

COVID-19 and the Impact on Self-Employment in the UK in October-December 2020

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Introduction

The COVID-19 pandemic and the subsequent cycle of 'lockdowns' and restrictions imposed to curb infection rates have had a significant and negative impact on the self-employed in the UK. Despite the easing of restrictions over the summer of 2020, on September 22nd the government announced a 10pm curfew for hospitality and a return to working from home in England. This was followed by a new tiered system of COVID-19 restrictions starting on the 14th of October 2020, and a three week 'firebreak' national lockdown from the 5th of November.

Meanwhile the devolved administrations in Scotland, Wales and Northern Ireland began to apply differing COVID-19 restrictions to those in England, with 'firebreak' lockdowns during the Autumn and full lockdowns reimposed in late December 2020. The different timings and levels of restriction across the UK have created the possibility of regional and local disparities in the impact of COVID-19 on the workforce.

This report outlines the key changes to self-employment in the UK during the period October to December 2020. We present findings from the UK Labour Force Surveys, including changes between the third and fourth quarter 2020 and between the fourth quarter 2020 and the same quarter in 2019. These data provide a representative picture of the impact of COVID-19 on the self-employed by regions, industrial sectors, gender, age groups and ethnicity.¹

Changes to Self-Employment

In the fourth quarter 2020 self-employment continued to decline, although the decrease on the previous quarter was smaller than in July to September 2020 (Table 1). This meant that in the last quarter 2020 self-employment numbers had dropped by almost 13% compared to the previous year. As the numbers of employees remained relatively stable to the previous year (cf. Table 6), the self-employment rate in the UK decreased from 15.7% in 2019 to 13.8% by the final quarter 2020.

¹Our findings are dependent on the quality of the data, and in some cases, the analysis relies on relatively small sub-samples. We use the most recent releases of LFS data at the time of publication (10/05/2021).

The continued decrease of self-employed workers is driven by exits from self-employment (Table 2). The largest proportion of people exiting self-employment is into paid employment; a pattern that we also observed across the previous two quarters (April-September 2020). Entries into self-employment have slightly increased by the end of 2020 compared to the previous quarters. However, entries have remained below the level in the previous year.

Regions

All regions and countries in the UK saw large decreases in self-employment in October to December 2020 compared to the first quarter 2020 (January to March) and the same quarter in 2019. However, there are some regional variations on the extent of the impact.

The decrease in self-employment was lower in Scotland, the North East of England and Yorkshire & Humberside. Here, the numbers of the self-employed slightly recovered in the last quarter 2020. However, the North East of England and Scotland still have the lowest self-employment rates across the whole of the UK (Table 4).

The largest decreases in self-employment in the fourth quarter 2020 compared with 2019 occurred in the South East of England, Northern Ireland and the East Midlands. The North West of England (which includes the cities of Manchester and Liverpool), the East Midlands and West Midlands saw the highest decreases in self-employment between the third (July to September) and fourth quarter 2020 (Table 3). This is likely to reflect the stringent regional restrictions that these areas were under for the majority of October to December. The decrease in self-employment in Northern Ireland also continues to be high.

London had losses in self-employment above the UK average. However, it has retained the highest regional self-employment rate in the UK which stood at 16.5% in Q4 2020 compared to 19.6% in Q4 2019 (Table 4).

There may be a number of drivers behind these regional disparities, of which devolved nations and local lockdown timings and severity (including the use of 'tiers' in England) may be one. However, regional differences in the occupational and industrial composition of the self-employed are likely to be important contributors.

Industrial Sectors

In Table 6 we can see the worst hit industrial sectors for the self-employed in the fourth quarter 2020 were accommodation & food services, manufacturing and construction. In these sectors both the numbers of employees and the self-employed fell substantially. However, the self-employed, on average, fared much worse.

Only financial & insurance activities and public administration, defence & social security saw an increase in the number of self-employed workers compared to the previous year. On the other hand, several industrial sectors experienced substantial rises in the number of employees compared to the previous year. This applied specifically to professional & scientific services, information & communication and agriculture. These sectors also saw drastic falls in the number of self-employed working.

Further highlighting the negative impact on self-employment, health and transport & storage saw relatively stable numbers of employees while self-employment decreases were substantial in these sectors. It may be that some of the exits from self-employment into paid employment are concentrated in the above sectors, as these sectors shed their 'dependent' self-employed sub-contractors and freelancers before their direct employees (because it is cheaper and easier to do so), and these self-employed were subsequently hired on a paid employment basis.

