recreation industries respectively. In fact, in 1996, 19 per cent of all self-employment jobs were in the construction industry, with a further 14 per cent and 11 per cent, respectively, in the professional/scientific/technical activities and wholesale and retail industries (see Figures 5 and 6).

Since 1996 self-employment jobs have increased in all but three industries: manufacturing, wholesale and retail, and other services have seen a fall of 4,250, 1,250 and 3,750 jobs respectively⁷. This is in contrast to employee jobs, where only manufacturing has seen a fall. For manufacturing and other services, the decline in self-employment jobs has been driven by changes since the recession (see Figure 5). In contrast self-employment in construction, professional/scientific/technical activities and education have seen large rises in the number of

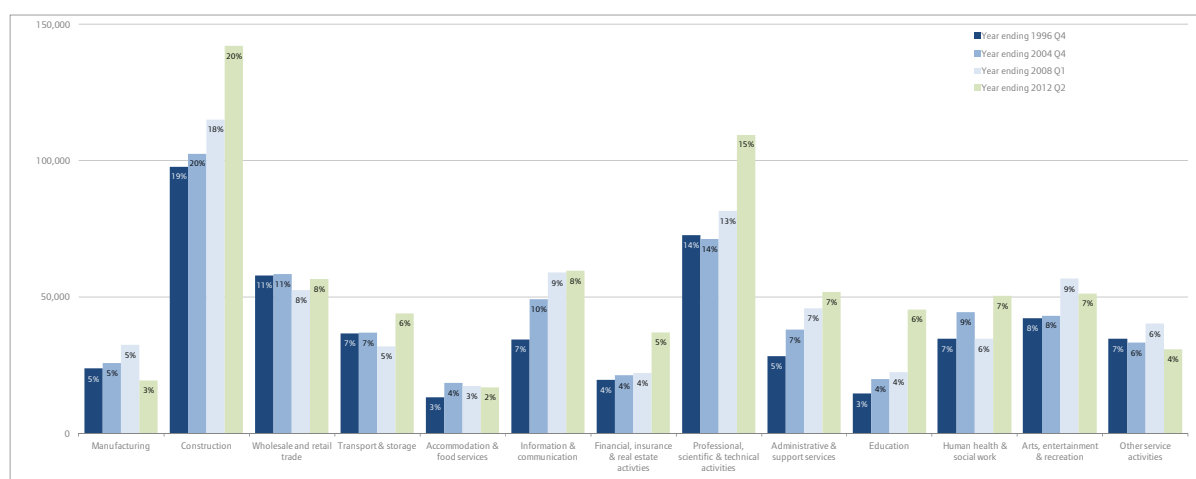
⁶ 'Other services activities' covers activities of membership organisations, repair of computers and household goods, and other personal services (such as hairdressing and beauty treatments).

⁷ Data refers to changes in job numbers from the quarterly average in the year ending 1996 Q4 to the year ending 2012 Q2.

jobs. Together, these three industries accounted for over half of the total increase seen in self-employment jobs in London.

By 2012, self-employment jobs in construction retained their importance, accounting for 20 per cent of all self-employed jobs (see Figure 5). A further 15 per cent are in the professional/scientific/technical industry, and the information/communications and wholesale/retail industry each account for 8 per cent.

Figure 5: Number of *self-employment* jobs in London by industry and percentage share of self-employment jobs across industries, 4 quarter moving average (year ending)



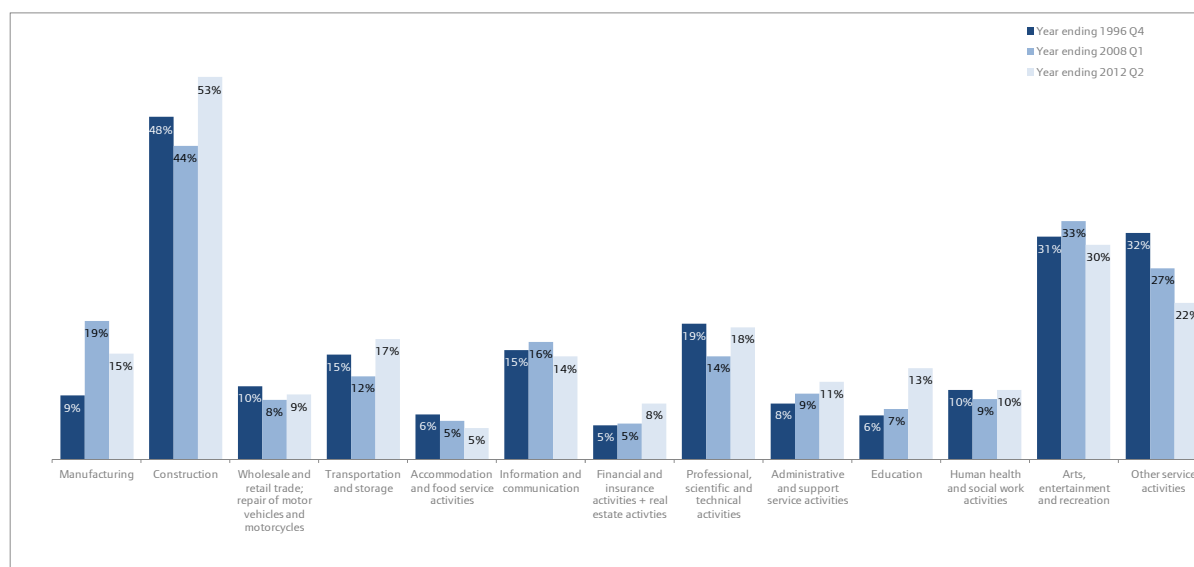
Source: GLA Economics calculations using data from WFJ (ONS)

Interestingly, two industries actually experienced increases in self-employment jobs greater than employee jobs; transport and storage jobs (where only 15 per cent were self-employment in 1996) increased by 7,500 compared to only an increase of 5,000 in employee jobs and construction jobs (where 48 per cent were self-employment) increased by 44,250 compared to an increase of 17,750 in employee jobs. However, whilst their *absolute* change in job numbers were not as large as the corresponding increase in employee jobs, finance/real estate, admin and support services, education and health and social work all experienced faster annual growth rates for self-employment jobs than corresponding employee jobs (see Figure 6). In addition, whilst self-employment jobs in manufacturing declined, they did so at a slower rate than employee jobs. The result of these relative changes is that, for these seven industries, the self-employment share of total jobs has increased since 1998 (see Figure 6).

Self-employment within the education industry has seen remarkable growth (albeit from a small starting point): from the year ending Q4 1996 to Q2 2012 it more than doubled, growing at a rate of 7.7 per cent year on year (Figure 5 and 6). Employee jobs have also grown in this industry, but at a slower rate (2.4 per cent year on year). As a result, the share of self-employment jobs in the education industry has risen from 6.3 per cent to 12.8 per cent (Figure 6).

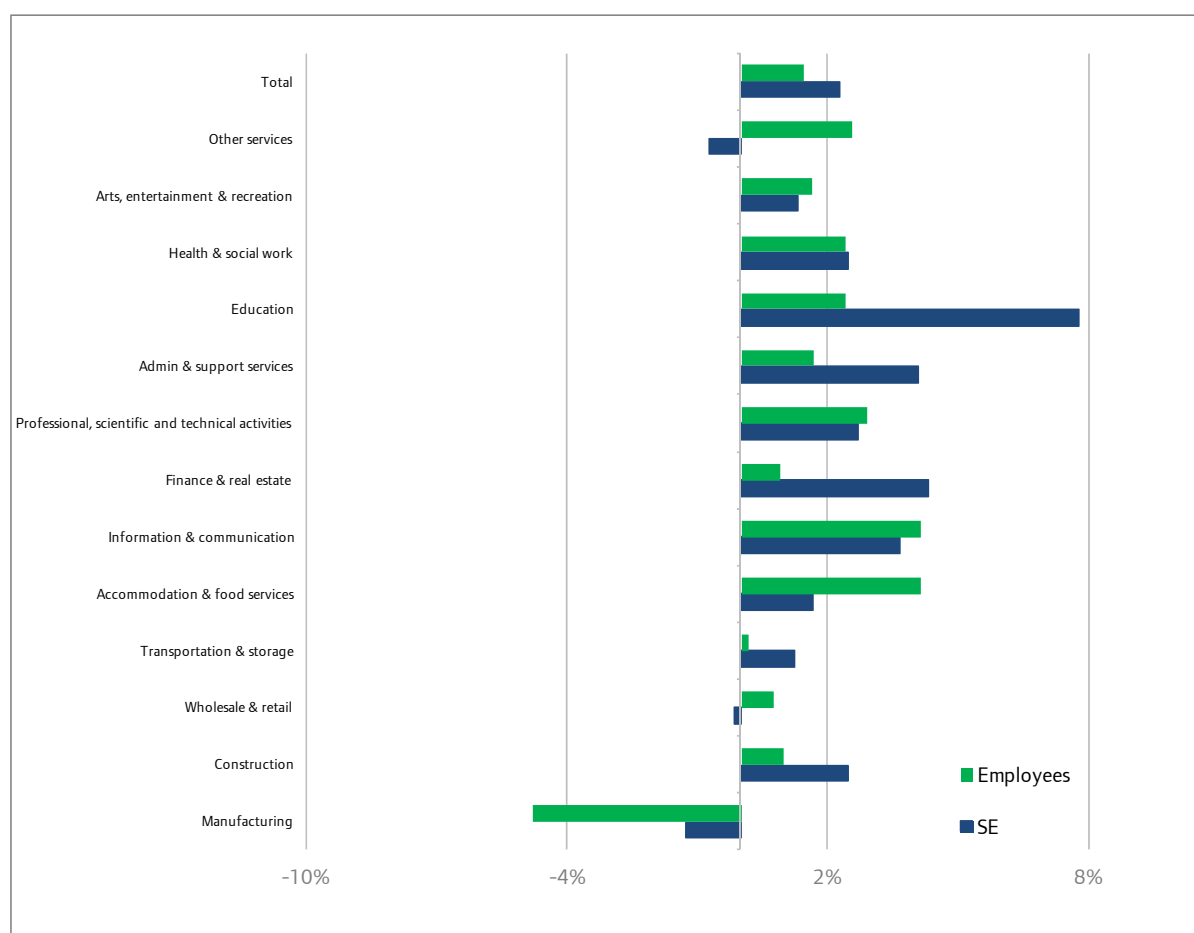
Interestingly, the share of jobs accounted for by self-employment in the 'other service' activities has been steadily declining since 1996 (Figure 6). In the year ending Q4 1996, 31.5 per cent of jobs in the other services industry were self-employment, by the year ending Q2 2012 this had fallen to 21.8 per cent. This occurred as a result of both employee jobs in this industry growing and self-employment jobs declining (Figure 5 and 7).

Figure 6: Self-employment share of all jobs in each industry in London, 4 quarter moving average (year ending)



Source: GLA Economics calculations using data from WFJ (ONS)

Figure 7: Annual growth rate of employee and self-employed jobs in London by industry, 4 quarter average ending Q4 1996 to Q2 2012



Source: GLA Economics calculations using data from WFJ (ONS).

As with total self-employment jobs, the changes from 1996 hide some significant pre- and post-recession trends. Table 1 provides a summary of how the year-on-year growth rate in self-employment compares pre- and post-recession for industries. Six industries appear to have been negatively affected by the recession (either falling or growing at a slower rate since the recession compared to pre-recession); manufacturing, accommodation/food services, arts/entertainment/recreation and other services had all been growing from 1996 to 2008 but fell from 2008 to 2012 (See Figure 8), whilst information/communications and administration/support industries experienced slower year-on-year growth since 2008 than had previously occurred. On the other hand, construction, finance/real estate, professional/scientific/technical and education industries experienced faster growth following the recession. Equally, wholesale/retail and transport/storage industries saw the declining trend in self-employment reversed since 2008, and self-employment in health and social work, which had not grown between 1996 and 2008, has experienced growth since the recession.

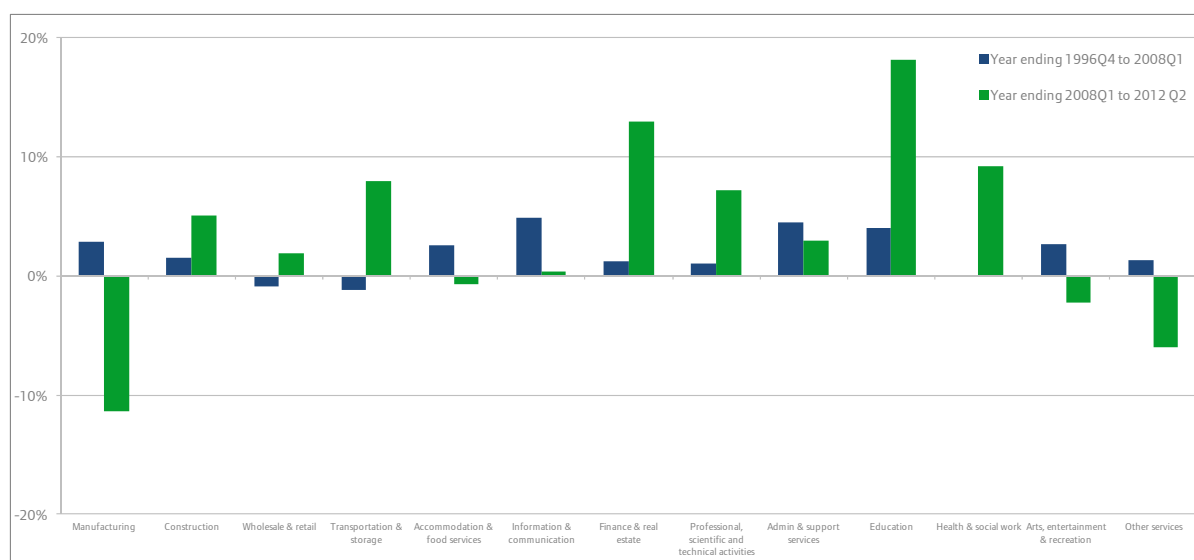
Table 1: Trends in self-employment jobs in London by sector, pre and post recession

Growing pre-recession		Falling pre-recession		Neither growing nor declining pre recession	
now falling or growing slower	now growing faster	now falling faster	now growing	now falling	now growing
Manufacturing	Construction		Wholesale		Health & social work
Accommodation & food services	Finance & real estate		Transport & storage		
Info & communication	Professional/scientific/technical				
Admin & support	Education				
Arts/entertainment/recreation					
Other services					

Note: Pre-recession refers to the period between the year ending Q4 1996 and Q1 2008. Post recession refers to the period between the year ending Q1 2008 and Q2 2012. Trends relate to the year-on-year growth rates between these two periods.

Source: GLA Economics calculations using data from WFJ (ONS).

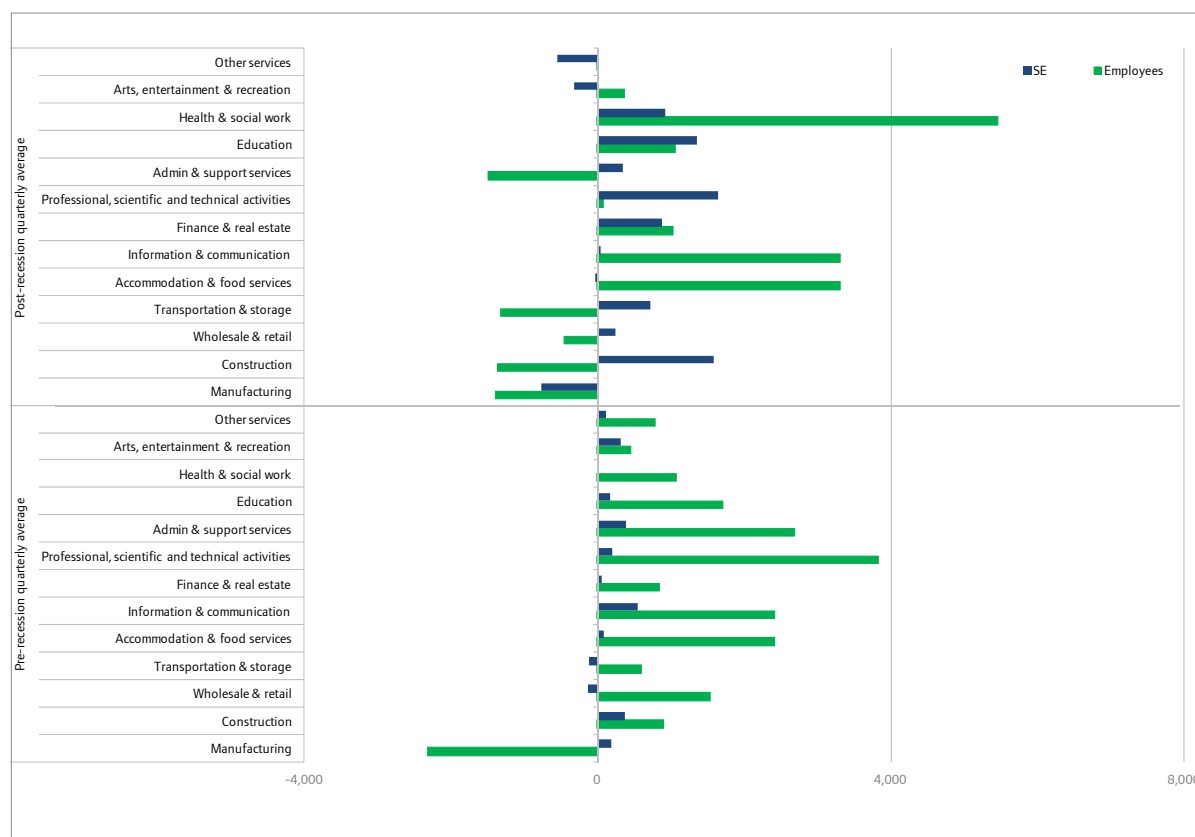
Figure 8: Annual percentage change in number of *self-employment* jobs in London, pre recession (year ending Q4 1996 to Q1 2008) and post recession (year ending Q1 2008 to Q2 2012)



Source: GLA Economics calculations using data from WFJ (ONS).

