

# Self-employment in cities

Elena Magrini  
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## Executive summary

Technological changes and other labour market trends are not only changing demand for jobs<sup>1</sup> and skills<sup>2</sup>, they are also fundamentally changing the way people work.

The recent growth in self-employment, together with the rise of new ways of working, suggests self-employment will play a bigger role in the labour market in the future,<sup>3</sup> but sentiments towards self-employment have been mixed. On one hand, many highlight the opportunities it offers in terms of increased flexibility, a chance to be your own boss and turn a ‘hobby’ into a business. Meanwhile, others stress that self-employment fosters instability and insecurity, putting additional pressures on individuals.<sup>4</sup>

This raises important questions around existing employment legislation, and whether it is fit for the 21st century. Yet, while it is crucial for the national government to find answer to these questions, little is known about how self-employment plays out in different places, meaning policymakers have limited insights on how this impacts the creation of ‘good work’ up and down the country.

By looking at these issues, this research finds that:

- 1. Urban self-employment has grown faster than non-urban self-employment and it now accounts for 52 per cent of all self-employment in the country.** Since 2004, there has been a 35 per cent increase in self-employment across the country, growth five times higher than that of overall employment. As a result, five million individuals in the UK – around one in seven of those in work – are now self-employed. This growth has been particularly fast in cities, where, since the financial crisis, self-employment grew by 44 per cent, with cities now accounting for 52 per cent of all self-employment compared to 49 per cent in 2008.

1 Centre for Cities (2018) ‘Cities Outlook 2018’, London: Centre for Cities

2 Magrini E. & Clayton N. (2018) ‘Can cities outsmart the robots?’, London: Centre for Cities

3 <https://www.bbc.co.uk/news/business-44887623>

4 Sarah Kessler (2018) ‘Gigged: The Gig Economy, the End of the Job and the Future of Work’, St. Martin’s Press

- 2. Urban self-employment is overwhelmingly concentrated in a few industries and in lower-skilled occupations.** Construction, transport and storage, arts and entertainment and personal services account for 13 per cent of all employment in cities, but for 54 per cent of all self-employment. In terms of occupations, over 75 per cent of urban self-employment is in mid- and low-skilled roles<sup>5</sup> such as taxi operations, hairdressers and cleaners.
- 3. In cities with weaker economies, self-employment is more likely to be the only source of income and to be lower skilled.** In weaker city economies, the share of self-employed individuals in lower-skilled occupations is even higher, and the majority of them rely on self-employment as their only source of income. In contrast, self-employment that offers the opportunity to carry out additional work in higher-skilled roles alongside employment is much more concentrated in cities in the South of England and in Scotland. This suggests the costs and benefits offered by self-employment are not evenly spread across the country and that it is in cities with stronger economies that self-employed individuals are more likely to enjoy the benefits this way of working provides.

As the world of work continues to change, it is important employment legislation develops accordingly. So far, much of the discussion has focused on what this means for employment rights, but there are pressing questions in terms of skills too. Approximately one in five of today's jobs are expected to disappear by 2030<sup>6</sup> and, while lifelong learning and adult education have a key role in ensuring people will be able to adapt to these changes, self-employed individuals are less likely to undertake training than any other group of workers.<sup>7</sup>

To better support self-employed people to thrive in the labour market of the future, this is what needs to change:

- 1. To support individuals: allow self-employed people to deduct the costs of any forms of training from income taxes.** Currently, self-employed individuals are allowed to deduct training costs when the training goes towards maintaining or updating the skills necessary for the purpose of their role but not if the training introduces new skills.<sup>8</sup> Yet, given the rapid changes in the labour market, it is important people can acquire the skills they need to adapt to these changes, and shift from one occupation to another if necessary.

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5 High-skilled occupations are all those that Nesta has identified as highly creative and in high-technology sectors in its report 'The geography of the UK's creative and high-tech economies' and in all other industries that do require degree-level qualifications. All the remaining occupations are referred to in the text as 'lower-skilled occupations' or as 'mid- and low-skilled occupations'. See: Bakhshi H., Davies J., Freeman A. and Higgs P. (2015) 'The Geography of the UK's creative and high-tech economies', London: Nesta

6 Centre for Cities (2018) 'Cities Outlook 2018', London: Centre for Cities

7 <https://www.ipse.co.uk/ipse-news/news-listing/why-most-self-employed-people-avoid-training.html>

8 Chartered Institute of Taxation (2018) 'Taxation of self-funded work-related training: Consultation on the extension of tax relief for training by employees and the self-employed' London: Chartered Institute of Taxation.

- 2. To support industries: government should bring together businesses in industries with high rates of self-employment to invest in and pool resources to fund training.** Financial pressures are one of the main reasons behind the low take-up of training by self-employed individuals.<sup>9</sup> While the first recommendation would partly relieve these pressures, in industries with high rates of self-employment there is scope for businesses to contribute too. In the construction industry, for example, there is already a training body – the Construction Industry Training Board – in which companies actively contribute by paying a levy to improve skills. This model should, firstly, be improved to make it easier for self-employed people to access training and, secondly, be replicated by other industries with high shares of self-employment. That would allow each industry to tailor training to their needs and to those who work in that industry.
- 3. To support places: for struggling cities in particular, the best way to support self-employment is to strengthen the overall economy.** These places should focus on creating more vibrant labour markets where high-skilled individuals and businesses want to locate, by facilitating the creation and exchange of knowledge through improvements in skills and the quality of business environment on offer in their city centres. This would broaden and improve the choices available to individuals, indirectly benefiting self-employed people too.

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<sup>9</sup> <https://www.ipse.co.uk/ipse-news/news-listing/why-most-self-employed-people-avoid-training.html>

# 01

## Introduction

Technological changes and other labour market trends are not only changing demand for jobs<sup>10</sup> and skills<sup>11</sup>, they are also fundamentally changing the way people work.

In recent years, self-employment and the proportion of it that makes up the gig economy has been at the centre of heated debate. The rise of new ways of working has led to suggestions self-employment will play an even bigger role in the future,<sup>12</sup> and much has been said about the pros and cons of self-employment. On one hand, many highlight the opportunities it offers in terms of increased flexibility, a chance to be your own boss and turn a ‘hobby’ into a business. On the other, many point to the downsides of self-employment, suggesting it fosters instability and insecurity, putting additional pressures on individuals.<sup>13</sup>

These debates raise important questions around existing employment practices and policies, and whether they are fit for the 21st century, questions the Government asked the Taylor Review<sup>14</sup> to explore.