It is possible that a strengthening of self-employment growth rates since the recession is due to a movement from employee to self-employed jobs e.g. a job is lost via redundancy but the individual creates a job by becoming self-employed. Looking at Figure 9, there are four industries where this may be (at least partly) true (i.e. where employee jobs have fallen whilst self-employment jobs have risen since the recession): construction, administration/support, wholesale/retail and transport/storage. For the latter two, this may be a short-term reversal of the pre-recession trend (where employee jobs had been rising, possibly driving the fall in self-employed jobs).

Figure 9: Average quarterly change in employee and self-employed jobs pre- and post-recession in London, average for year ending Q1 2008 to Q2 2012



Note: Pre recession refers to the period for the year ending Q4 1996 to Q1 2008, and post-recession refers to the year ending Q1 2008 to Q2 2012.

Source: GLA Economics calculations using data from WFJ (ONS).

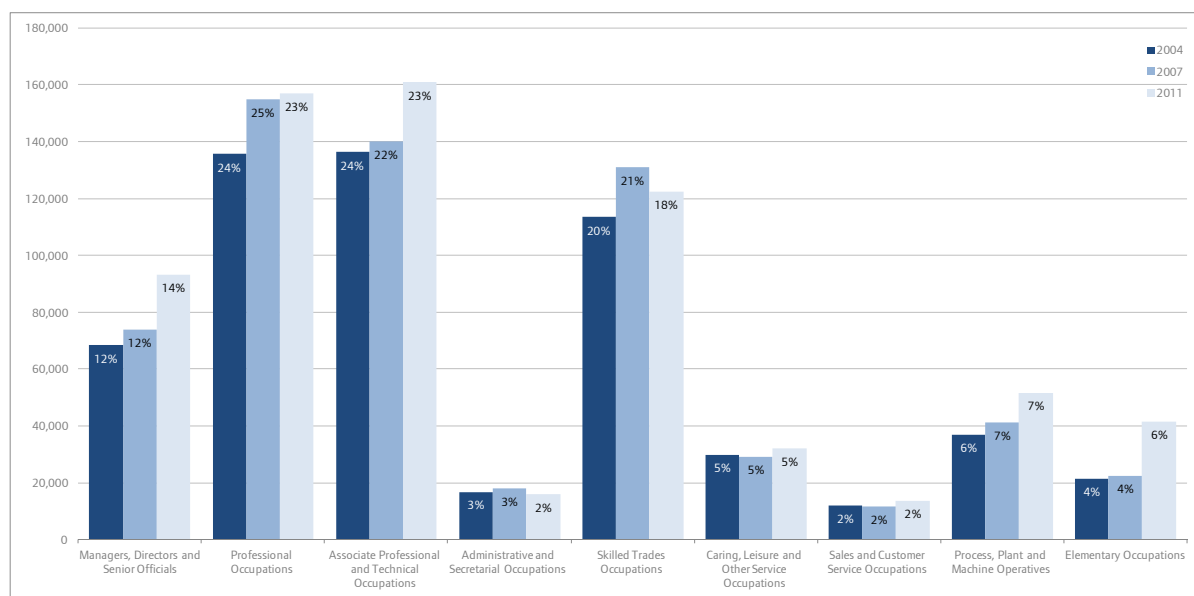
Occupational breakdown of self-employment jobs

Given the changes in the industrial composition of self-employed jobs it is perhaps unsurprising that there have also been occupational changes (see Annex B for a description of what is covered by the broad occupation groups analysed, and how these may therefore relate back to the industry groups analysed previously).

The greatest absolute increases in occupations were amongst associate professional/technical occupations (up 24,700 from 2004 to 2011), managers/directors/senior officials (up 24,700) and professional occupations (up 21,400) (see Figure 10). Together, these three occupations covered 60 per cent of the increase in self-employment jobs. This is in line with the increased self-employment jobs seen in professional/scientific/technical, education, and finance/insurance/real estate industries (which increased by 38,500, 25,500 and 16,000 respectively between the year ending Q4 2004 and Q2 2012).

The increases in skilled trade (9,000), process plant and machine operative (14,600) and elementary (20,100) occupations between 2004 and 2011 would also be consistent with the changes in self-employment jobs in construction (which rose by 39,500 between the year ending Q4 2004 and Q2 2012). However, if it is, it would imply that a large proportion of the increase in construction jobs was at the lower-skill end.

Figure 10: Number of self-employment jobs by occupation and percentage share of all self-employment jobs in London, 2004, 2007 and 2011



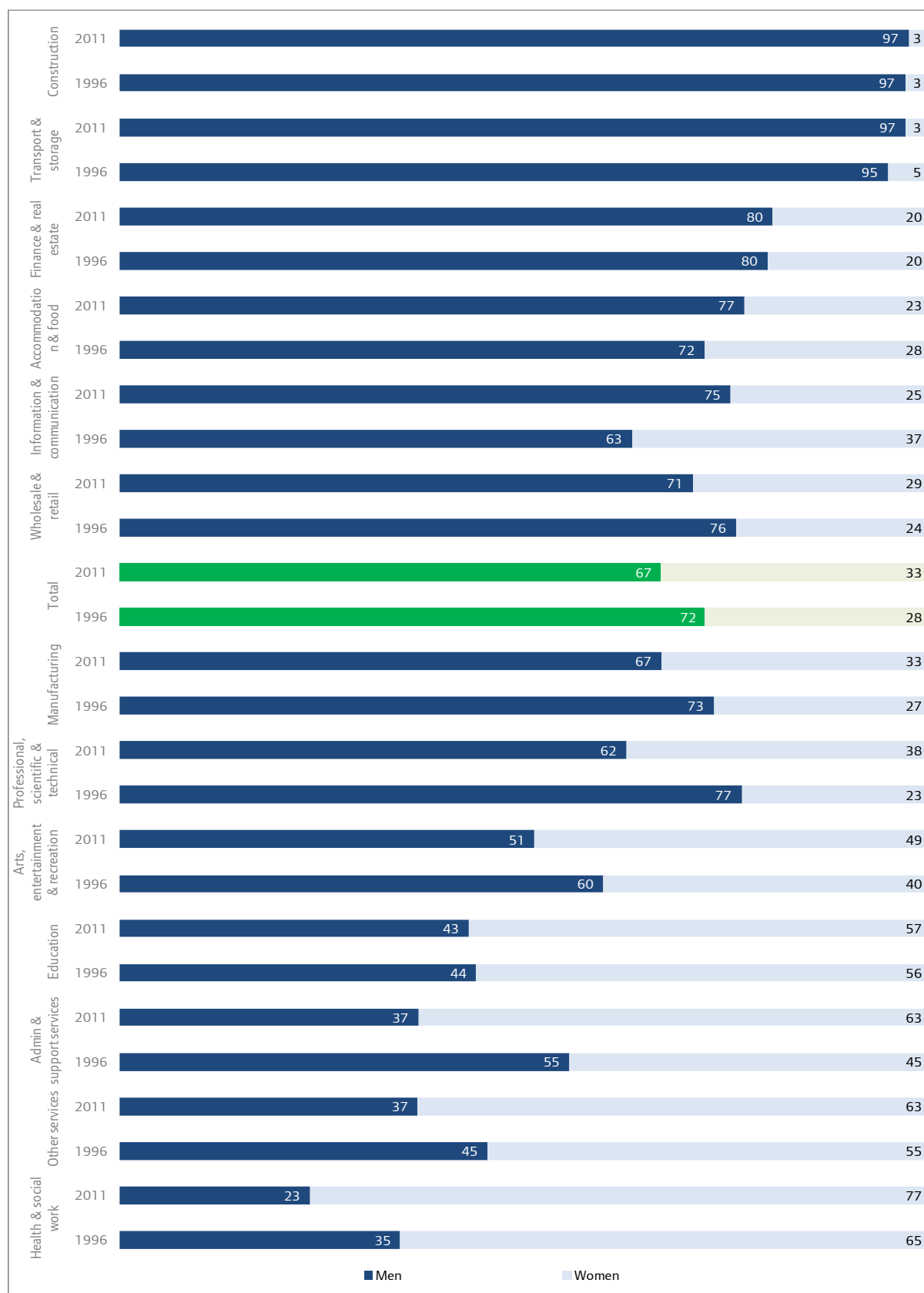
Note: Data applies the proportion of self-employment jobs by occupation from the APS to the annual average total self-employed jobs from the quarterly WFJ series. APS data for 2004 to 2010 was originally based on SOC2000, and has been converted to SOC2010 using a probability-based model.

Source: GLA Economics calculations using data from APS (ONS) and WFJ (ONS).

Self-employment jobs by industry and sex

It is possible to use the ONS WFJ series to identify jobs by sex across industries. These should however be treated with some caution as the sample sizes can be small, thereby creating less reliable estimates. Across all self-employment jobs, 33.3 per cent were occupied by women in 2011 (up from 27.8 per cent in 1996) (Figure 11). This average masks significant differences across industries; in construction only 3.3 per cent of all self-employed jobs are filled by women compared to 76.6 per cent in the health and social work industry. The share of women in the administrative and support services industries has seen the largest increase (from 44.6 per cent in 1996 to 63.3 per cent in 2011), followed by professional/scientific/technical activities (where the share of women in jobs has increased from 23.4 per cent in 1996 to 37.6 per cent in 2011). The share of jobs filled by men increased in only three industries, the largest of which was seen in the information and communication industry (from 63.0 per cent in 1996 to 75.2 per cent in 2011).

Figure 11: Male and female share of self-employment jobs across industries in London, 4 quarter average year ending 1996 and year ending 2011

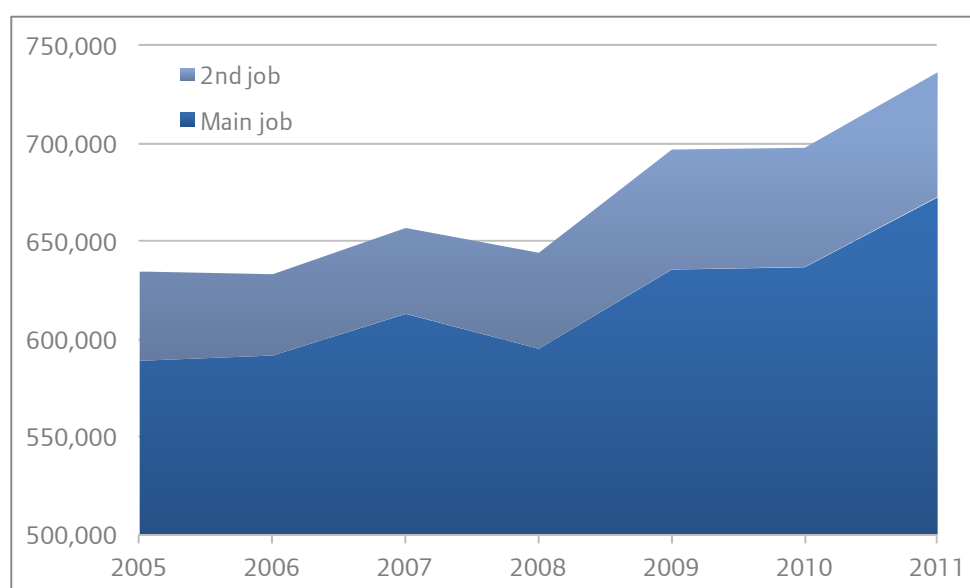


Source: GLA Economics calculations using data from WFJ (ONS).

Self-employment by main and second job

Someone can be self-employed either in their main job and/or their second job⁸. In 2005, 92.8 per cent of self-employment jobs were main jobs, with the remainder occupied as second jobs (Figure 12). Between 2005 and 2007 the number of self-employed jobs that were main jobs was rising at a year-on-year rate of 2.3 per cent. In contrast, second jobs were falling at a rate of 2.0 per cent per annum. This meant that by 2007 the share of main jobs had gone up to 93.3 per cent. Since 2007, main jobs continued to grow at a similar rate (2.4 per cent year on year) whilst second jobs grew at 9.8 per cent a year. By 2011, the share of self-employed jobs that were second jobs had risen to 8.6 per cent, whilst the main job share had fallen to 91.4 per cent. This contrasts to employee jobs, where the share of main jobs has been relatively constant over time (between 97.8 per cent and 98.3 per cent).

Figure 12: Self-employment jobs in London by main and second job, 2005 to 2011



Source: GLA Economics analysis using data from APS (ONS).

Projections for self-employment jobs

GLA Economics produces projections for London jobs for employees and self-employed combined and for employees separately (used for borough-level trend forecasts)⁹. Based on the latest projections, self-employed jobs in London are expected to rise by 208,000, from 688,000 in 2011 to 896,000 in 2036. As a share of all jobs (employees plus self-employed), self-employment jobs are projected to account for 15.6 per cent in 2036, up from 14.1 per cent in 2011.

⁸ People may also hold a third or fourth (and so on) job in which they are self-employed. However the data available, from the ONS Annual Population Survey, only asks people about their main and second job.

⁹ See GLA Economics' report 'London labour market projections'.

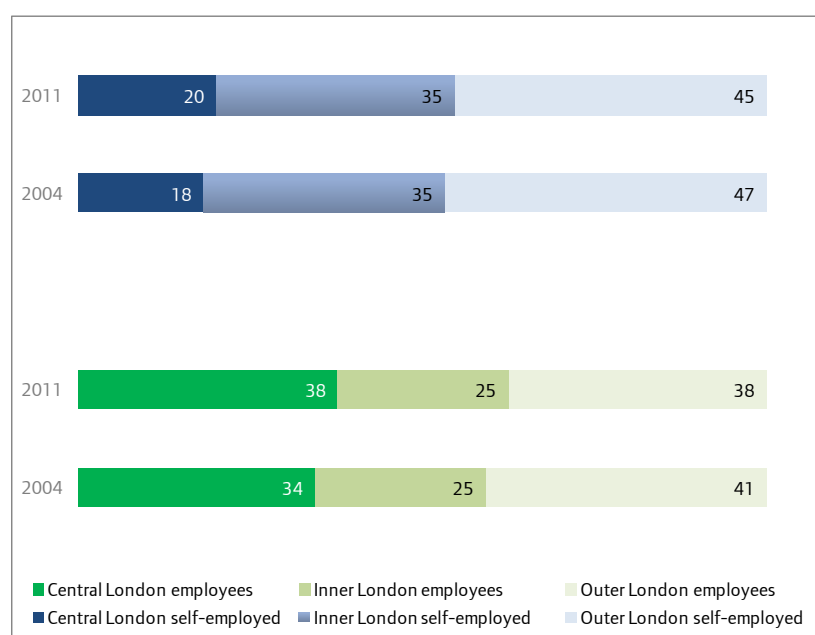
Chapter 2: Self-employed people

In this section we use the ONS Annual Population Survey (APS)¹⁰ data to look at the characteristics of people that are self-employed and work in London. Unless otherwise stated, a person is considered self-employed if they classify themselves as self-employed in their main job. In other words, the analysis excludes the small proportion of people who are not self-employed in their main job but are in their second job¹¹. There may also be a small proportion of people who wrongly classify themselves as self-employed (i.e. people who, by HMRC standards, would be treated as employees).

In 2011 there were 673,000 people who were self-employed and working in London. This is up from 573,000 in 2004 (equal to a 2.3 per cent annual growth rate). 60 per cent of the increase seen in the numbers of self-employed people occurred in the four years since 2007.

A fifth of people self-employed in London in 2011 work in central London, up by 1.9 percentage points since 2004 (Figure 13). In contrast, 37.7 per cent of employees work in central London, which is up by 3.4 percentage points since 2004. A further 34.6 per cent are self-employed in inner London (higher than the 24.7 per cent for employees).

Figure 13: People self-employed and employees in London by area of work, 2004 and 2011



Source: GLA Economics analysis using data from APS (ONS).