Yet, while it is crucial the UK has a national framework for ‘good work’ and self-employment, little is known about how self-employment plays out across the country. This offers limited insight to policymakers on how the significance and nature of self-employment varies across different local economies, what the impact of this national policy will be in different places and what this means for creating ‘good jobs’ up and down the country.

The aim of this paper is to fill this gap. To do so, it uses self-assessment data made available by the HM Revenue and Customs (HMRC) on a residential basis (see Box 1 for methodology). The report looks first at how self-employment varies across the country, both in terms of significance and its nature. Second, it identifies how the picture has changed over time. Third, it sets out what needs to change in national and local policy.

10 Centre for Cities (2018) ‘Cities Outlook 2018’, London: Centre for Cities

11 Magrini E. & Clayton N. (2018) ‘Can cities outsmart the robots?’, London: Centre for Cities

12 <https://www.bbc.co.uk/news/business-44887623>

13 Sarah Kessler (2018) ‘Gigged: The Gig Economy, the End of the Job and the Future of Work’, St. Martin’s Press

14 Taylor M., Marsh G., Nicol D. and Broadbent P. (2017) ‘Good work: the Taylor Review of modern working practices’. London: Department for Business, Energy and Industrial Strategy.

### **Box 1: Defining self-employment and methodology**

According to the Government, a person is self-employed if ‘they run their business for themselves and take responsibility for its success and failure’.<sup>15</sup> Self-employed individuals are not paid through the Pay As You Earn (PAYE) system, they do not have the employment rights and responsibilities of employees, but can choose what work to do, when and how to do it.

Someone can be both employed and self-employed at the same time. In 2016, 75 per cent of all self-employed individuals in the UK were self-employed only, whereas 25 per cent were both self-employed and employed in another job. In this report, the ‘self-employed’ refers to both groups, unless otherwise specified.

To look at the geography of self-employment across the country, this report uses data from the Annual Population Survey for high-level statistics (such as national or city-level figures), and then uses new data made available by HM Revenue and Customs (HMRC) for more detailed analysis (such as industry breakdowns or change over time).

HMRC has tax record data for each individual in the UK and the data on self-employment is based on self-assessment forms filled in by every self-employed individual. Given that the data covers the entire population of self-employed people in the country, it is much more precise than any other survey-based data available on self-employment. However, its limitation is that it cannot reveal the reasons why a person is self-employed.

The analysis is based on self-assessment data held by HMRC, and it is restricted to individuals who completed either the SA103F and/or SA103S supplementary form. It excludes individuals who are deceased, those whose total turnover is equal to zero or less than £10, net profits are less than £10 or net losses are less than £10, to remove any potential error in the data.

HMRC data is collected on a residential basis, capturing where a self-employed individual lives, rather than their place of work. This differs from Centre for Cities’ usual approach and means the analysis will not always capture, in its entirety, where economic activity takes place.

15 <https://www.gov.uk/employment-status/selfemployed-contractor>

## **Box 2: Defining cities**

The analysis undertaken in this report compares Primary Urban Areas (PUAs) – a measure of the built-up areas of a city, rather than individual local authority districts or combined authorities. A PUA is the city-level definition first used in the Department for Communities and Local Government's *State of the Cities* report. The definition was created by Newcastle University and updated in 2016 to reflect changes from the 2011 Census.

The PUA provides a consistent measure to compare concentrations of economic activity across the UK. This makes PUAs distinct from city-region or Combined Authority geographies. You can find the full definitions table at [centreforcities.org](http://centreforcities.org).



# 02

## How does self-employment vary across the country?

### There is significant variation in rates of self-employment across the country

Self-employment accounts for 15 per cent of all employment in the UK, but self-employment rates vary significantly across the country.

Interestingly, on average, self-employment is more prominent outside cities. Self-employment accounts for 14 per cent of total employment in cities, but for 16 per cent of all employment in other, less urban areas. In every region, self-employment accounts for a bigger share of all employment outside the major urban areas.

London stands out as an exception and dominates urban self-employment. The combination of the second highest rate of self-employment of all cities – 19 per cent of the capital’s working residents were self-employed in 2016 – and the city’s size means London accounts for 30 per cent of all employment in UK cities and for 39 per cent of all urban self-employment. When London is excluded, self-employment accounts for just 12 per cent of total employment in cities – 20 per cent less than in other, less urban areas.

Among cities too there is significant variation (see Figure 1). In Gloucester, only 6 per cent of those in work are self-employed, and that is similarly true in Hull (7 per cent) and Sunderland (8 per cent). In contrast, self-employment is particularly high in Worthing, where it is over three times higher than in Gloucester (at 20 per cent). Brighton and Southend also have particularly high levels of self-employment – 19 and 17 per cent respectively.

At first glance, there is no clear relationship between self-employment and the economic performance of a place. Despite some of the cities with the highest rates of self-employment being strong economies in the South of England, in Ipswich, Aldershot and Portsmouth, the share of those in work who are self-employed is lower than the national average. Meanwhile, Huddersfield, Blackpool and Bradford – which are weaker economies in terms of productivity – have high rates of self-employment and feature among the top 10 cities.

**Figure 1: Self-employment as a share of total employment by city, 2016 (%)**

	<b>Top 10 cities</b>	<b>Self-employment as a share of total employment (%)</b>
1	Worthing	20.2
2	London	18.5
3	Brighton	18.5
4	Southend	16.6
5	Huddersfield	15.9
6	Blackpool	15.6
7	Bradford	15.3
8	Sheffield	14.4
9	Reading	14.2
10	Crawley	14.2

	<b>Bottom 10 cities</b>	<b>Self-employment as a share of total employment (%)</b>
53	Wigan	10.5
54	Glasgow	10.5
55	Derby	10.0
56	Coventry	10.0
57	Aberdeen	9.4
58	Newport	9.4
59	Telford	9.2
60	Sunderland	8.1
61	Hull	7.4
62	Gloucester	6.0

Source: ONS, Annual Population Survey, 2016

### **Box 3: The demographics of urban self-employment**

In cities, women are less likely to be self-employed than men and only account for 31 per cent of all self-employment in cities. This is true in every city. But their prominence in the self-employed labour market has increased significantly in recent years. Back in 2004, only 21 per cent of all self-employed people were women.

However, self-employment is much more likely to be an extra source of income for women than men. Of all women who are self-employed, one in three has an additional source of income, compared with just one in five men.

There is a clear distinction in the industries worked in by gender, with women across the country accounting for 75 per cent of all self-employment in personal services, 73 per cent in human health and social work activities, 54 per cent in administration and 53 per cent in education. In contrast, they account for only 5 per cent of self-employment in transport, and just 2 per cent in construction.

In terms of age, 66 per cent of self-employed individuals in cities are between 25 and 49, 28 per cent are 50 to 64 and 6 per cent are 16 to 24. Older workers in cities, those aged 50 to 64, are approximately 10 per cent more likely to have self-employment as their only source of income than those aged 25 to 49 and 17 per cent more likely than younger self-employed people (16- to 24-years-old).

## **In all cities, self-employment is dominated by a small number of industries**

While self-employed individuals work in a broad range of roles, most fall within just four industries. Construction, transport and storage, arts and entertainment, and personal services account for 54 per cent of all self-employment in cities (see Figure 2).

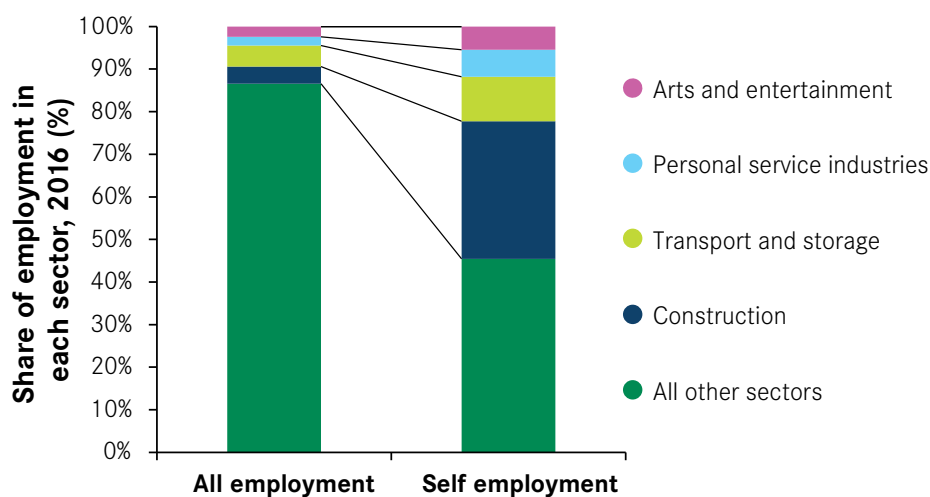
Construction alone accounts for almost a third of all self-employment in cities, compared with just 4 per cent of all city jobs. It is the most popular industry for self-employment in every city, and half of all those who work in the industry are self-employed.<sup>16</sup>

Transport and storage is the second most dominant industry, accounting for 10 per cent of city-based self-employed people. Within this industry, the most prominent categories in terms of self-employment are taxi drivers, other private hire and couriers.

The personal services industry – predominantly hairdressers and beauty professionals – and arts and entertainment are also much more dominant within self-employment than all employment. They account respectively for 6 and 5 per cent of all urban self-employment compared to 2 per cent each of urban employment.

<sup>16</sup> <https://www.theconstructionindex.co.uk/news/view/can-half-the-uk-construction-industry-really-be-self-employed>

**Figure 2: Employment and self-employment industry breakdown in cities, 2015/16**



Source: ONS, Business Register and Employment Survey, 2016 and HMRC self-assessment data, 2015/16.

These stark differences between self-employment and employment hold for all cities. The dominance of the four industries ranges from 40 per cent of all self-employment in Cambridge to 69 per cent in Luton, but is consistently higher than the share of general employment for which they account.

This is an important point for policymakers considering how best to support self-employed people, as it suggests particular focus should be given to these industries. Furthermore, this helps explain why, at first glance, there is no clear relationship between self-employment and economic performance.

### In stronger cities' economies, self-employed people are more likely to work in high-skilled occupations

Where there is a link between economic performance of a local labour market and self-employment is in its 'quality', i.e. in the type of roles self-employed individuals undertake and the role self-employment plays in their life.

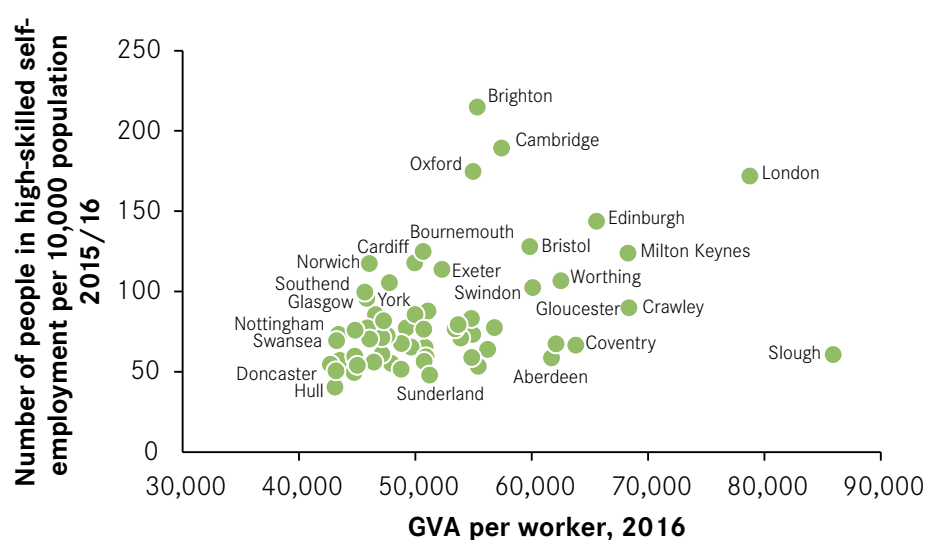
Overall, 78 per cent of urban self-employment is in lower-skilled occupations,<sup>17</sup> such as warehouse operatives, taxi and other private hire drivers, cashiers and lower-skilled construction workers.

However, there appears to be a relationship – albeit weak – between the strength of an economy, measured by productivity, and the skill level of the roles self-employed people undertake (see Figure 3).