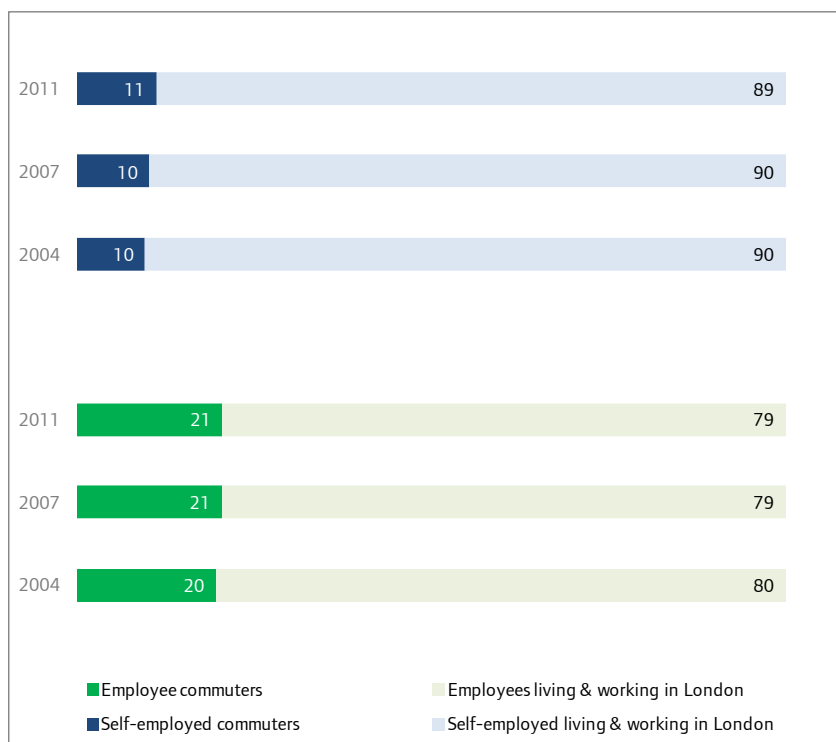
¹⁰ It is important to remember that the APS is based on a sample survey and so changes from one year to the next may be due to sampling variability (i.e. chance based simply on changes in the group sampled) rather than actual trends or changes. The data has, however, been tested for statistical significance at the 80 per cent confidence interval¹⁰. This means that if a change is found to be statistically significant, we can be sure that we would have seen this change 8 out of 10 times if the survey was re-run.

¹¹ Note that from the section on self-employment by main and second jobs, between 2005 and 2011, 6.5 per cent to 8.8 per cent of self-employed jobs were second jobs. A proportion of those holding these second jobs will also have a main job self-employed and so the proportion of people that are excluded in the analysis (as a result of limiting it to those self-employed only in their main job) is much smaller.

Commuting

Commuting is relatively common amongst employees (Figure 14); in 2004, 19.7 per cent of London's employees lived outside the capital, rising to 20.6 per cent in 2011. Amongst the self-employed, commuting is less common, although it has increased over time; in 2004, 9.7 per cent of London's self-employed lived outside the capital, rising to 10.3 per cent by 2007 and to 11.2 per cent by 2011.

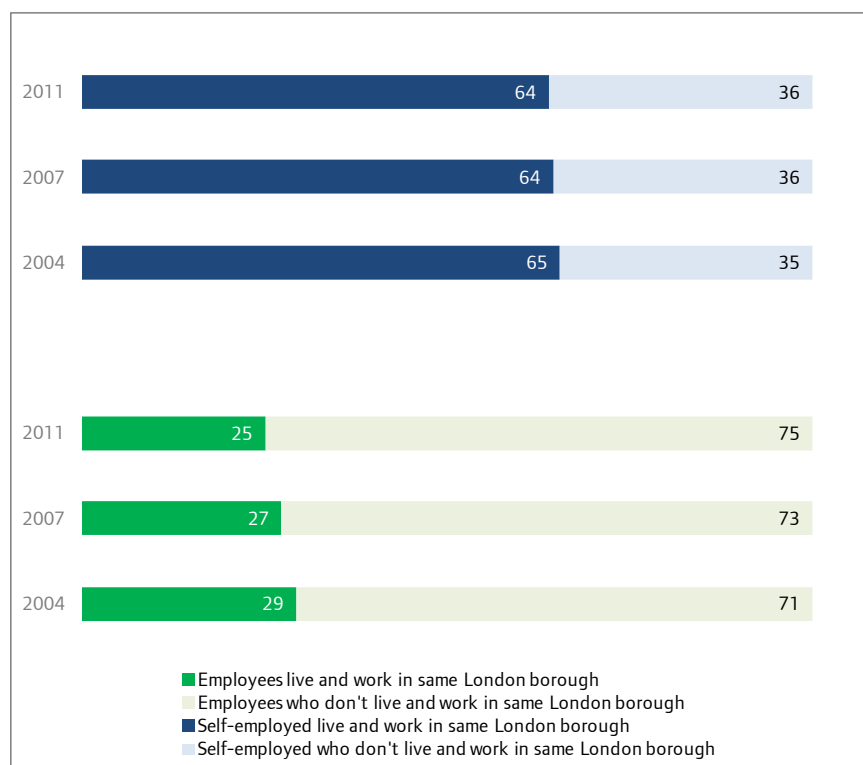
Figure 14: Share of people who commute into London by employment status, 2004-2011



Source: GLA Economics analysis using data from APS (ONS).

Of those self-employed people who live and work in London in 2011 (i.e. excluding commuters), nearly two-thirds live and work in the same borough, and this is relatively unchanged since 2004 (Figure 15). In contrast, only a quarter of employees live and work in the same London borough in 2011, a decline from 29 per cent in 2004.

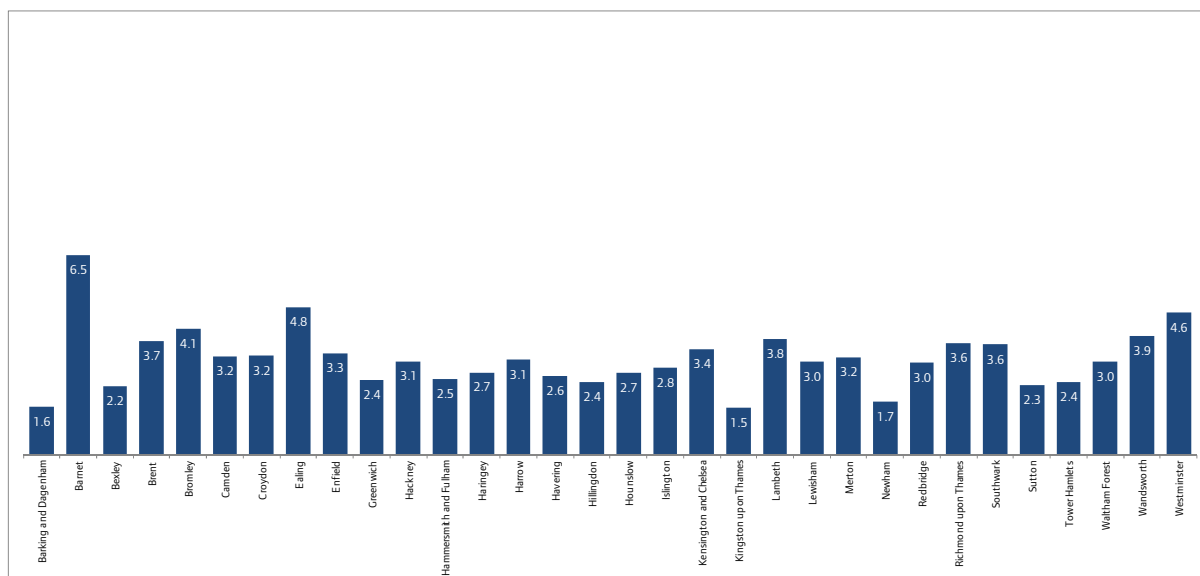
Figure 15: Proportions of self-employed people and employees who live and work in the same London borough



Source: GLA Economics analysis using data from APS (ONS).

The spread of self-employed people who live and work in London is fairly even across boroughs, ranging from 1.5 per cent in Kingston upon Thames to 6.5 per cent in Barnet (Figure 16). There has been little change in these shares since 2004¹².

Figure 16: Proportion of all self-employed people who live and work in London by borough of residence, 2011



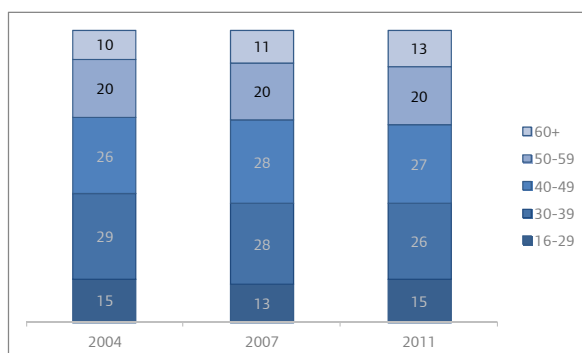
Source: GLA Economics analysis using data from APS (ONS).

Age

Self-employed people working in London tend to be (and have historically been) older than people who are employees (Figure 17 and 18). In 2011, almost a third of people self-employed were over the age of 50, compared to around a fifth of employees. Between 2007 and 2011 those 50 and over accounted for 48 per cent of the increase seen in the number of people self-employed, a further 30 per cent was from those aged 16-29. This contrasts with the increase between 2004 and 2007 where 60 per cent was accounted for by those aged 40 to 49.

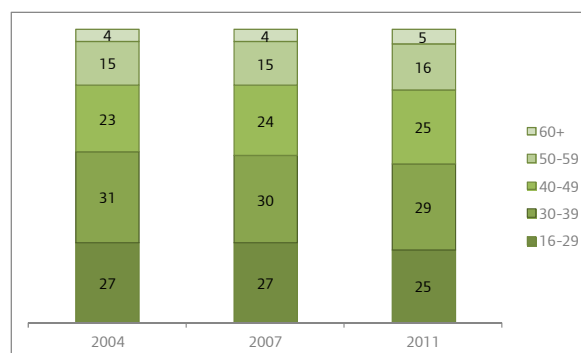
¹² Only Ealing has seen a change (specifically, an increase of 1.4 percentage points) that is statistically significant, and this is only at an 80 percent confidence interval.

Figure 17: Age profile of all *self-employed* people in London, 2004, 2007 and 2011



Source: GLA Economics analysis using data from APS (ONS).

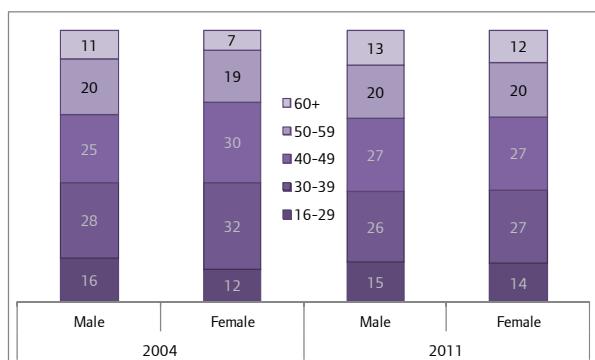
Figure 18: Age profile of all *employees* in London, 2004, 2007 and 2011



Source: GLA Economics analysis using data from APS (ONS).

In 2004 there were some subtle differences in the age profile of men and women in self-employment (Figure 19); 26.5 per cent of women, compared to 31.3 per cent of men, in self-employment were over 50 years old. By 2011, the proportion of self-employed women that were 50 and over had risen to 31.9 per cent, an increase driven by those aged 60+.

Figure 19: Age profile of *self-employed* men and women in London, 2004 and 2011



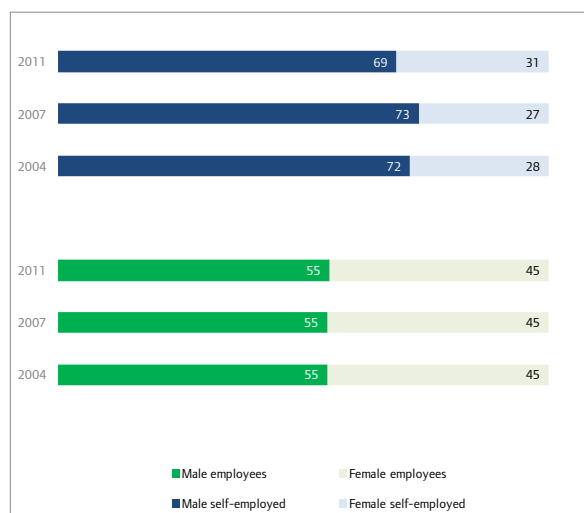
Source: GLA Economics analysis using data from APS (ONS).

Sex

In 2011, 44.7 per cent of people in employment were female compared to only 31.1 per cent of those in self-employment (Figure 20). However, since 2004 the proportion of self-employed women has risen by 2.8 percentage points but remained relatively constant amongst employees. Indeed the increase in self-employed women between 2007 and 2011 accounted for 78 per cent of the total increase in self-employed people. This compares starkly to the increase between 2004 and 2007 where women only accounted for one per cent of the increase.

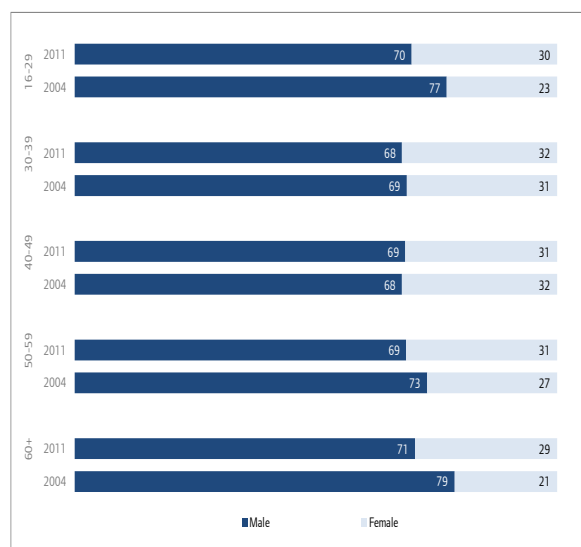
The proportion of women in self-employment has risen most significantly within the 16-29 and 60+ age groups (Figure 21).

Figure 20: Breakdown of employee and self-employed people by sex in London (%), 2004, 2007 and 2011



Source: GLA Economics analysis using data from APS (ONS).

Figure 21: Breakdown of self-employed people by age and sex in London (%), 2004 and 2011

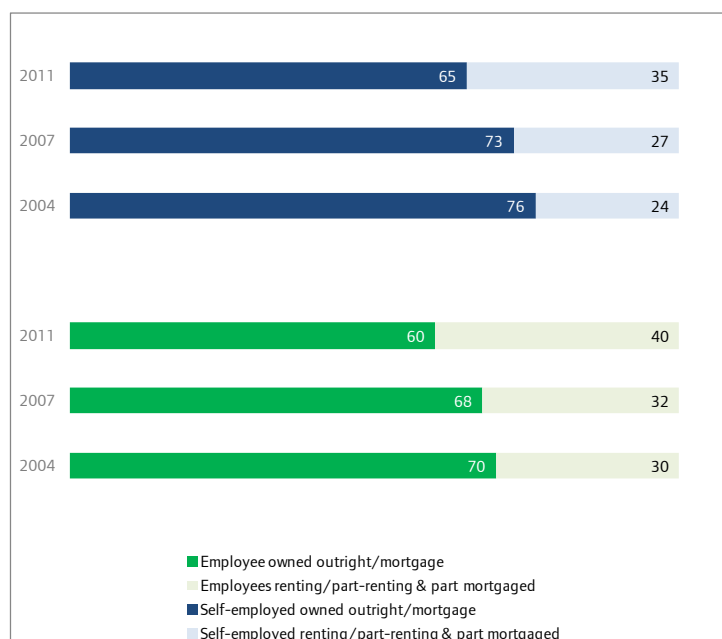


Source: GLA Economics analysis using data from APS (ONS).

Housing tenure

In 2004, 76.3 per cent of people self-employed owned or held a mortgage on their property (Figure 22). This was higher than the 69.9 per cent of employees, which would be expected given the need for start-up capital and financial stability (where home ownership provides a source of secured lending) often required in the early stages of self-employment. Since 2004, the proportion of self-employed people owning outright or with a mortgage fell to 65.1 per cent. However, a similar trend is also evident amongst employees and, for both self-employed and employees, much of this decline has occurred since the recession. This suggests that the trends are driven by external factors e.g. affordability rather than anything specific to self-employed people. It does, however, raise interesting questions about how, if at all, the higher proportions of self-employed people without housing assets are financing their venture.

Figure 22: Housing tenure of people self-employed and employees in London (%), 2004, 2007 and 2011

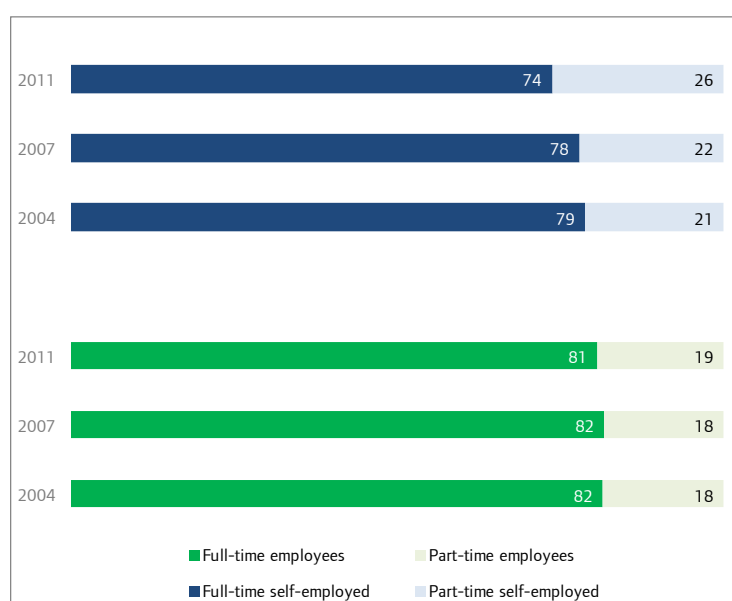


Source: GLA Economics analysis using data from APS (ONS).

Full-time or part-time work

In 2004 a slightly higher proportion of people who are employees, compared to self-employed, considered themselves to be working full-time: 81.5 per cent compared to 78.8 per cent respectively (Figure 23). Although there was little change in these proportions between 2004 and 2007, by 2011 the share of self-employed working full-time had fallen to 73.7 per cent.