<sup>17</sup> High-skilled occupations are all those occupations that NESTA identified as highly creative and high technology sectors in its report 'The Geography of the UK's creative and high-tech economies' and all other industries that do require degree-level qualifications. All the remaining occupations are referred to as lower-skilled occupations.  
[https://media.nesta.org.uk/documents/geography\\_uks\\_creative\\_high-tech\\_economieswv20151.pdf](https://media.nesta.org.uk/documents/geography_uks_creative_high-tech_economieswv20151.pdf)

For example, in Mansfield and Stoke – both ranked at the bottom in terms of productivity – there are respectively 49 and 51 self-employed individuals in high-skilled occupations for every 10,000 people. In contrast, in London and Edinburgh – the second and the fifth most productive cities in the UK – the figures are three times higher or more: with 172 and 144 self-employed individuals in high-skilled occupations such as arts and entertainment, education and healthcare respectively, per 10,000 people.

**Figure 3. The relationship between productivity and the number of self-employed people in high-skilled activities per 10,000 population, 2015/16**



Source: ONS, Annual Population Survey, 2016; ONS, Regional Gross Value Added (Income Approach) NUTS3 Tables; HMRC self-assessment data, 2015/16; ONS: Population estimates – local authority based by single year of age, 2016

Note: the measure on the y-axis was chosen to avoid biases in the data. The share of self-employment in high-skilled roles is influenced both by the number of people that are self-employed in high-skilled occupations and the number of people in lower-skilled occupations. In this way, the figure captures the magnitude of self-employment in high-skilled occupations controlling for the size of a city.

These differences in the nature of self-employment are significant and in line with broader labour market trends. A more productive city tends to have more people with high-skilled qualifications and more high-skilled jobs in general,<sup>18</sup> and this is similarly reflected in the types of self-employment jobs it creates.

As such, these findings carry important implications for policymakers. They suggest that, if cities want to provide more high-skilled self-employment opportunities, they need to focus more broadly on boosting productivity rather than specific objectives related only to self-employment. That means changing the foundations of the economy, for example by boosting the education and training outcomes of residents and the workforce.

18 Swinney P. (2017) 'Why don't we see growth up and down the country?', London: Centre for Cities

#### **Box 4: The relationship between high-skilled self-employment and productivity in Slough**

An interesting exception to the relationship between productivity and self-employment skills is Slough.

It is the most productive city in the UK and yet only 11 per cent of those self-employed are in high-skilled roles, the lowest share of all cities. This is driven by the dominance of self-employment in the transport industry which accounts for a quarter of all self-employed people in Slough and is predominantly made up of taxi drivers, other private hire and couriers. This might be due to Slough's proximity to Heathrow and London.

The resident-based data used to measure self-employment may also be influencing this finding. Slough could be the workplace location of more high-skilled self-employed individuals than the data picks up, because they live outside of Slough.

### **Self-employment is less likely to be an additional source of income in weaker city economies**

Just as the skills profile of self-employment varies according to a city's economic performance, so too does the role played by self-employment in people's working lives.

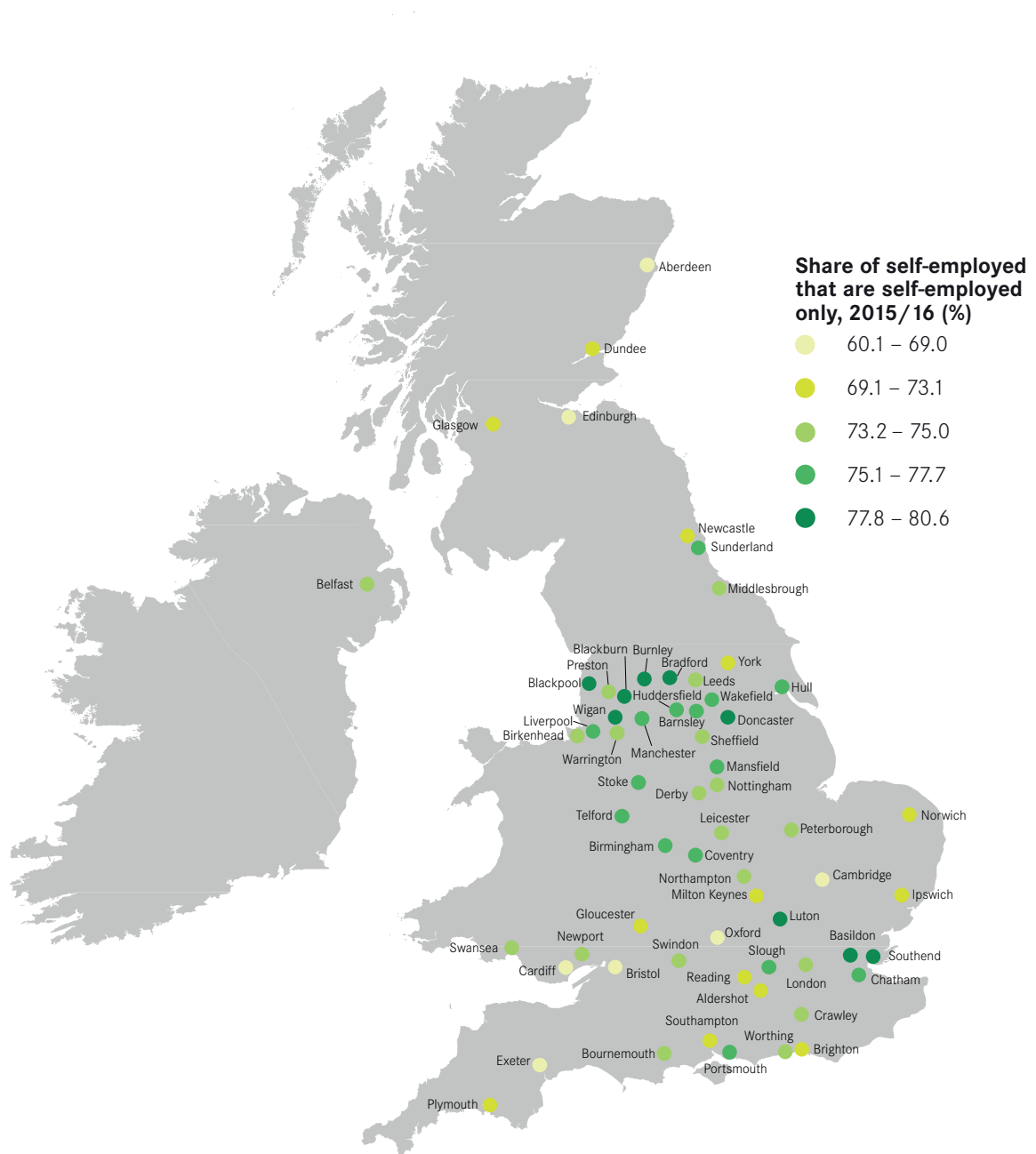
For three-quarters of those self-employed in the UK, self-employment is their only source of income, whether they live in a city or elsewhere.<sup>19</sup>

However, in weaker city economies in the North and Midlands, which tend to have lower productivity, the share of individuals who are self-employed only is even higher (see Figure 4). In Blackburn and Burnley for example, over 80 per cent of self-employed individuals rely solely on self-employment for income, a share 30 per cent higher than in Cambridge and Oxford where the economy is stronger.

In contrast, self-employment as an additional source of income is more frequent in cities in the South of England and Scotland. In Cambridge, four in every 10 self-employed people are also employed in another job, in Edinburgh 33 per cent of all self-employed people are also employed.

<sup>19</sup> This does not mean these self-employed individuals have only one job, but that all their income comes from self-employment only.

**Figure 4: Share of self-employed individuals that are self-employed only, 2015/16 (%)**

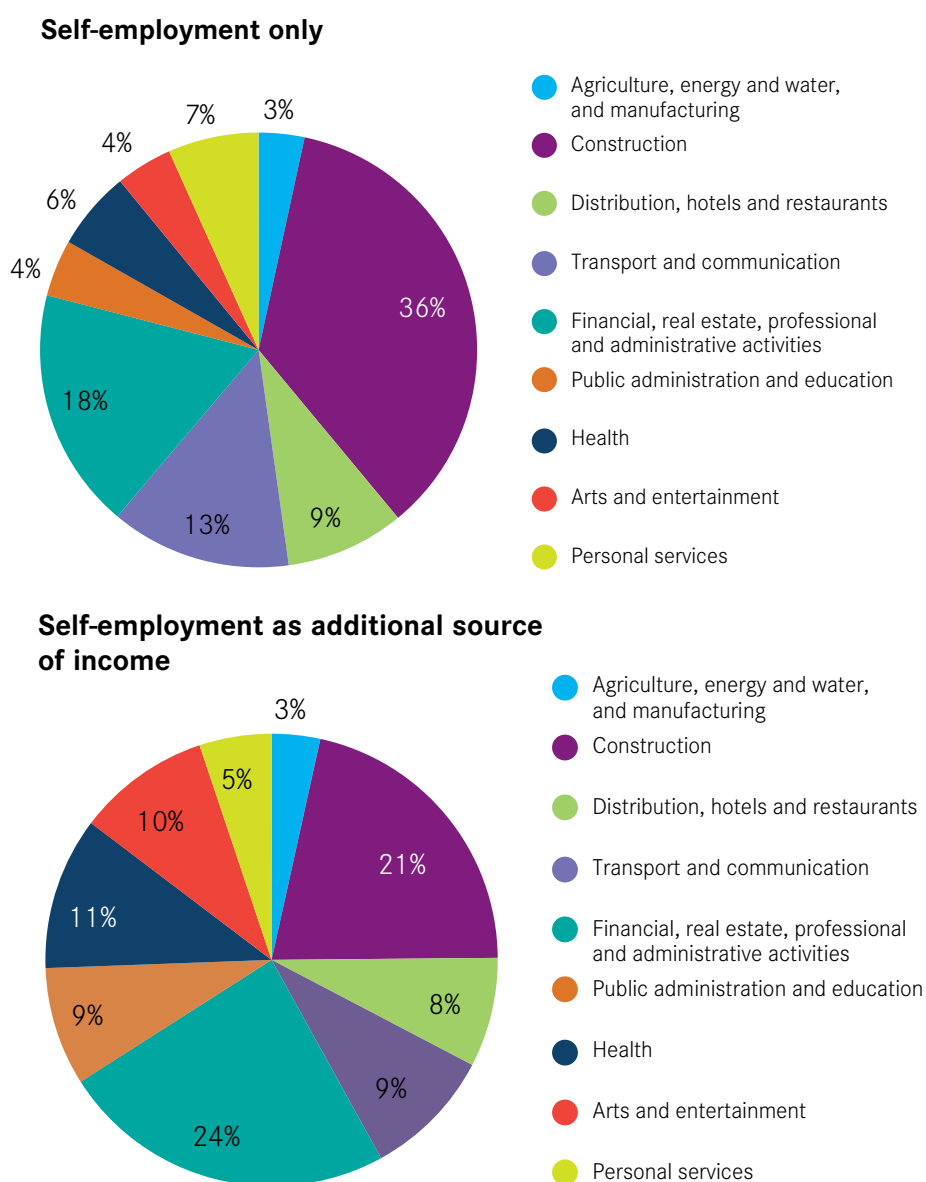


Source: HMRC Self-assessment data, 2015/16

In cities, people for whom self-employment is an extra source of income are almost twice as likely to be in high-skilled roles as those for whom it is the only source (see Figure 5). They are more likely to work in the arts and entertainment industry (10 per cent compared with 4 per cent of those self-employed only), health and education (20 versus 10 per cent) and high-skilled professional jobs (24 versus 18 per cent).

On the other hand, self-employment in lower-skilled occupations, such as construction, personal service industries, transport, retail and accommodation is more common among those for whom self-employment is the only source of income (82 per cent compared with 66 per cent for those who are also employed).

**Figure 5: The type of self-employment and industry breakdown, 2015/16**



Source: HMRC Self-assessment data, 2015/16



Combined, this suggests that, while self-employment has pros and cons, these benefits and costs are not evenly distributed. Those who are self-employed as an additional source of income and work in high-skilled roles are more likely to benefit from the flexibility and autonomy self-employment provides, while being more protected from the insecurity it creates thanks to the pay premium these roles tend to offer.<sup>20</sup> Yet, the data shows that the majority of self-employed people in all cities are instead in lower-skilled, usually lower-paid, occupations and rely solely on self-employment for income. That means they might be more exposed to the insecurity self-employment creates.