Figure 23: Proportion of people working full-time and part-time in London by employment status, 2004, 2007 and 2011

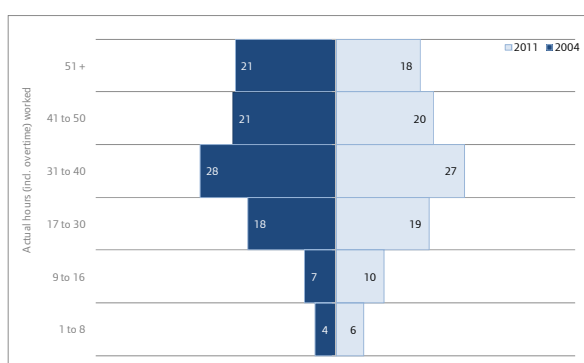


Source: GLA Economics analysis using data from APS (ONS).

Hours worked

In 2011 over a third of self-employed people worked 30 hours or less compared to only a quarter of employees (see Figures 24 and 25). For employees this is relatively unchanged from 2004, however, for self-employed it is up by 6.0 percentage points. Most of this has been driven by an increase in the proportions who work 16 or fewer hours (which has risen from 10.8 per cent to 15.7 per cent). At the other end of the hours scale, in 2011, 17.6 per cent of self-employed people worked over 50 hours a week compared to only 10.9 per cent of employees (although this is down from 21.0 per cent in 2004).

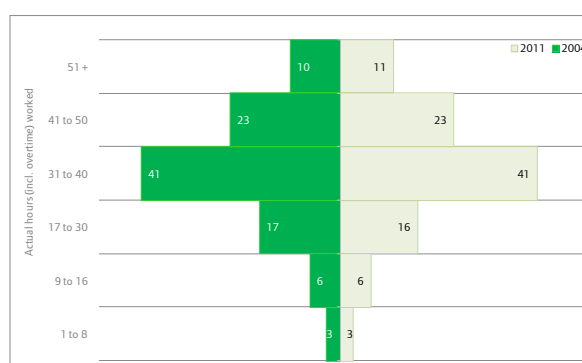
Figure 24: Actual hours (including overtime) worked by *self-employed* people in London in the survey reference week



Note: Analysis excludes those who did not work in the reference week.

Source: GLA Economics analysis using data from APS (ONS).

Figure 25: Actual hours (including overtime) worked by *employees* in London in the survey reference week



Note: Analysis excludes those who did not work in the reference week.

Source: GLA Economics analysis using data from APS (ONS).

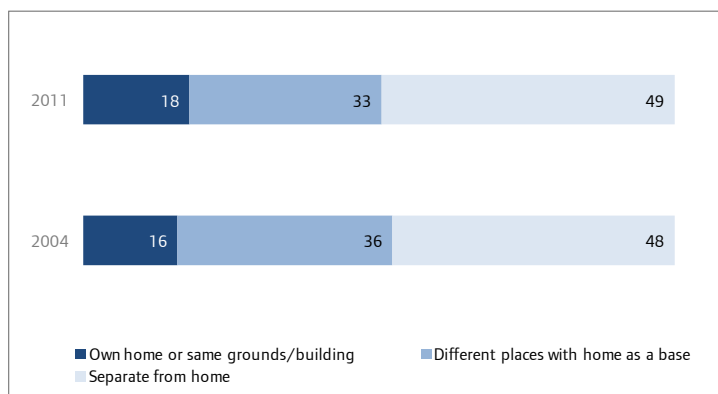
Research from the ONS suggests that since the recession the proportion of self-employed people in the UK who want to work more hours has risen by more than that for employees¹³. This implies that the increased share of self-employed people working fewer hours may not be voluntary.

Home workers

In 2011 just under half of all self-employed people worked mainly away from home (Figure 26). Of the remainder, 18 per cent worked from home or the same grounds/building and 33 per cent worked in different places with home as a base. Whilst the proportions working away from home has been relatively stable since 2004 there has been a slight shift in the proportions working from different places with home as a base to those working at home/same grounds (where the former has fallen by 3.9 percentage points and the latter increased by 2.0 percentage points). It is possible that this is the result of changes in the types of jobs/industries that self-employed people work in e.g. the increase in professional or education jobs where many may work from home.

¹³ "People in work wanting more hours increases by 1 million since 2008", ONS, November 2012.

Figure 26: Proportion of self-employed people in London who mainly work from home, 2004 and 2011

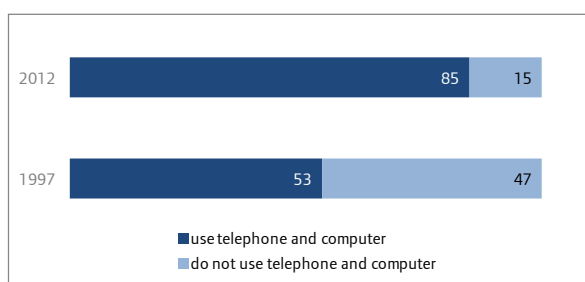


Source: GLA Economics analysis using data from APS (ONS).

Home working equipment needs

In 1997 only 53.5 per cent of self-employed people used a telephone and computer to work at home¹⁴ (Figure 27). By 2012 this had increased to 84.7 per cent, with much of this increase occurring before 2003. The importance of a telephone and computer for those who use them to work at home has also increased (from 81.2 per cent in 1997 to 88.9 per cent in 2012) (Figure 28). These trends are perhaps unsurprising given the increased benefits of, and needs for, such technology (due to technological advancements and growth in international trade).

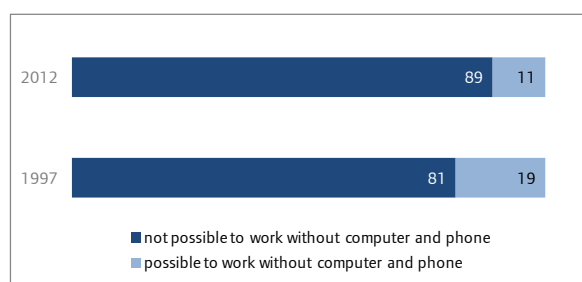
Figure 27: Proportion of self-employed people who use a telephone and computer to work at home, 1997 and 2012



Note: Data refers to all respondents who work at home or who use their home as a work base, including people who work at home occasionally although their main place of work is not their home.

Source: Labour Force Survey (LFS) (April-June quarter), ONS.

Figure 28: Proportion of self-employed people who would be unable to work at home without a telephone and computer, 1997 and 2012



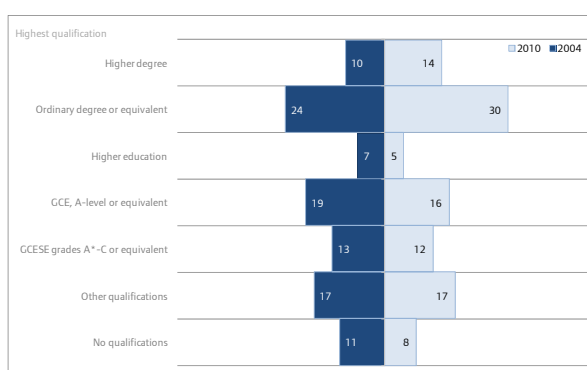
Source: LFS (April-June quarter), ONS.

¹⁴ Note that the question about numbers using a telephone and a computer to work at home applies to all respondents who work at home or who use their home as a work base, including people who work at home occasionally although their main place of work is not their home, for example, a respondent who spends four days a week working elsewhere and one day working at home.

Qualifications

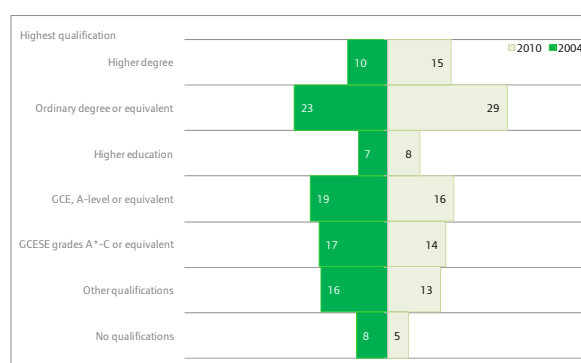
Self-employed people are more likely than people who are employees to have 'other' qualifications (17.1 per cent compared to 12.8 per cent) or no qualifications (7.5 per cent compared to 4.8 per cent) (Figure 29 and 30). However, 43.6 per cent of self-employed people had an ordinary or higher degree in 2010¹⁵ (similar to the proportion for employees). This was an increase of 10.1 percentage points from the share in 2004, slightly less than the 11.8 percentage point increase seen amongst employees. For all the other qualification categories the proportions either statistically remained constant or fell between 2004 and 2010. The largest fall was amongst those qualified to GCE, A-level or equivalent (which fell by 3.5 percentage points) and those with no qualifications (which fell by 3.4 percentage points).

Figure 29: Highest qualification of people self-employed in London



Source: GLA Economics analysis using data from APS (ONS).

Figure 30: Highest qualification of employees in London



Source: GLA Economics analysis using data from APS (ONS).

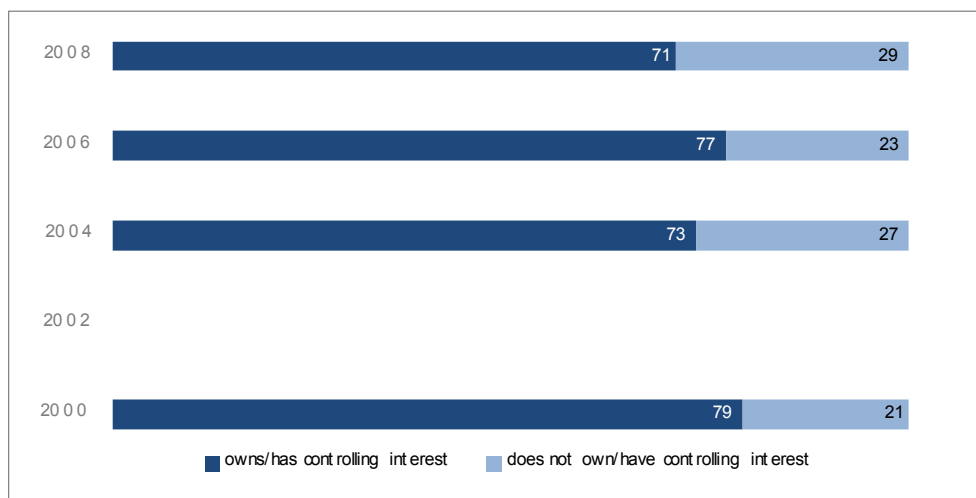
Business ownership

The proportion of self-employed people who own their business or have a controlling interest has fluctuated since 2000 (Figure 31). Having fallen from 79.1 per cent in 2000 to 73.2 per cent in 2004, it rose to 77.0 per cent in 2006. In 2008, the first year of the recession, it then fell again to 70.7 per cent.

It is interesting to note that these proportions are significantly higher than the proportions self-employed with employees (see below), suggesting many of those who own/have a controlling stake in their business 'hire' only themselves.

¹⁵ In 2011 the approach used by the ONS to calculate highest qualification changed (with more information being collected about foreign qualifications which would have previously been defined as 'other'). For consistency, we have therefore used 2010 data to compare to 2004.

Figure 31: Proportion of people self-employed in London who own their business or have a controlling interest in the business.



Note: Data is not available for 2002.

Source: LFS (April-June quarter), ONS.

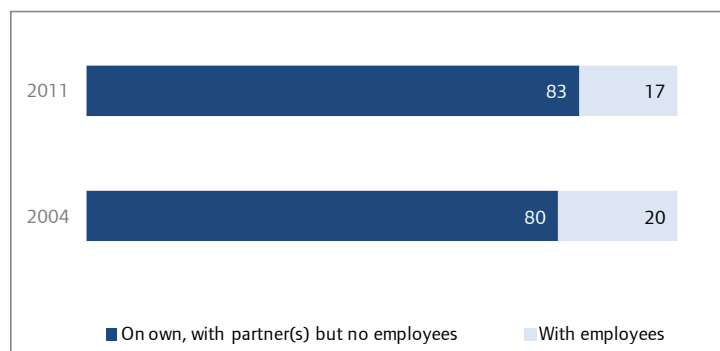
With employees

Most self-employed people either work on their own or with a partner(s) but no employees (Figure 32). In 2004, only 20.3 per cent of self-employed had employees and by 2011 this had fallen to 16.8 per cent.

The Department for Business, Innovation and Skills (BIS) estimates that, in 2012, London had more businesses per 10,000 adults than the UK as a whole, and this difference was greatest for business with no employees¹⁶ (Table 2). It estimates that 76.4 per cent (or 615,995) of London's businesses had no employees at the start of 2012, higher than any other region and above the UK-wide 74.2 per cent. This suggests that self-employed people make up a large proportion of businesses in London, and many have no employees.

¹⁶ Business with no employees comprises of sole proprietorships and partnerships with only the self-employed owner-manager(s), and companies comprising only an employee director.

Figure 32: Proportion of people self-employed in London with and without employees, 2004 and 2011.



Source: GLA Economics analysis using data from APS (ONS).

Table 2: Business per 10,000 adults by size (number of employees) in London, 2012

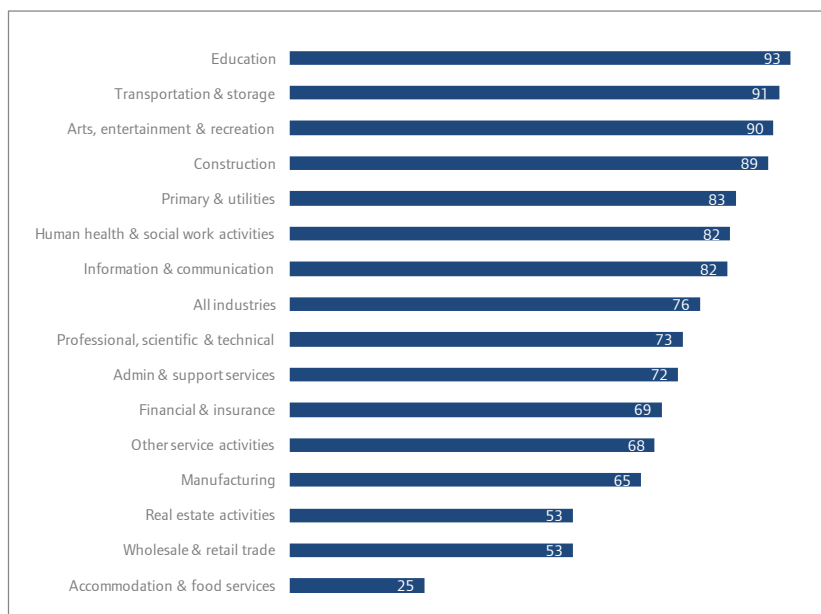
	None ¹	1-49	50-249	250+	All sizes
London	941	281	8	2	1,231
UK	694	234	6	1	935
Difference	247	47	2	1	296

¹ Sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director.

Source: Business Population Estimates (BIS).

Just over a fifth of businesses in London with no employees are in the construction industry (Table 3), with a further 16 per cent in the professional/scientific/technical industry. However, businesses with no employees make up over 90 per cent of all businesses in the education, transport/storage and arts/entertainment/recreation industries (Figure 33).

Figure 33: Percentage of businesses in each industry with no employees¹ in London, 2012



¹: Sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director.

Source: GLA Economics analysis using data from Business Population Estimates (BIS).

Table 3: Industry breakdown of businesses with no employees¹ in London, 2012

	% of all business in London with no employees
Primary & utilities	0.6
Accommodation & food services	0.9
Real estate activities	1.8
Financial & insurance	2.2
Manufacturing	2.3
Other service activities	3.2
Wholesale & retail trade	6.1
Education	6.2
Human health & social work activities	6.6
Transportation & storage	6.9
Arts, entertainment & recreation	7.3
Admin & support services	7.6
Information & communication	11.5
Professional, scientific & technical	15.8
Construction	20.9
All industries	100.0

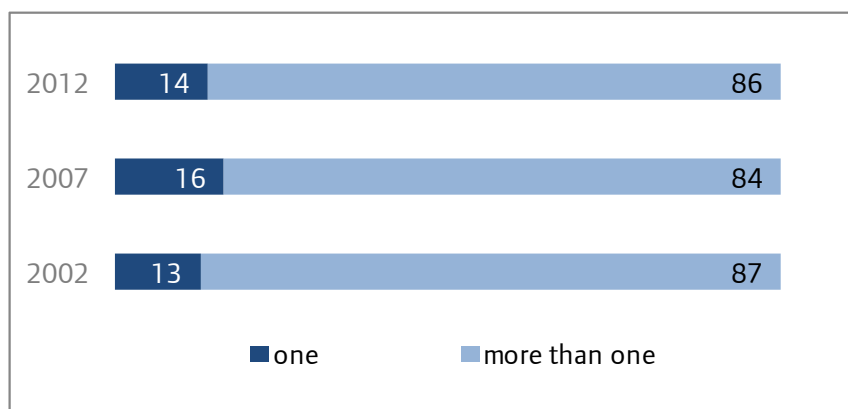
¹: Sole proprietorships and partnerships comprising only the self-employed owner-manager(s), and companies comprising only an employee director.

Source: GLA Economics analysis using data from Business Population Estimates (BIS).

Number of customers

In 2002, 12.8 per cent of self-employed people had only one customer (see Figure 34). By 2007 this had risen to 16.4 per cent before declining to 14.0 per cent in 2012. This may be a reflection of the economic climate since 2007 whereby demand from any individual customer has declined, increasing the need to expand the customer base and, thereby, protect turnover. It is important to note that some of those who only have one customer are likely to be misclassifying themselves and would be viewed as employees by HMRC.