This is particularly the case in cities with weaker economies, where the share of self-employed individuals relying solely on self-employment in lower-skilled occupations for their income is even higher. So not only are the costs and benefits of self-employment not evenly distributed across different roles, they are also unevenly distributed across the country. This highlights that the strength of a local economy matters in determining the quality of self-employment opportunities a place offers.

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20 Tomlinson D. & Corlett A. (2017) 'A tough gig? The nature of self-employment in the 21st century', London: Resolution Foundation

# 03

## Is the geography of self-employment changing over time?

### **Self-employment has grown faster in cities than other parts of the country**

Self-employment has been growing continuously since the early 2000s and has grown even faster in the aftermath of the financial crisis. Self-employment grew by 35 per cent since 2004, growth five times higher than that of overall employment. As a result, five million individuals in the UK – around one in seven of those in work – are now self-employed.

Since the financial crisis, growth has been particularly fast in cities, increasing by 44 per cent between 2008 and 2016 compared with 28 per cent elsewhere. As a result, self-employment is now more concentrated in cities than at the start of the period: 52 per cent of self-employed people lived in cities in 2016, compared with 49 per cent in 2008.

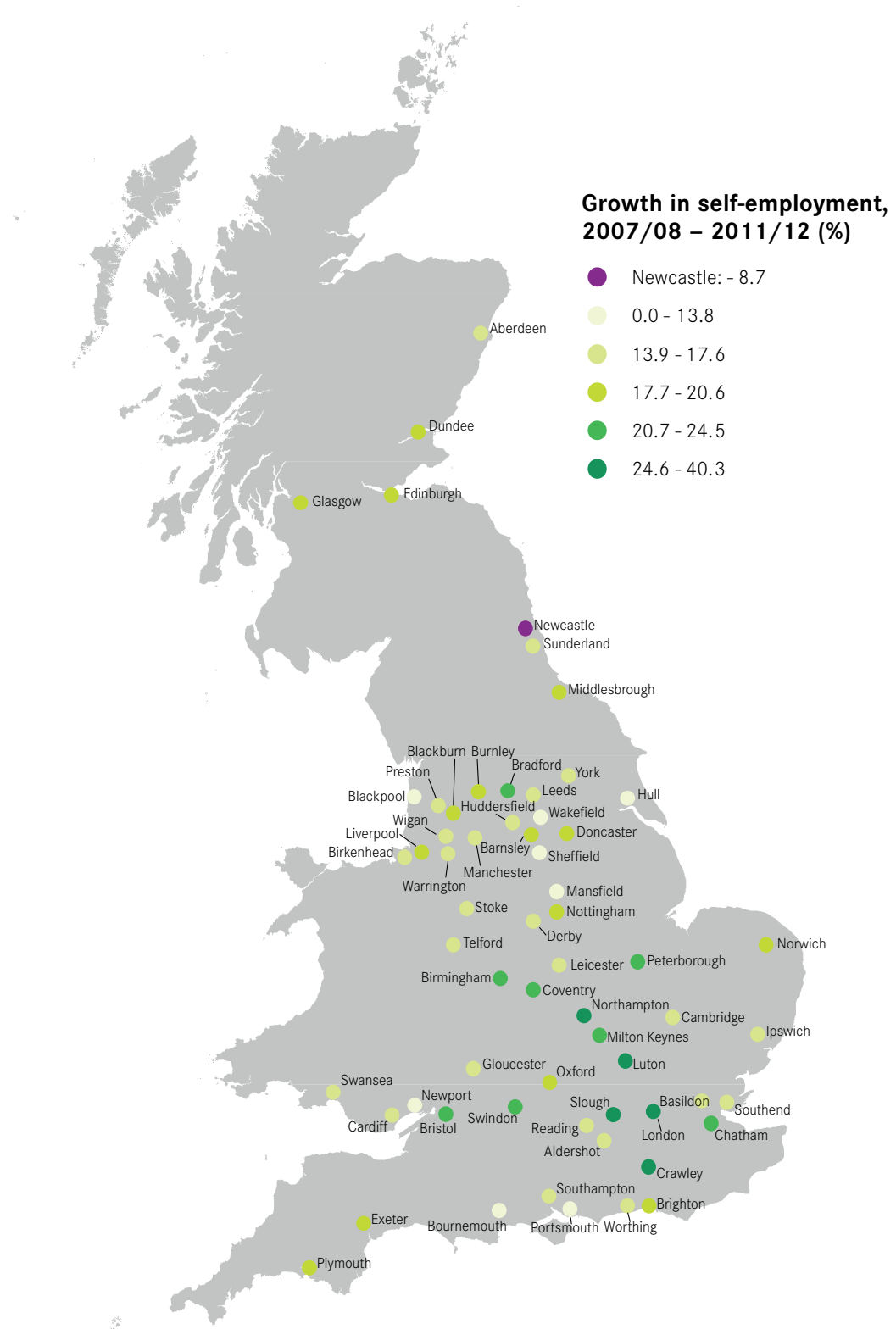
However, the components of this growth have changed over the past 10 years. Breaking down the growth into two periods – one immediately after the financial crisis and a second between 2012 and 2016 – reveals clear differences.

### **Between 2008 and 2012, self-employment grew particularly fast in a handful of southern cities, and was driven by self-employment as the only source of income**

In the years just after the financial crisis, self-employment in cities grew by 20 per cent. However, much of the growth was concentrated in a handful of cities, predominantly within the Greater South East of England (Greater London, the South East and East).

Growth in self-employment was highest in Crawley and Slough – 31 and 40 per cent respectively – and also high in Luton and London, while it was much slower in cities outside these regions, such as Sheffield and Blackpool where self-employment only grew by 10 per cent.

**Figure 6: Growth in self-employment, 2007/08–2011/12**



Source: HMRC Self-assessment data, 2007/08 and 2011/12

This overall growth was led by the increase in self-employment as the only source of income. This increased by 22 per cent in cities between 2008 and 2012, compared to self-employment as additional source of income which grew by only 15 per cent.

### Since 2012, self-employment growth has been more evenly spread across cities, with self-employment as an additional source of income growing particularly fast

Continuing the trend of the previous period, self-employment in cities also grew by 19 per cent between 2012 and 2016, but the nature of this growth was different from that of the previous period in two ways:

1. The growth gap reduced between cities in different parts of the country. Cities in the Greater South East experienced slower growth than in the previous period – 20 per cent against 23 per cent between 2008 and 2012. In other cities, self-employment growth was slightly faster between 2012 and 2016, at 18 per cent compared to 17 per cent in the previous period.
2. Self-employment growth since 2012 was led by self-employment as an additional source of income (see Figure 7). Between 2012 and 2016, self-employment as an additional source of income grew by 26 per cent, significantly faster than the 15 per cent growth rate in the previous period. In contrast, growth in self-employment as the only source of income slowed to 17 per cent.

**Figure 7: Growth in self-employment by type of self-employment**



Source: HMRC self-assessment data, 2007/08, 2011/12 and 2015/16

This was true everywhere in the country, but particularly in cities in the Greater South East where self-employment as additional income grew by 30 per cent between 2012 and 2016, compared with 22 per cent in cities elsewhere.

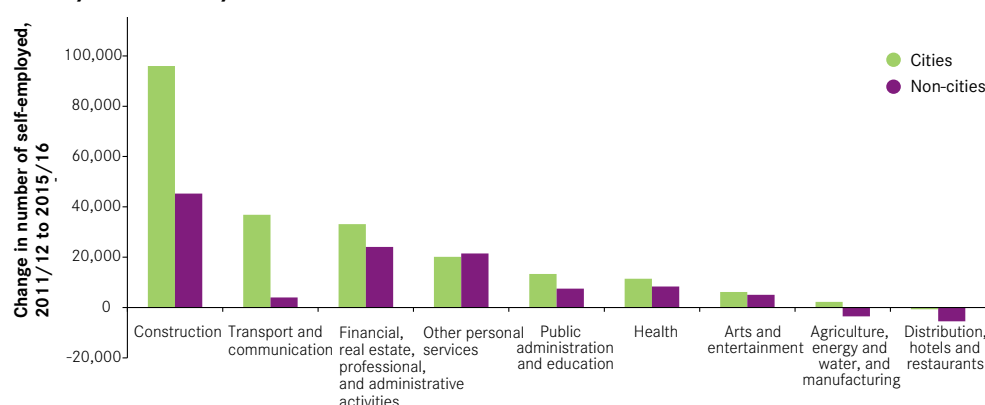
This suggests that self-employment and its nature vary according to the performance of the economy. When the economy is weaker – such as in the period immediately after the financial crisis – self-employment as the only source of income grew at the same time job losses surged, suggesting self-employment increased in response.

On the other hand, as the economy improved, the nature of self-employment changed and self-employment as an additional source of income started growing again. This was particularly evident in cities in the Greater South East, which tend to have stronger economies.

### Recent growth in city-based self-employment has been driven by a handful of industries<sup>21</sup>

Construction contributed to the biggest share of self-employment growth. Between 2012 and 2016, it accounted for nearly 100,000 new self-employed jobs in cities – 44 per cent of all new self-employment in urban areas – and over 40,000 self-employment jobs in other, less urban areas (see Figure 8).

**Figure 8: Growth in self-employment numbers by industry, 2011/12–2015/16**



Source: HMRC self-assessment data, 2011/12 and 2015/16

Financial and other professional services and other personal services, such as hairdressers and beauticians were also among the most popular industries for self-employment growth, underlining for policymakers that self-employment is concentrated in a few sectors.

Transport and logistics also saw a big increase in self-employment numbers, but this was concentrated in cities. Since 2012, this industry created nearly 40,000 new self-employment jobs in cities, in occupations such as taxi drivers, other private hire and couriers.

This was in stark contrast to areas elsewhere in the country. While in cities transport and logistics was the second most popular industry in terms of self-employment growth, it only accounted for 3 per cent of all self-employment growth elsewhere in the country, partly explaining why self-employment has become more urban in recent years.

<sup>21</sup> Self-employment data by industry was not available before 2012

# 04

## What needs to change

Technological changes and globalisation are fundamentally changing the way people work. Over the last decade, self-employment grew much faster than overall employment, particularly in cities, and as a result one in seven people in work in the UK is now self-employed.

Many of the trends in self-employment in recent years have been similar up and down the country. Self-employment is overwhelmingly concentrated in a few industries – construction, transport and storage, arts and entertainment and personal services. Over three-quarters of self-employed people are in lower-skilled occupations, and three in four rely on self-employment as their only source of income, increasing their risk of being in a less secure work situation.

Beyond these national trends, important geographic patterns exist too. The characteristics of a local economy impact the nature of self-employment. In weaker city economies the share of self-employment in lower-skilled occupations is even higher, and so is the share of people who are self-employed only. In contrast, the type of self-employment that offers the opportunity to carry out additional work in higher-skilled roles is much more concentrated in cities in the South of England and in Scotland.

The Government should acknowledge these trends, in particular in relation to skills. Evidence suggests that approximately one in five of today's jobs will no longer exist by 2030,<sup>22</sup> and the skills required to succeed in the labour market are drastically changing, even within specific occupations.<sup>23</sup> Lifelong learning and adult education will be vital to ensure people are able to adapt to these changes, but the concern is that self-employed people are less likely to undertake training than any other group in the workforce.<sup>24</sup>

As such, to better support self-employed individuals to thrive in the labour market of the future, this is what needs to change:

22 Centre for Cities (2018) 'Cities Outlook 2018', London: Centre for Cities

23 Magrini E. & Clayton N. (2018) 'Can cities outsmart the robots?', London: Centre for Cities

24 <https://www.ipse.co.uk/ipse-news/news-listing/why-most-self-employed-people-avoid-training.html>

- 1. To support individuals: allow self-employed people to deduct the costs of any forms of training from income taxes.** Currently, self-employed individuals are allowed to deduct training costs when the training goes towards maintaining or updating the skills necessary for the purpose of their role but not if the training introduces new skills.<sup>25</sup> Yet, given the rapid changes in the labour market, it is important people can acquire the skills they need to adapt to these changes, and shift from one occupation to another if necessary.
- 2. To support industries: government should bring together businesses in industries with high rates of self-employment to invest in and pool resources to fund training.** Financial pressures are one of the main reasons behind the low take-up of training by self-employed individuals.<sup>26</sup> While the first recommendation would partly relieve these pressures, in industries with high rates of self-employment there is scope for businesses to contribute too. In the construction industry, for example, there is already a training body – the Construction Industry Training Board – in which companies actively contribute by paying a levy to improve skills. This model should, firstly, be improved to make it easier for self-employed people to access training and, secondly, be replicated by other industries with high shares of self-employment. That would allow each industry to tailor training to their needs and to those who work in that industry.
- 3. To support places: for struggling cities in particular, the best way to support self-employment is to strengthen the overall economy.** These places should focus on creating more vibrant labour markets where high-skilled individuals and businesses want to locate, by facilitating the creation and exchange of knowledge through improvements in skills and the quality of business environment on offer in their city centres. This would broaden and improve the choices available to individuals, indirectly benefiting self-employed people too.