Figure 34: Number of customers of people self-employed in London

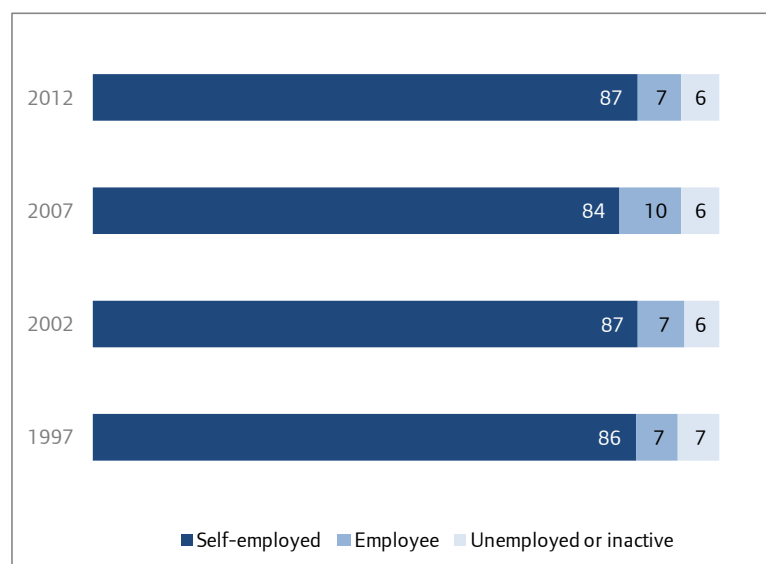


Source: LFS (April-June quarter), ONS.

Employment status a year earlier

Most people currently self-employed were also self-employed 12 months ago (Figure 35). Only 7.0 per cent were employees and 6.2 per cent were unemployed or inactive in 2012. These proportions have remained relatively constant since 1997.

Figure 35: Employment status 12 months ago of people currently self-employed in London



Note: Inactive covers those who were on a government scheme, doing unpaid work, student, looking after home, sick or disabled, or retired.

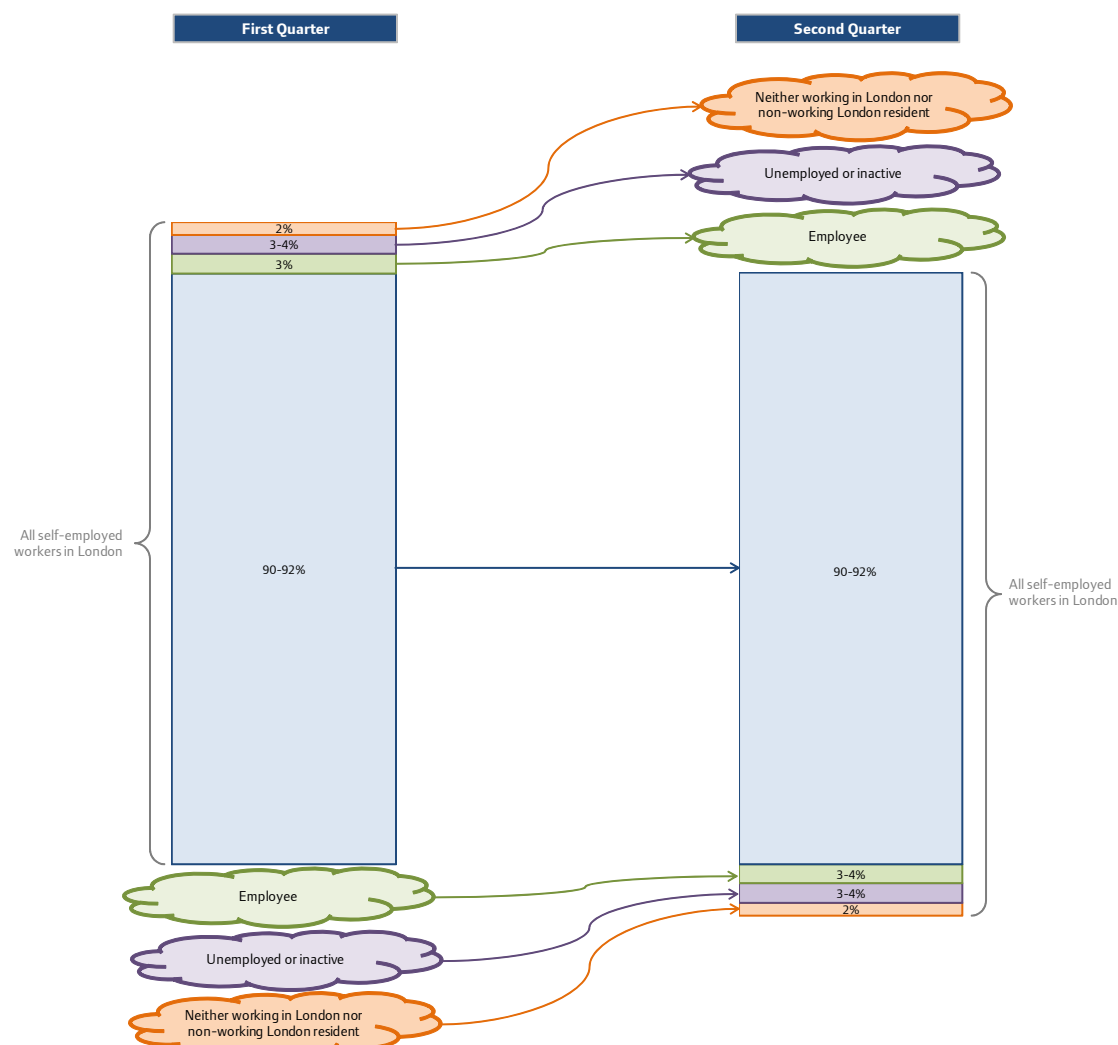
Source: LFS, ONS.

Flows of self-employed people

It is possible to analyse flows from and to self-employment using data from the LFS two-quarter longitudinal study. However, due to the variability in the underlying data, it is only possible to do this using a 10-year average (from 2002 to 2011). Looking at flows from all four consecutive quarter periods¹⁷, the majority (between 90 per cent and 92 per cent) remain in self-employment within London from one quarter to the next (Figure 36), suggesting very little churn within the self-employed population. Three per cent of self-employed people become employees, with a further 3-4 per cent becoming unemployed or inactive. The remaining 2 per cent leave London entirely (no longer working in London nor residing there). However, from one quarter to the consecutive quarter, while some people leave self-employment, others enter it. Around 3-4 per cent of self-employed people were previously employees, a further 3-4 per cent were unemployed or inactive and 2 per cent were not within the scope of the London job market (e.g. were under 16 or not in London).

¹⁷ This covers October-December to Jan-March, January-March to April-June, April-June to July-September, and July-September to October-December.

Figure 36: Flows from at to self-employment of adults living and/or working in London¹, % (averages for years 2002 to 2011²)



¹Figures include all persons employed in London whose main job is in London, and all persons resident in London who are either employed in London or are not employed, including those who may have changed employment and/or location between quarters.

² Due to the variability of the underlying data which produces unreliable results for single years, the percentages are averages of results over ten years, with ranges covering varying results between different consecutive quarters.

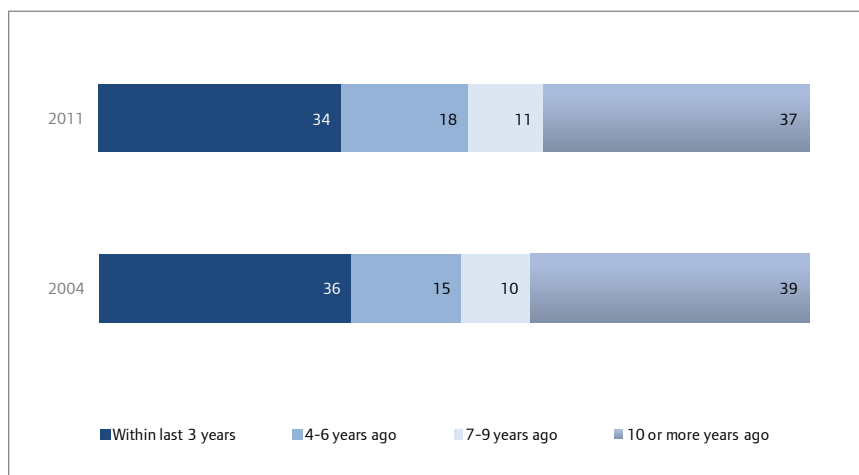
Source: figures sourced from ONS Labour Force Survey (two quarter longitudinal dataset).

Year started

Given that 90-92 per cent of self-employed people remain self-employed from one quarter to another and 87 per cent remain self-employed from one year to the next, it is perhaps unsurprising that more than two-thirds of self-employed people have been continuously self-employed for four or more years (Figure 37). Only a third of self-employed people in 2011 had

been self-employed for 0 to 3 years. However, this has not changed much since 2004¹⁸, suggesting new entrants to self-employment were no more important to driving the recent increases seen since the recession as they were prior to it.

Figure 37: Year started as continuously self-employed of people currently self-employed in London



Source: GLA Economics analysis using data from APS (ONS).

¹⁸ The change from 2004 to 2011 in the proportion of people who were continuously self-employed for 0-3 years is *not* statistically significant at the 80 per cent confidence interval. Only the change in the proportions for 4-6 years ago is statistically significant.

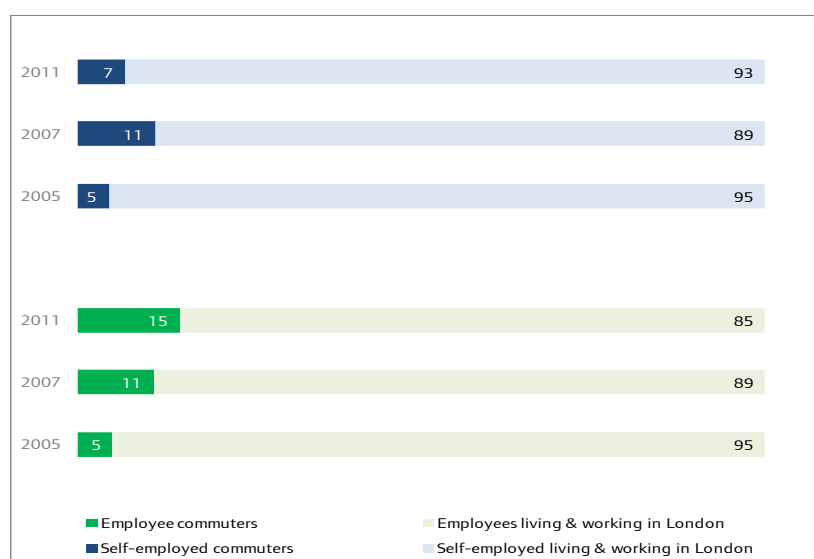
Chapter 3: People self-employed as a second job

Since the recession the number of people who have a second job in which they are self-employed and working in London has increased by 20,000 (or 9.8 per cent year on year). This accounts for a quarter of the total increase in self-employed jobs seen since 2007. In this section we look at some of the available data for this group of people. Some of the people analysed here will also be included in the analysis above (which looked at people who are self-employed in their main job). However, it will also include those who are employees in their main job but classify themselves as self-employed in their second job.

Commuting

In 2005 the proportion of people who commuted for their second job was the same (at 5.0 per cent) amongst employees and self-employed (Figure 38). By 2007, both these groups saw a 6 percentage point increase in the proportions commuting into London. However, whilst this trend continued for employees, it was unchanged for the self-employed (note that although there was a fall in the proportion for self-employed the change was not statistically significant and cannot be confidently concluded as a trend). By 2011, the proportion of people self-employed in their second job who commuted to London was similar to 2005.

Figure 38: Share of people who commute into London for their second job, by employment status



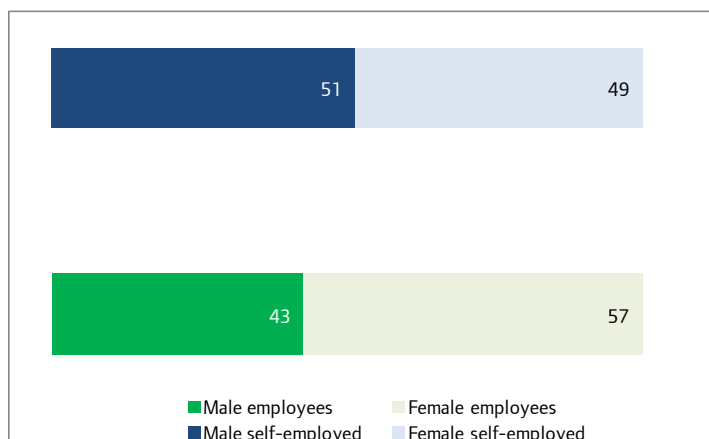
Source: GLA Economics analysis using data from APS (ONS).

Sex

There is a high share of women within the second job market. The proportion of women with second jobs who are self-employed and employees is higher than the respective shares for main jobs; whilst 31.1 per cent of people self-employed in their main job are women (Figure 20), the share amongst the self-employed in their second job is higher at 48.6 per cent (Figure 39). For people who are employees, whilst women make up 57.4 per cent of second jobs they made up only 44.7 per cent of main jobs (Figure 20).

The female share of employees and self-employed in a second job is unchanged from 2005.

Figure 39: Breakdown of employee and self employed people in their second job by sex (%) in London, 2011

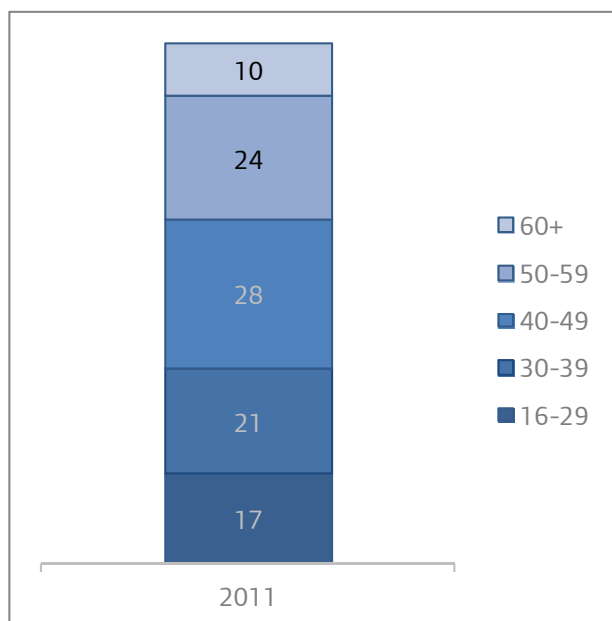


Source: GLA Economics analysis using data from APS (ONS).

Age

In 2011, the age profile of people self-employed in their second job was similar to those self-employed in their main job, with a third aged 50 or over (Figure 40).

Figure 40: Age profile of people self-employed in their second job in London, 2011



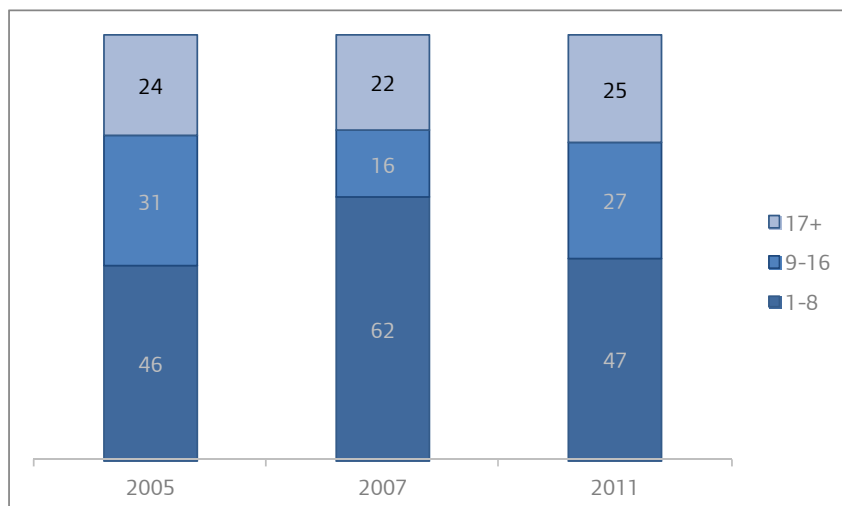
Source: GLA Economics analysis using data from APS (ONS).

Hours worked

Between 2005 and 2007 there was an increase in the proportion of people who worked for 1 to 8 hours and a decline in the proportions working for 9-16 hours in their second job (in which they were self-employed) (Figure 41). Since 2007, these trends reversed so that the distribution of hours in 2011 was similar to 2005. This reversal may reflect a need to work for longer hours in a second job to either maintain income from their second job or to compensate for any

potential income reductions in their main job (where they may be either employees or self-employed).