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25 Chartered Institute of Taxation (2018) 'Taxation of self-funded work-related training: Consultation on the extension of tax relief for training by employees and the self-employed' London: Chartered Institute of Taxation.

26 <https://www.ipse.co.uk/ipse-news/news-listing/why-most-self-employed-people-avoid-training.html>

## Appendix 1: City by city data

City	Share of self-employment in construction, transport, arts and entertainment and personal services (%)	Share of self-employment that is high-skilled (%)	High-skilled self-employment per 10,000 population	Share of self-employment as additional source of income (%)	Self-employment growth 2008-2016 (%)
Aberdeen	50.2	23.2	59	31.1	33.9
Aldershot	48.8	21.2	102	27.0	31.0
Barnsley	60.5	13.2	56	23.2	37.9
Basildon	64.0	13.2	73	21.3	38.6
Belfast	45.1	28.0	0	26.0	N/A
Birkenhead	49.7	23.3	85	24.9	30.3
Birmingham	54.8	17.8	65	22.8	43.9
Blackburn	51.8	15.6	57	19.4	37.6
Blackpool	51.2	18.0	77	20.6	20.7
Bournemouth	49.2	22.5	118	26.2	30.8
Bradford	54.3	15.5	65	20.7	43.8
Brighton	48.9	33.0	215	26.9	36.8
Bristol	51.4	26.3	128	30.9	47.5
Burnley	52.5	14.0	55	19.7	44.3
Cambridge	39.7	41.8	189	39.9	28.2
Cardiff	47.6	33.8	125	31.4	34.3
Chatham	63.6	15.3	83	22.2	46.9
Coventry	55.8	17.1	53	24.3	46.3



<b>City</b>	<b>Share of self-employment in construction, transport, arts and entertainment and personal services (%)</b>	<b>Share of self-employment that is high-skilled (%)</b>	<b>High-skilled self-employment per 10,000 population</b>	<b>Share of self-employment as additional source of income (%)</b>	<b>Self-employment growth 2008-2016 (%)</b>
Crawley	62.5	14.3	66	25.4	67.5
Derby	55.8	17.2	59	25.9	38.8
Doncaster	55.6	14.8	55	21.9	34.6
Dundee	55.8	18.9	56	28.1	39.4
Edinburgh	42.9	35.2	144	32.9	37.0
Exeter	50.3	26.6	114	31.3	36.9
Glasgow	53.5	28.4	96	28.7	36.2
Gloucester	55.4	16.0	64	27.6	40.9
Huddersfield	53.0	18.3	77	23.5	32.7
Hull	61.1	13.5	40	23.8	37.5
Ipswich	58.3	16.9	71	27.1	41.0
Leeds	51.0	22.4	88	26.5	32.6
Leicester	51.5	19.7	68	25.6	40.4
Liverpool	62.4	17.9	61	23.6	45.8
London	55.5	25.3	172	25.0	52.4
Luton	68.7	10.9	59	20.5	65.7
Manchester	53.0	21.3	86	24.5	39.5
Mansfield	57.1	13.0	49	22.6	34.0
Middlesbrough	52.7	16.9	52	25.2	40.5
Milton Keynes	51.3	21.3	90	27.2	43.6

<b>City</b>	<b>Share of self-employment in construction, transport, arts and entertainment and personal services (%)</b>	<b>Share of self-employment that is high-skilled (%)</b>	<b>High-skilled self-employment per 10,000 population</b>	<b>Share of self-employment as additional source of income (%)</b>	<b>Self-employment growth 2008-2016 (%)</b>
Newcastle	51.5	23.1	73	28.3	35.2
Newport	54.9	17.1	58	25.6	32.6
Northampton	62.4	14.5	77	25.3	62.8
Norwich	48.5	23.7	117	27.9	36.9
Nottingham	53.0	19.9	73	26.0	38.8
Oxford	45.8	41.1	175	37.4	31.5
Peterborough	53.2	16.6	71	26.4	52.4
Plymouth	58.9	17.3	70	27.0	38.8
Portsmouth	60.7	16.5	79	24.2	35.1
Preston	50.6	19.7	76	25.7	30.1
Reading	48.8	24.1	107	27.8	28.3
Sheffield	55.0	19.3	76	25.0	27.2
Slough	62.5	10.6	61	23.6	80.1
Southampton	58.6	16.7	77	27.2	34.7
Southend	58.2	17.5	100	21.5	33.1
Stoke	57.5	13.8	51	22.6	35.6
Sunderland	55.7	16.0	48	23.5	29.2
Swansea	50.9	21.2	69	25.4	31.4
Swindon	57.0	16.0	67	25.8	45.8
Telford	52.9	16.3	60	23.9	42.8

<b>City</b>	<b>Share of self-employment in construction, transport, arts and entertainment and personal services (%)</b>	<b>Share of self-employment that is high-skilled (%)</b>	<b>High-skilled self-employment per 10,000 population</b>	<b>Share of self-employment as additional source of income (%)</b>	<b>Self-employment growth 2008-2016 (%)</b>
Wakefield	56.7	14.9	56	23.6	32.5
Warrington	49.4	22.3	82	26.1	35.8
Wigan	58.2	13.7	54	21.2	38.0
Worthing	50.7	23.1	124	25.7	36.7
York	49.6	26.0	105	30.4	29.7
All cities	54.5	22.4	N/A	25.3	43.6
Non-cities	50.3	21.2	N/A	25.2	27.9
National	54.5	21.9	N/A	25.2	35.7

Source: HMRC, self-assessment data, 2015/16



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