Figure 41: Actual hours worked for those self-employed in their second job in London in the survey reference week



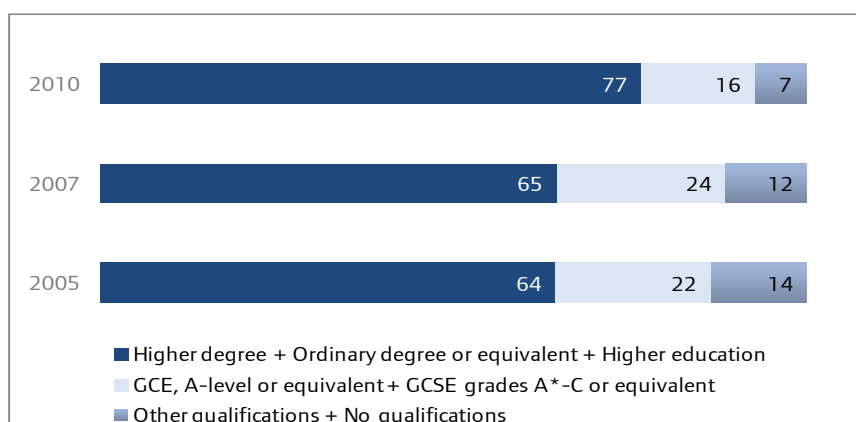
Note: excludes those who did not work in the reference week.

Source: GLA Economics analysis using data from APS (ONS).

Qualifications

Similarly to those who are self-employed in their main job, there has been an increase in the proportions that hold a higher degree, ordinary degree or higher education (Figure 42). This has risen from 64.4 per cent in 2005 to 76.6 per cent in 2010, with most of this occurring since the recession. There has also been a fall in the proportions with 'other' or no qualifications between 2007 and 2010.

Figure 42: Highest qualification level of people who are self-employed in their second job in London



Source: GLA Economics analysis using data from APS (ONS).

Chapter 4: Income, wealth and turnover

In this section we look at the available evidence on the income, wealth and business turnover of people self-employed.

Income

The Survey of Personal Incomes (SPI) (from HMRC) provides some data on the incomes people (both employees and self-employed) receive that are assessable to tax. However, it only covers those who are liable to UK income tax (i.e. where total income is above the personal income tax allowance)¹⁹. Unlike the analyses above which looks at self-employed people who *work* in London, the regional data from SPI covers those who *reside* in London.

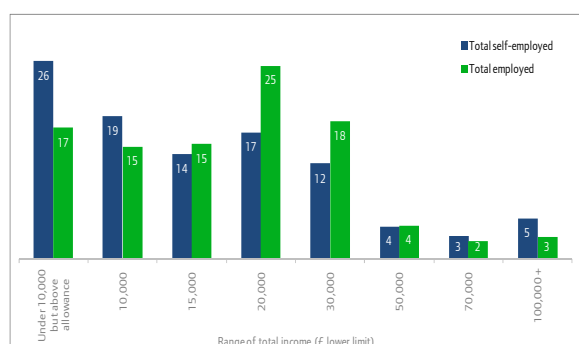
The data covers *anyone* who has a self-employed *job*. This means that for some people it will cover their total income from their first and second job if they are self-employed in both, for some it will only cover their income in their main job (where they either have no second job or their second job is as an employee) and for some this will cover their income only in their second job (where their main job is as an employee). This is important as these income statistics will not reflect the persons total income i.e. it does not cover any employment or investment income that the individual may also be receiving (see Annex C for an indication of the importance of self-employment income looking at data for the UK as a whole). It is also important to note that the statistics are not net of tax and are therefore not the 'take-home' pay of the individual.

It is also necessary to remember that the Londoners incomes from self-employment may vary across industries. Changes over time may therefore reflect the change in the industrial composition of self-employment jobs. Annex D provides some information on relative incomes across industries for the UK as a whole.

Looking at Figure 43 it is clear that, in 2003/4, Londoners incomes from self-employment were likely to be lower than from employment. In fact, whilst 58 per cent of self-employed had incomes from self-employment lower than £20,000 this was true for only 47 per cent of employees. However, the self-employed were also more likely to have incomes over £100,000; whereas 5 per cent of self-employed had incomes above this level only 3 per cent of employees did.

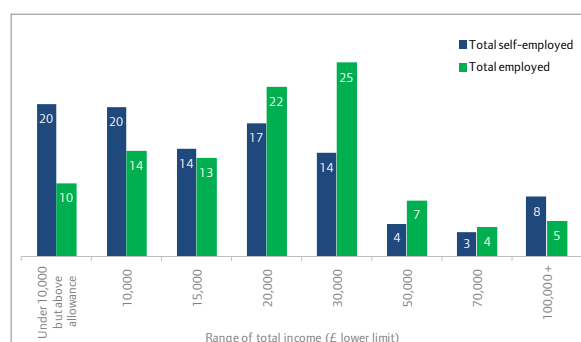
¹⁹ HMRC estimates that in 2009/10 there were 4.88 million people in the UK with self-employment income of which 69 per cent (3.39 million) were taxpayers (SPI, HMRC).

Figure 43: Income distribution of self-employed and employee London residents, 2003/4



Source: GLA Economics analysis of SPI (HMRC).

Figure 44: Income distribution of self-employed and employee London residents, 2009/10

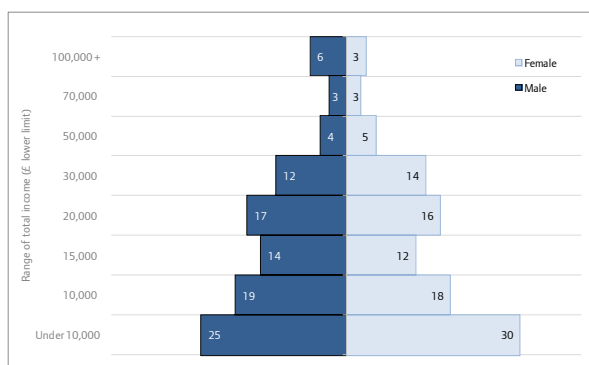


Source: GLA Economics analysis of SPI (HMRC).

Since the SPI incomes are not inflation-adjusted and covers only those earning above the personal income tax allowance (which has increased in almost every year since 2003/4) it is reasonable to expect the proportions of people in higher income categories to increase and proportions earning less than £10,000 to fall over time. Indeed, by 2009/10 the proportion of employees and self-employed with incomes less than £20,000 had fallen (to 36 and 54 per cent respectively) although the fall was greater for employees (Figure 44). At the other extreme, the proportion of self-employed with incomes above £100,000 rose by 2.5 percentage points, compared to 1.7 percentage points for employees. The result is that in 2009/10, 8 per cent of self-employed Londoners had an income in excess of £100,000 compared to 5 per cent of employees.

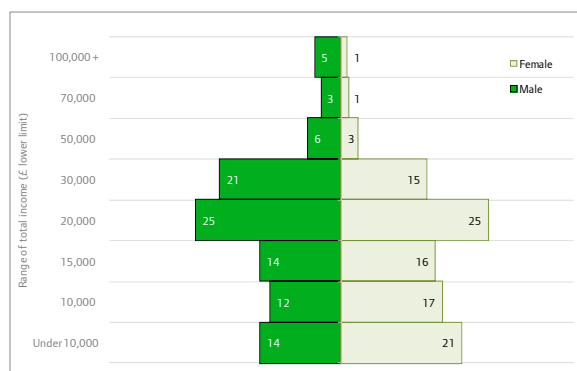
These trends, however, mark some important differences for men and women. In 2003/4 self-employed women were more likely than men to have a taxable income above the income tax threshold but below £10,000 (Figure 45). However, this is also true for employees (where the difference is even more marked: 7 percentage points difference compared to 5 percentage points for self-employed (see Figure 46). Interestingly, a higher proportion of self-employed women had an income between £30,000 and £100,000 compared to men (21 per cent of women compared to 19 per cent of men) although the opposite was true for employees (19 per cent of female employees compared to 30 per cent of men). Nonetheless, 6 per cent of self-employed men had an income above £100,000 compared to only 3 per cent of self-employed women

Figure 45: Percentage of male and female *self-employed* taxpayers by income earned, 2003/4



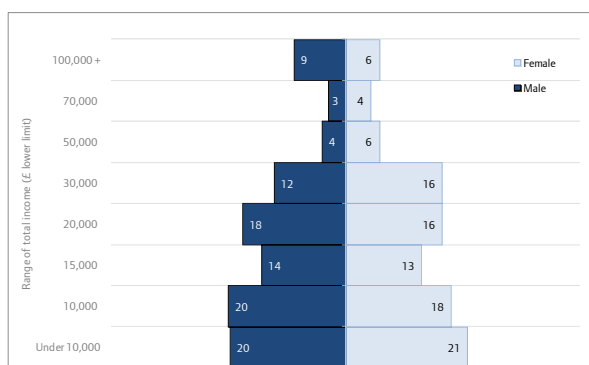
Source: GLA Economics analysis of SPI (HMRC).

Figure 46: Percentage of male and female *employee* taxpayers by income earned, 2003/4



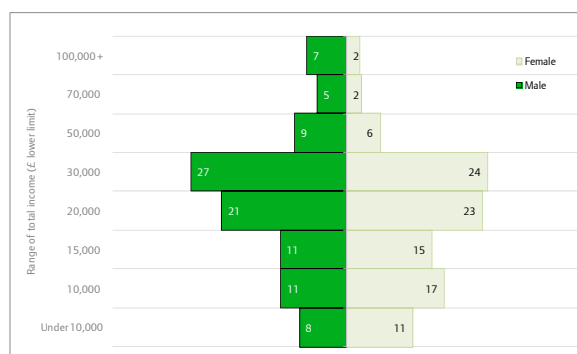
Source: GLA Economics analysis of SPI (HMRC).

Figure 47: Percentage of male and female *self-employed* taxpayers by income earned, 2009/10



Source: GLA Economics analysis of SPI (HMRC).

Figure 48: Percentage of male and female *employee* taxpayers by income earned, 2009/10



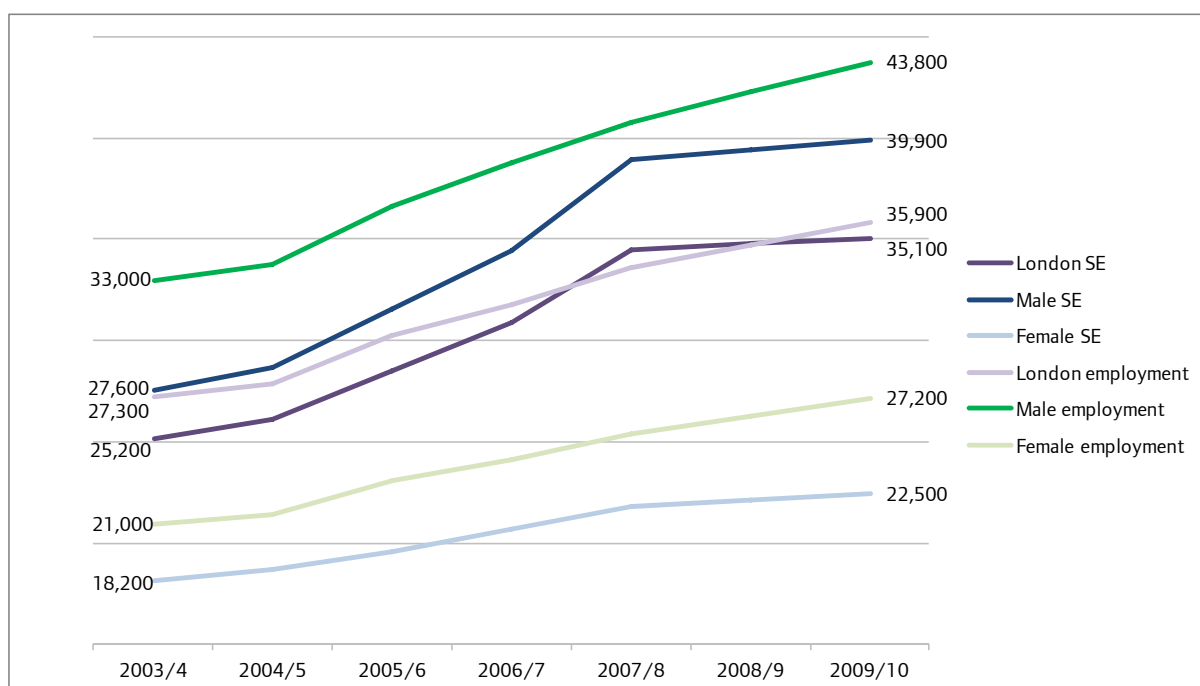
Source: GLA Economics analysis of SPI (HMRC).

By 2009/10 the difference in the proportion of self-employed men and women earning above the income tax threshold but below £10,000 had fallen to just 1 percentage point (Figure 47). However, whilst the proportion of women earning between £30,000 and £100,000 rose to 26 per cent it remained unchanged for self-employed men (at 19 per cent). This contrasts with employees where the proportion of both men and women in this income group rose (to 41 per cent and 32 per cent respectively) (Figure 48). For the proportions with income above £100,000 both self-employed men and women saw an increase (of 3 percentage and 2 percentage points respectively) as did employee men and women (of 2 percentage and 1 percentage points respectively).

It is also possible to look at the mean incomes of self-employed Londoners (Figure 49). It should be noted however that these values can be skewed by extremes: either a few people earning very little (in which case it is skewed downwards) or a few with very high incomes (in which case it is skewed upwards). Nonetheless, it is interesting to note that, among all men and women employed, male employees have always had the highest average income whilst self-employed women have had the lowest. Further, since 2003/4, the difference between these two extremes has increased from £14,800 to £21,300.

Between 2003/4 and 2009/10, the average income of self-employed men has grown by 6.3 per cent per annum compared to 3.6 per cent for women. For all self-employed, the mean income has risen by 5.7 per cent per annum. This compares to a lower annual growth rate of 4.7 per cent for employees, and 4.8 per cent and 4.4 per cent for male and female employees respectively.

Figure 49: Mean income from self-employment and employment for Londoners, 2003/4 to 2009/10



Note: 2008/9 data has been estimated by extrapolating between 2007/8 and 2009/10

Source: GLA Economics analysis of SPI (HMRC).

In 2009/10 the mean income of the self-employed varied significantly across boroughs, from £13,000 for those who reside in Barking and Dagenham to £165,000 for Kensington and Chelsea residents (Table 4). Since 2003/4 the mean income has risen for residents in the following 11 boroughs²⁰:

- Camden
- City of London
- Croydon
- Greenwich
- Hammersmith and Fulham
- Hounslow
- Kensington and Chelsea
- Merton
- Southwark
- Wandsworth, and
- Westminster

²⁰ The increases cover only those that are statistically significant at the 95 per cent confidence interval.

However, as previously mentioned, the mean value can be skewed by a few individuals who earn very large incomes. In this situation looking at the median value²¹ can provide a better indication of the sorts of income the “average” self-employed individual receives. In 2009/10 the median income for all self-employed Londoners was £11,400, less than half the median for employees (Table 4). Across London boroughs²², this ranged from £9,410 in Hackney to £14,500 in Westminster. The median income for self-employed was lower than employees for every borough in London (and this is unchanged since 2003/4). Since 2003/4, only Newham has seen a significant²³ change (increase) in median incomes of the self-employed.

Table 4: Mean and median income of self-employed by London borough of residence, 2009/10 and change since 2003/4

	2009/10 mean self-employment income (£)	2009/10 median self-employment income (£)	Change in median (2003/4 to 2009/10) (£)
Hackney	20,300	9,410	-40
Hammersmith and Fulham	43,000	10,200	-300
Enfield	21,700	10,300	320
Greenwich	34,800	10,300	-200
Brent	17,100	10,400	0
Haringey	23,500	10,400	1,090
Barking and Dagenham	13,000	10,700	-2,800
Ealing	21,600	10,700	-100
Newham	13,400	10,700	1,700
Merton	56,400	10,800	1,140
Lambeth	25,000	10,900	1,970
Croydon	21,600	11,100	600
Southwark	31,800	11,100	100
Lewisham	17,900	11,200	500
Waltham Forest	14,100	11,200	1,420
Wandsworth	51,700	11,200	-600
Redbridge	20,700	11,300	0
London (Employment)	35,100 (35,900)	11,400 (23,300)	200 (3,800)
Barnet	35,900	11,600	-500
Tower Hamlets	25,300	11,600	2,030

²¹ The median value provides an alternative “average”. If all self-employed people were lined up in order of their income (highest to lowest) then the median income would be the income of the self-employed person who is standing in the middle of the line. It is the income of the 50th percentile.

²² The analysis does not include the City of London, where there are very large confidence intervals around the data.

²³ At the 95 per cent confidence interval

	2009/10 mean self-employment income (£)	2009/10 median self-employment income (£)	Change in median (2003/4 to 2009/10) (£)
Harrow	26,000	11,700	-1,100
Hounslow	26,200	11,700	1,200
Bromley	22,800	11,800	-300
Hillingdon	21,200	12,100	300
Kingston-upon-Thames	27,600	12,500	700
Bexley	17,400	12,900	-1,500
Richmond-upon-Thames	46,800	13,000	-1,100
Islington	50,600	13,300	1,000
Camden	89,100	13,400	2,600
Havering	19,500	13,600	800
Kensington and Chelsea	165,000	13,700	2,300
Sutton	21,500	13,800	1,600
Westminster	123,000	14,500	700

Note: Only the change for Newham is statistically significant at the 95 per cent confidence interval.

Source: SPI (HMRC).

Wealth and assets

The Wealth and Assets Survey (WAS) from the ONS provides estimates of the different types of wealth that employees and self-employed people in London have. However, as a relatively new survey, only data for 2008–10 is available (note that the survey data is collected over the two year period). In contrast to data elsewhere in this report, employment status relates to the household representative/head of household²⁴ and wealth relates to the wealth of the entire household. The data, therefore, does not cover people but households. Further, the data covers households in London so it relates to self-employment by region of residence rather than region of employment. The data also does not cover business assets owned by households.

Households in London where the head of the household is self-employed have an average (mean) wealth of £553,000, compared to £478,000 where the household head is an employee. Property (net of liabilities) makes up almost half of assets for the self-employed, with a further 27.2 per cent from pensions (Figure 50). In contrast, 37.7 per cent of household wealth where the head is an employee is from property and 43.3 per cent from pensions (Figure 51).

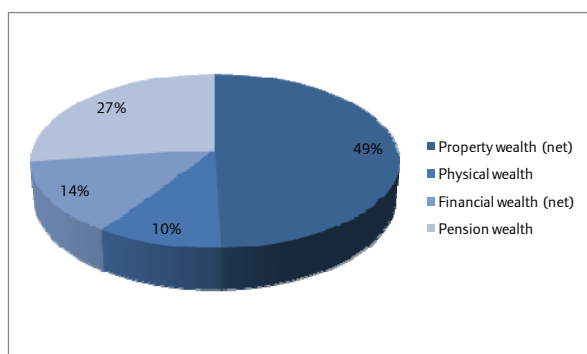
However, as mentioned earlier, estimates using means can be skewed by extremes. Looking at the median, the ‘average’ wealth of households in London where the head is self-employed was £264,900, £8,400 more than where the household head is an employee (see Figure 52).

²⁴ The household representative is defined as follows:

- in households with a sole householder, that person is the household representative
- in households with joint householders the person with the highest income is taken
- if both householders have exactly the same income, the older is taken.

Interestingly, for all percentiles below 50 self-employed households had lower household net wealth than employee households, but the opposite is true for percentiles above 50. For example, the poorest 10 per cent of self-employed households had total net wealth that was £4,500 less than the poorest 10 per cent of employee households. On the other hand, the wealthiest 10 per cent of self-employed households had total net wealth that was £214,400 more than the wealthiest 10 per cent of employee households.

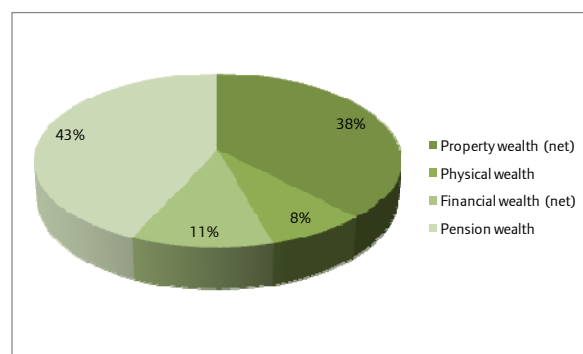
Figure 50: Composition of mean London household wealth where the household head is *self-employed*, 2008/10



Note: Net = value of assets minus liabilities.

Source: Wealth and Assets Survey, Wave 2, ONS.

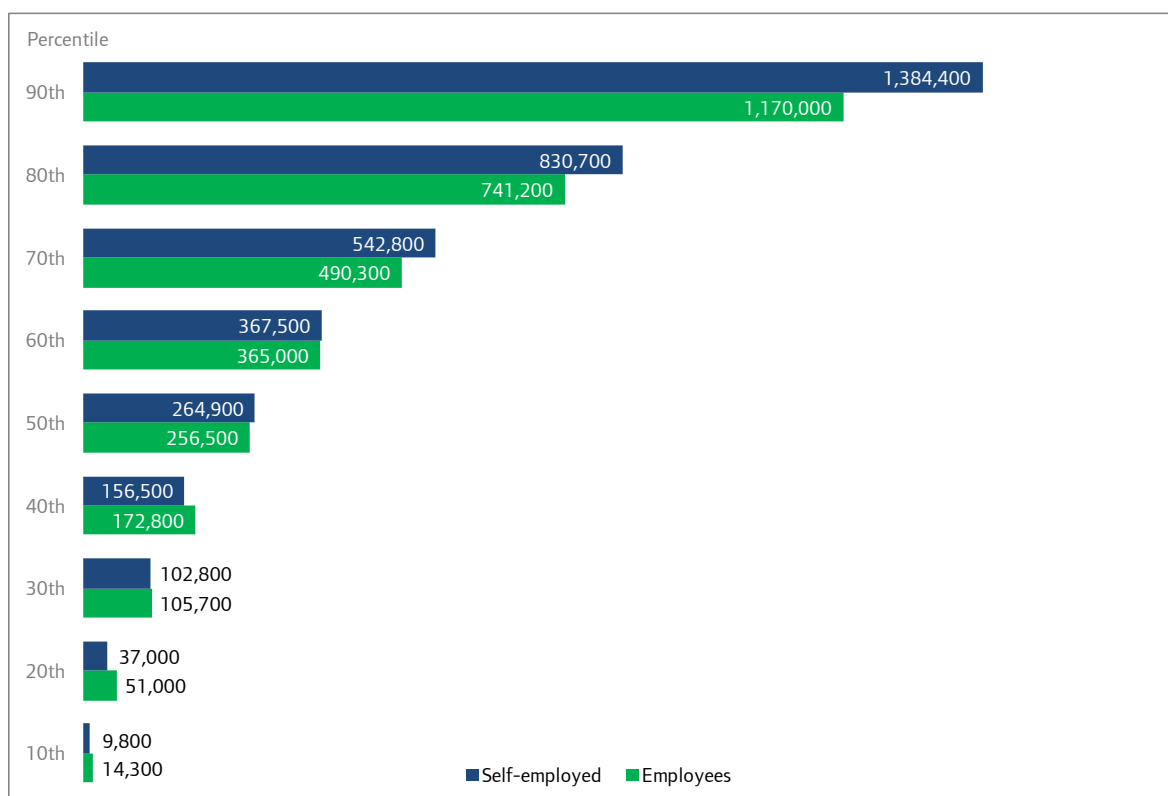
Figure 51: Composition of mean London household wealth where the household head is an *employee*, 2008/10



Note: Net = value of assets minus liabilities.

Source: Wealth and Assets Survey, Wave 2, ONS.

Figure 52: Total household wealth (net) in London in 2008/10 according to employment status of household head (£)



Source: *Wealth and Assets Survey, ONS.*

Figures 53 to 56 show the distribution of household wealth for both employee and self-employed head of households for four different types of wealth: property (net of mortgages or secured loans), physical (including collectables and valuables), financial (net of non-mortgage borrowing and arrears on household bills), and pension wealth^{25 26}.

The median net value of property for self-employed households is £30,000 more than for employee households, and the difference increases towards the upper end of the distribution (10 per cent of self-employed have property worth more than £650,000 compared to £405,500 for households where the head is an employee). A similar pattern is also evident for physical wealth: 50 per cent of households where the head is self-employed have physical wealth of at least £40,000 compared to £28,000 where the head is an employee, and at the 90th percentile the self-employed households have £33,500 more of physical wealth.

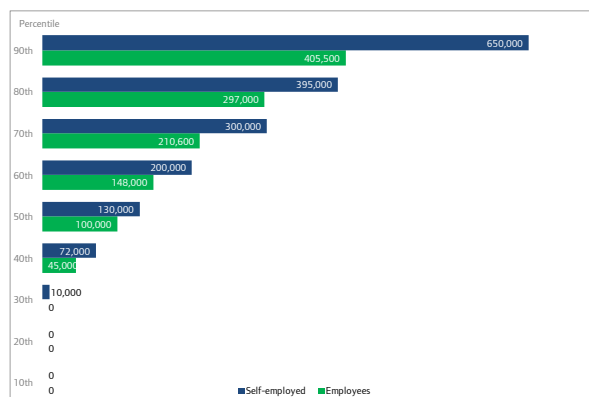
Financial wealth (net of mortgages or secured loans) is much closer at the median for employee and self-employed households (at £8,000 and £6,800 respectively). At the 10th and 20th percentile, however, households where the head is self-employed are in greater financial debt than households where the head is an employee. 20 per cent of self-employed households have a net financial wealth of over £89,300 and half of these are above £267,000.

²⁵ It should be noted that the values are based on individuals' own perception of the value of each asset.

²⁶ Further information on these wealth categories can be found at: <http://www.ons.gov.uk/ons/guide-method/method-quality/specific/economy/wealth-and-assets-survey/wealth-and-assets-survey---user-guidance/index.html>

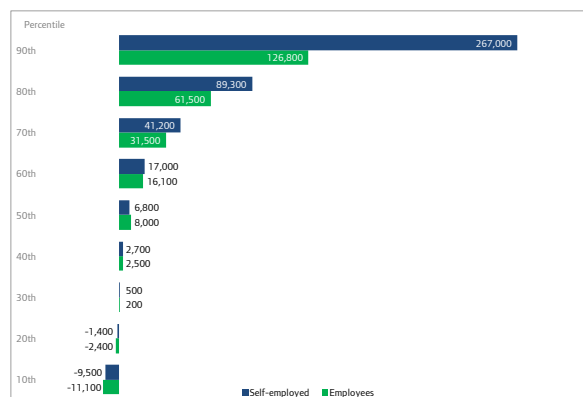
Despite self-employed households having relatively high net property, physical and net financial wealth, they have low levels of pension wealth. The median self-employed household has £28,000 of pension wealth compared to £66,400 for employee households, and this difference increases towards the upper end of the distribution.

Figure 53: Distributions of household *property wealth (net)* in London in 2008/10 according to employment status of household head (£)



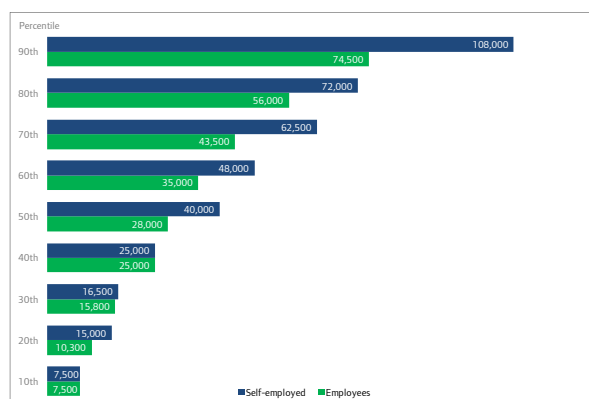
Source: Wealth and Assets Survey, Wave 2, ONS.

Figure 54: Distributions of household *financial wealth (net)* in London in 2008/10 according to employment status of household head (£)



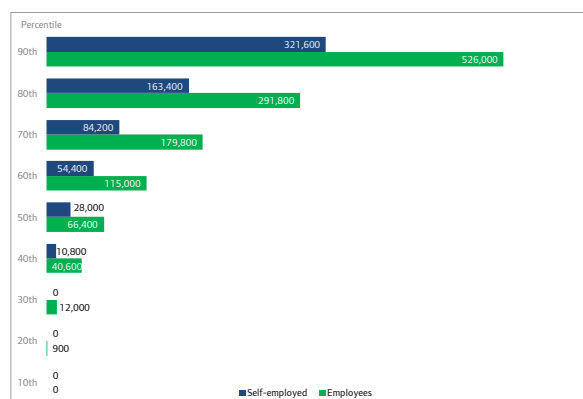
Source: Wealth and Assets Survey, Wave 2, ONS.

Figure 55: Distributions of household *physical wealth* in London in 2008/10 according to employment status of household head (£)



Source: Wealth and Assets Survey, Wave 2, ONS.

Figure 56: Distributions of household *pension wealth* in London in 2008/10 according to employment status of household head (£)



Source: Wealth and Assets Survey, Wave 2, ONS

Business turnover

Business Population Estimates from BIS provide data on businesses with no employees. The definition of no employees in these statistics covers sole proprietorships (run by one self-employed person), partnerships comprising only the self-employed owner-manager(s), and companies with only one employee (where the employee is treated as a working proprietor)²⁷. Whilst not all self-employed people will fall in this category, in 2011, 83 per cent of self-

²⁷ It may also include holding companies, investment trusts or pension funds.

employed had no employees and, in 2008, 71 per cent of self-employed people owned or had a controlling interest in their business, so it is a good proxy²⁸.

As mentioned previously, although London has a very high share of businesses with no employees compared to other UK regions, these businesses account for only 5.5 per cent of all business turnover in London²⁹ in 2012, compared to 6.6 per cent in the UK. Further, similarly to the UK, the turnover per person employed is significantly lower for businesses with no employees (Table 5). However, this average varies across industries from £33,700 in human health and social work to £331,400 in the real estate industry (Table 6).

It is important to remember that turnover and profit are not the same thing and the latter would provide a better indication of the value these businesses add to the economy.

Table 5: Average turnover per person employed by size of business (number of employees) in London, 2012

Business size by number of employees	Average turnover per person employed (£) ¹
0	75,024
1	82,000
2-4	141,384
5-9	322,352
10-19	185,079
20-49	330,433
50-99	273,814
100-199	194,836
200-249	286,813
250-499	294,696
500 or more	197,467

¹ Includes self-employed people and employees, full-time or part-time

Source: GLA Economics analysis of Business Population Estimates (BIS).

²⁸ Of those with employees, the number of employees is likely to be quite small.

²⁹ All businesses turnover figures exclude SIC 2007 Section K (financial and insurance activities) where turnover is not available on a comparable basis.

Table 6: Average turnover of businesses in London with no employees by industry, 2012

	Average turnover per person employed (£) ¹
Human health & social work activities	33,698
Other service activities	41,571
Transportation & storage	44,318
Manufacturing	50,067
Arts, entertainment & recreation	56,936
Construction	68,573
Information & communication	70,805
Admin & support services	74,180
All industries	75,024
Professional, scientific & technical	109,971
Wholesale & retail trade	124,238
Real estate activities	331,400
Primary & utilities	*
Accommodation & food services	*
Education	*
Financial & insurance	NA

¹ Includes self-employed people and employees, full-time or part-time

*Data suppressed due to disclosure controls.

Turnover is not available on a comparable basis for the finance and insurance industry.

Source: GLA Economics analysis of Business Population Estimates (BIS).

Annex A: HMRC checklist to determine employment status

HMRC provide a series of questions to help people decide whether they are employees or self-employed³⁰. These are as follows:

If you answer yes to most of the following questions you are likely to be an *employee*:

- Do you have to do the work yourself?
- Can someone tell you where to work, when to work, how to work or what to do?
- Can someone move you from task to task?
- Do you have to work a set number of hours?
- Are you paid a regular wage or salary?
- Can you get overtime pay or bonus payments?
- Are you responsible for managing anyone else engaged by the person or company that you are working for?

If you answer yes to one or more of the questions you are likely to be *self-employed*:

- Can you hire someone to do the work, or take on helpers at your own expense?
- Can you decide where to provide the services of the job, when to work, how to work and what to do?
- Can you make a loss as well as a profit?
- Do you agree to do a job for a fixed price regardless of how long the job may take?

If you can't answer yes to any of the above questions, you are still likely to be self-employed if you can answer yes to most of the following questions.

- Do you risk your own money?
- Do you provide the main items of equipment (not the tools that many employees provide for themselves) needed to do the job?
- Do you regularly work for a number of different people and require business set up in order to do so?
- Do you have to correct unsatisfactory work in your own time and at your own expense?

³⁰ <http://www.hmrc.gov.uk/leaflets/es-fs1.pdf>

Annex B: Breakdown of occupation categories

The broad occupation categories analysed in this report can be broken down to lower-level occupations. Looking at these allows for a better understanding of the sorts of jobs associated with occupations. The table below provides some detail on the broad occupation categories. Further information and a second level of disaggregation can be found on the ONS website at: <http://www.google.co.uk/url?sa=t&rct=j&q=soc%202010%20summary%20structure&source=web&cd=1&ved=OC4QFjAA&url=http%3A%2F%2Fwww.ons.gov.uk%2Fons%2Fguide-method%2Fclassifications%2Fcurrent-standard-classifications%2Fsoc2010%2Fsoc2010-volume-1-structure-and-descriptions-of-unit-groups%2Fsoc2010-volume-1.pdf&ei=h9a0UPD3PI6R0QX23ICABg&usg=AFQjCNEDMXK5szWUaUH5GyukXA56TT-Q1w>

Broad Occupation	General nature of qualifications, training and experience	Sub-Major Occupation	Description
1. Managers, Directors and Senior Officials	A significant amount of knowledge and experience of the production processes and service requirements associated with the efficient functioning of organisations and businesses	Corporate managers and directors	formulate government policy; direct the operations of major organisations, local government, government departments and special interest organisations; organise and direct production, processing, maintenance and construction operations in industry; formulate, implement and advise on specialist functional activities within organisations; direct the operations of branches of financial institutions; organise and co-ordinate the transportation of passengers, the storage and distribution of freight, and the sale of goods; direct the operations of the emergency services, revenue and customs, the prison service and the armed forces; and co-ordinate the provision of health and social services.
		Other managers and proprietors	either as employees or proprietors, manage agriculture related services; manage and coordinate the operations of health service general practices, residential and day care establishments and domiciliary care services; co-ordinate and direct the activities of businesses such as restaurants, hotels, entertainment establishments, sports and leisure facilities, travel and property agencies, independent shops, garages, waste disposal and environmental services, hairdressing establishments, and agencies providing services outsourced by other organisations.
2. Professional Occupations	A degree or equivalent qualification, with some occupations requiring postgraduate qualifications and/or a formal period of experience-related training.	Science, research, engineering and technology professionals	undertake research and consultancy activities within the physical and social sciences and in the humanities; technically supervise the development, installation and maintenance of mechanical, chemical, structural and electrical systems; advise upon and direct the technical aspects of production programmes; provide consultancy and development services in the provision and utilisation of information technology and telecommunications; direct and advise upon the conservation and protection of the environment; and direct and advise upon the research and development operations of an organisation.
		Health professionals	provide medical treatments and diagnosis for people and animals, conduct research into treatment and drugs, dispense pharmaceutical compounds, provide therapeutic treatments for medical conditions, and administer nursing and midwifery care.

		Teaching and educational professionals	plan, organise and undertake teaching and research activities within educational establishments; plan, organise, direct and co-ordinate the administrative work and financial resources of these establishments; and inspect and advise schools and training establishments.
		Business, media and public service professionals	advise and act on behalf of clients in legal matters, preside over judicial proceedings, collect and analyse financial information, perform accounting duties, advise on business and management matters, and perform a variety of other professional occupations within the public, welfare, regulatory and voluntary sectors, and within the media.
3. Associate Professional and Technical Occupations	An associated high-level vocational qualification, often involving a substantial period of full-time training or further study. Some additional task-related training is usually provided through a formal period of induction.	Science, engineering and technology associate professionals	perform a variety of technical support functions to scientists, technologists, engineers and architects, prepare technical drawings, undertake building inspections, provide technical support for IT operations and users.
		Health and social care associate professionals	provide a variety of technical support functions and services for health professionals in the treatment of patients to assist physical and psychological recovery, and provide social care and related community services.
		Protective service occupations	serve in the armed forces, the police force, fire service, prison service and perform other protective service roles.
		Culture, media and sports occupations	create and restore artistic works; write, edit and evaluate literary material; perform in acts of entertainment; arrange and perform musical compositions; produce television, film and stage presentations; present television and radio broadcasts; operate camera, sound and lighting equipment; design commercial and industrial products; compete in sporting events for financial reward; and provide training and instruction for sporting and recreational activities.
		Business and public service associate professionals	command and control the movement of air and sea traffic; organise the administrative work of legal practices; perform specialist financial tasks; purchase goods and materials; provide technical sales advice to clients; undertake market research; arrange for the trading and leasing of property on behalf of clients; organise conferences and related events; undertake recruitment, training and industrial relations activities; promote and maintain areas of the environment; perform administrative functions in government; and undertake statutory inspections of health and safety.
4. Administrative and Secretarial Occupations	A good standard of general education. Certain occupations will require further additional vocational training to a well-defined standard (e.g. office skills).	Administrative Occupations	undertake administrative and clerical work in national and local government departments and nongovernmental organisations; perform specialist clerical tasks in relation to financial records and transactions, the administration of pension and insurance policies, the storage and transportation of freight, the activities of libraries and of human resources operations; and perform other general administrative tasks. They also coordinate and oversee the day-to-day running of offices and supervise office staff.
		Secretarial and related occupations	perform general secretarial, clerical and organisational duties in support of management and other workers, and provide specialist secretarial support for medical and legal activities.

5. Skilled Trade Occupations	A substantial period of training, often provided by means of a work based training programme.	Skilled agriculture and related trades	cultivate crops, raise animals and catch fish for consumption, grow plants and trees for sale, tend gardens, parks, sports pitches and other recreational areas, and maintain areas of forestry.
		Skilled metal, electrical and electronic trades	shape and join metal, erect and maintain metal structures and fixtures; set up and operate metal working machinery and install and repair industrial plant and machinery; assemble parts in the manufacture of metal goods; make and calibrate precision instruments; install, test and repair air conditioning systems; maintain and repair motor vehicles; and install, test and repair industrial, domestic and commercial electrical and electronic equipment.
		Skilled construction and building trades	erect steel frames, lay stone, brick and similar materials, construct and repair roofs, install heating, plumbing and ventilating systems, fit windows, doors and other fixtures, and apply coverings and decorative material to walls, floors and ceilings.
		Textiles, printing and other skilled trades	weave fabrics, make articles of clothing, soft furnishings and leather goods, upholster vehicle interiors, set and operate printing machines, prepare meat, poultry and fish, bake bread and flour-based confectionery products, prepare food and manage catering and bar operations within hotels, restaurants and other establishments, and perform a variety of other skilled trades.
6. Caring, Leisure and Other Service Occupations	A good standard of general education. Certain occupations will require further additional vocational training, often provided by means of a work-based training programme.	Caring personal service occupations	assist health professionals in the care of patients; undertake caring personal services within the community; supervise the activities of pre-school age children and assist teachers with non-teaching duties; provide technical assistance to veterinarians and provide other services in the care of animals; provide funeral services; and control pests hazardous to public health.
		Leisure, travel and related personal services occupations	provide services and facilities for sporting and recreational activities; make travel arrangements for clients and provide ancillary services for travellers; provide hairdressing and beauty services; undertake domestic and care-taking duties in private households, public buildings and other establishments.
7. Sales and Customer Service Occupations	A general education and a programme of work-based training	Sales occupations	sell goods and services in retail and wholesale establishments, accept payment in respect of sales, obtain orders and collect payments for goods and services from private households, replenish stocks of goods in stores, create displays of merchandise and perform other sales related occupations.

	related to Sales procedures. Some occupations require additional specific technical knowledge but are included in this major group because the primary task involves selling.	Customer service occupations	receive and respond to enquiries regarding products or services, deal with customer complaints and perform a variety of tasks in the provision of additional services to customers after the point of sale; operate switchboards and receive and direct calls in a variety of establishments; operate telecommunications equipment to transmit and receive messages; conduct market research interviews; and perform other customer service tasks.
8. Process, Plant and Machine Operatives	The knowledge and experience necessary to operate vehicles and other mobile and stationary machinery, to operate and monitor industrial plant and equipment, to assemble products from component parts according to strict rules and procedures and subject assembled parts to routine tests. Most occupations in this major group will specify a minimum standard of competence for associated tasks and will have a related period of formal training.	Process, plant and machine operatives	operate and attend machinery to manufacture, process or otherwise treat foodstuffs, beverages, textiles, chemicals, glass, ceramics, rubber, plastic, metal, synthetic and other products, operate plant and machinery to produce paper, wood and related products, extract coal and other minerals from the earth, attend and operate power generation and water treatment systems, perform routine operations in the manufacture of motor vehicles, metal goods, electrical and electronic products, clothing and other goods, and perform a variety of tasks in relation to the construction and repair of buildings, public highways, underground piping systems, railway tracks and other structures.
		Transport and mobile machine drivers and operatives	drive motor vehicles to transport goods and people; drive trains and guide and monitor the movement of rail traffic; operate mechanical equipment on board boats, ships and other marine vessels; assist in the boarding, fuelling and movement of aircraft at airports; operate lifting, earth moving and earth surfacing equipment, agricultural equipment and other mobile machinery.
9. Elementary Occupations	Occupations classified at this level will usually require	Elementary trades and related occupations	perform agricultural, fishing and forestry related tasks, undertake general labouring duties, assist building and construction trades workers, and perform a variety of duties in foundry, engineering and other process plant related trades.

	<p>a minimum general level of education (that is, that which is acquired by the end of the period of compulsory education). Some occupations at this level will also have short periods of work-related training in areas such as health and safety, food hygiene, and customer service requirements.</p>	<p>Elementary administration and service occupations</p>	<p>collect, sort and deliver written correspondence, undertake elementary clerical tasks within offices, undertake elementary cleaning tasks, protect and supervise people and property, perform elementary sales related tasks, assist in the storage and transportation of goods, and perform a variety of carrying, preparation and serving tasks within hospitals, catering, domestic and other establishments.</p>
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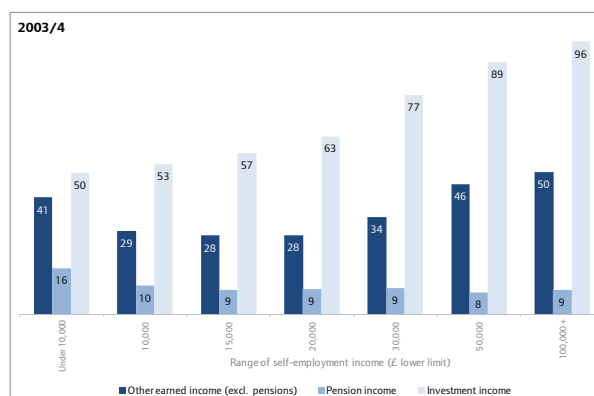
Source: SOC 2010 Summary of Structure, ONS

Annex C: Importance of self-employment income to individuals' total income

HMRC SPI data also provides information on the different sources of income that self-employed people have. This data covers all those with self-employment income, whether or not they are taxpayers (unlike the data in the main document). The data is also not available at the London-level.

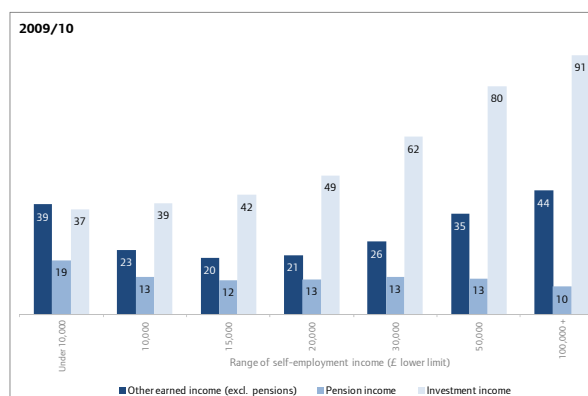
For the UK as a whole, those with higher incomes from self-employment are more likely to also be receiving income from investments and other earned income (comprising of employment income and other miscellaneous income) (Figure C1 and 2). It is interesting to note that since 2003/4 the proportion of people with self-employment income who have other earned income (excluding pensions) and investment income has fallen across all groups (regardless of their level of self-employment income). This is potentially the result of the recent recession, which has increased the risks associated with investment and reduced the opportunities to earn other income.

Figure C1: Individuals with self-employment income in the UK – percentages with other types of income by range of self-employment income, 2003/4



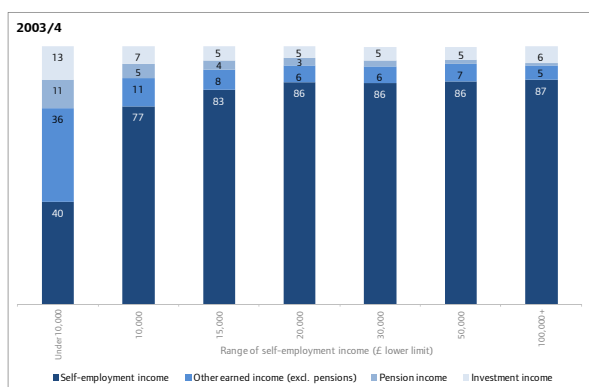
Source: SPI (HMRC).

Figure C2: Individuals with self-employment income in the UK – percentages with other types of income by range of self-employment income, 2009/10



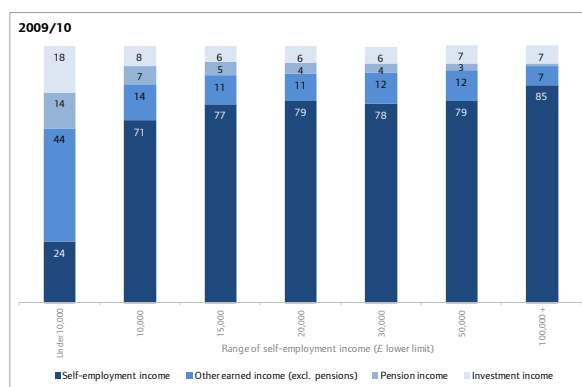
Source: SPI (HMRC)

Figure C3: Income from self-employed people with other income sources in the UK – percentage of total income by range of self-employment income, 2003/4



Source: SPI (HMRC).

Figure C4: Income from self-employed people with other income sources in the UK – percentage of total income by range of self-employment income, 2009/10



Source: SPI (HMRC).

Although people generating higher income from self-employment are more likely to have investment and other earned income these other sources make up only a small share of their total income (Figure C3 and C4). In 2009/10, income from self-employment comprised 85 per cent of total income for those with earning above £100,000 from self-employment. For those earning between £15,000 and £100,000 from self-employment, this income accounted for between 77 and 79 per cent of their total income. For those earning between £10,000 and £15,000 this share was 71 per cent. Where income from self-employment is lower (under £10,000), 53 per cent of total income comes from other earned income and pension income, suggesting self-employment is more likely to be a second job for this group. Since 2003/4, the share of total income accounted for from self-employment has fallen for all groups. Excluding those with self-employment incomes below £15,000, this is the result of the average income from self-employment increasing at a slower rate than the income from the three other sources (other earned income, pensions, and investment income).

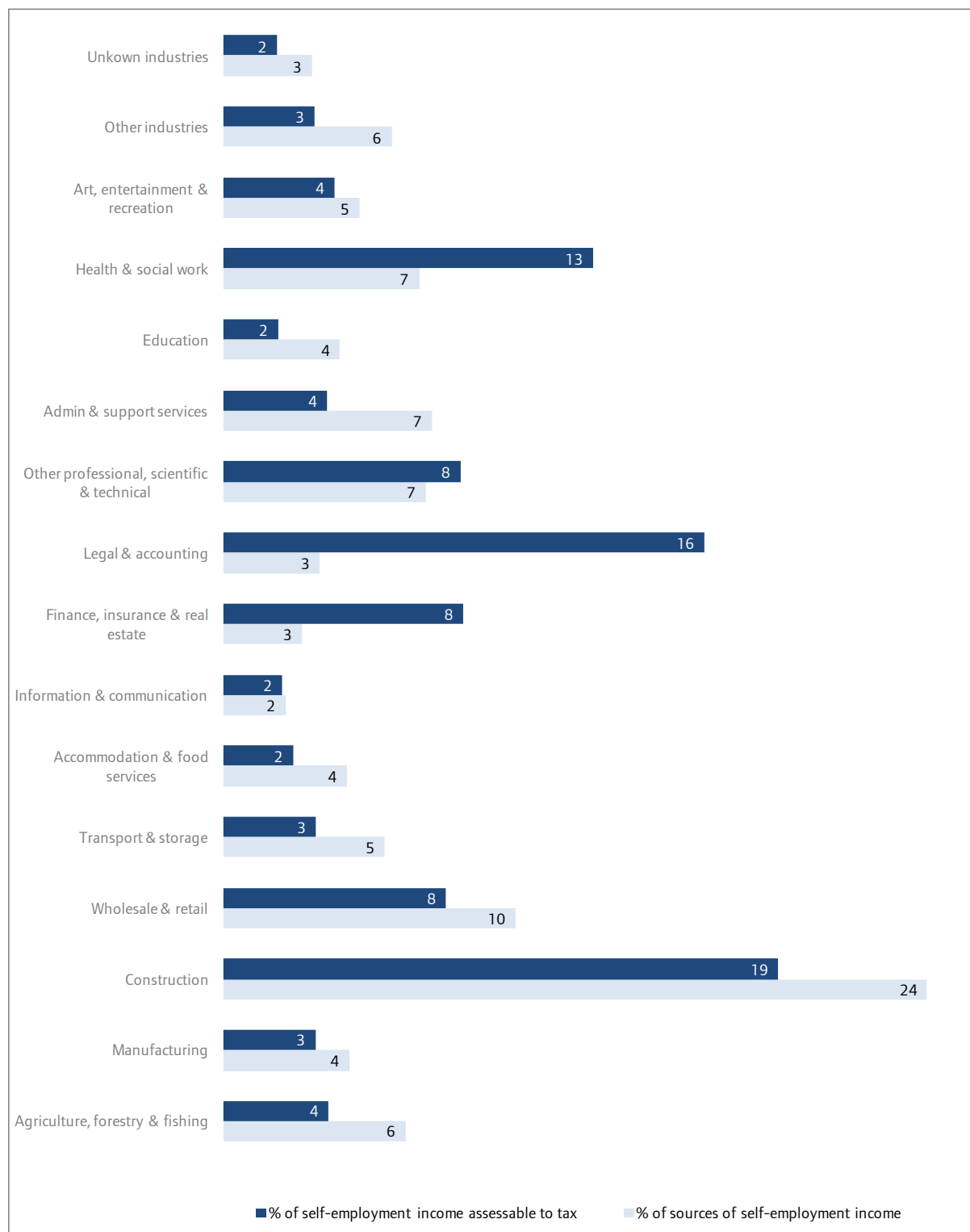
Annex D: Self-employment income by industry

Data is also available (again from the HMRC SPI) on the sources and profits of self-employment income across industries. Unfortunately, the data is available only at UK level, and covers all individuals, whether or not they are taxpayers (unlike the data in the main report). It is important to note that the data does not refer to people but to sources of self-employment income i.e. individuals may be counted several times if they have several sources of self-employment income³¹.

Figure D1 shows (a) the percentage of sources of self-employment income, and (b) the percentage of self-employment income by industry for the UK for 2009/10. For the UK, self-employment income in construction accounts for 24 per cent of all sources of self-employment income. However, it only accounts for 19 per cent of all profits, suggesting average income in the industry below the average of all industries. In contrast, health/social work, legal and accounting, and finance/insurance/real estate all account for significantly higher proportions of total profits than their respective number of sources.

³¹ Specifically, where there are multiple instances as a sole trader, one instance is designated the primary source and all other instances are amalgamated into a single secondary source. Similarly for multiple instances of partner income, one instance is designated the primary source and all other instances are amalgamated into a single secondary source. Where multiple instances exist, the secondary source record contains the sum of income amounts and is allocated to the industry of the most significant of those secondary sources. Consequently, each individual may have up to four sources of self employment income.

Figure D1: Percentage of sources of self-employment income and percentage of total self-employment income by industry in the UK, 2009/10



Source: SPI (HMRC).

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