Gender

Table 5 illustrates that whilst self-employed men continued to decrease at a greater rate than self-employed women, the disparities are now very small. This contrasts with the previous quarters in 2020 where men saw dramatically higher drops in self-employment overall when compared to women. Hence, the greater resilience of female self-employment compared to male self-employment early on in the pandemic did not last to the end of 2020.

Table 6 provides some further insights here. Real estate saw a 17.5% increase in self-employed men but a 24.9% decrease in self-employed women. Self-employed women also fared much worse in other services, with a 18.7% decrease, whilst self-employed men dropped only 1.7%, indicating that other services provided by self-employed women (generally personal services) were more vulnerable to restrictions in this quarter. In the first lockdown (April to June 2020) self-employment in other services increased for women by 1.74%² and reduced for men by 8.18% on the same quarter in the previous year. This indicates that contraction in this industry came later for women than for men, and may be a product of long term pressure and loss of business on this industry throughout the pandemic, which may have forced women (with limited alternative employment options early in the pandemic) to finally exit self-employment.

Impact by Age, Qualification and Ethnic groups

Disparities exist across age groups, qualification level and ethnicity (Table 5). Specifically, decreases in self-employment were substantially higher in the youngest age groups (16-29 years old and 30-44 years old), among those with no degree and those from Asian or Black ethnic backgrounds. These socio-demographic differences in the impact of COVID-19 on self-employment were also observed earlier in the pandemic and may indicate a more substantial change in the social characteristics of self-employment in the UK. It is worth noting that the particularly negative experience of the youngest age group of the self-employed mirrors their much worse experience in the employed labour market (Maya, 2020). Lockdown has severely impacted leisure and hospitality sectors (Table 6) and these sectors typically provide a lot of employment for younger workers (Brewer et al., 2020).

²Please see our [earlier reports](#) for further information on Q1, 2 & 3 2020. Please note, figures from January to June 2020 may differ due to post-publication changes to the LFS data weights applied by the ONS to Q1 & 2 2020.

Table 1. Numbers of self-employed and percentage change on previous quarter and previous year, 16 years and older, January-March 2019 to October-December 2020

Quarters	Self-employed (Thousands)	% Change on previous quarter	% Change on same quarter in previous year
Jan-Mar 2019	4,919	1.55	3.70
Apr-Jun 2019	4,968	0.99	3.95
Jul-Sep 2019	4,950	-0.36	4.17
Oct-Dec 2019	5,025	1.51	3.73
Jan-Mar 2020	4,970	-1.08	1.04
Apr-Jun 2020	4,696	-5.52	-5.48
Jul-Sep 2020	4,509	-3.97	-8.90
Oct-Dec 2020	4,375	-2.99	-12.94

Source: ONS Table EMP14 and authors own calculations: All self-employed persons (not seasonally adjusted).

Table 2. Flows out of and into self-employment from April-September and July-December, 2020 and 2019, workers 16 years and older

	Apr-Sep (Q2 to Q3)		Jul-Dec (Q3 to Q4)	
	2020	2019	2020	2019
Flows out of self-employment into (% self-employed in Q1):				
Inactivity/unemployment	4.32	3.46	4.00	2.99
Paid employment	6.27	2.92	5.92	3.67
Unpaid family worker	0.43	0.30	0.39	0.12
<i>Total exits (% self-employed in Q1/Q3 who exited self-employment)</i>	<i>11.02</i>	<i>6.68</i>	<i>10.31</i>	<i>6.78</i>
Flow into self-employment from (% self-employed in Q2/Q4):				
Inactivity/unemployment	3.10	3.04	3.66	3.68
Paid employment	2.88	3.92	4.11	4.87
Unpaid family worker	0.13	0.17	0.17	0.31
<i>Total entries (% self-employed in Q2/Q4 who entered self-employment in Q2/Q4)</i>	<i>6.14</i>	<i>7.13</i>	<i>7.94</i>	<i>8.86</i>

Source: LFS Two-Quarter Longitudinal Dataset July-December, 2019-2020; weighted data.

Table 3. UK self-employment by regions in absolute numbers (in thousands, rounded) and percentage change, all self-employed 16 years and older

	Oct- Dec 2020	Oct- Dec 2019	% Change Q4 to Q1 2020	% Change Q4 to Q3 2020	% Change Q4 2020 to Q4 2019
North East	137	145	-7.49	0.98	-5.62
North West	410	450	-11.42	-5.89	-8.80
Yorkshire and Humberside	343	358	-2.78	2.19	-4.02
East Midlands	277	338	-15.29	-7.93	-17.89
West Midlands	327	380	-13.03	-5.61	-14.02
East of England	422	489	-13.67	-4.79	-13.63
London	760	902	-16.22	-4.39	-15.74
South East	641	791	-14.82	2.13	-18.96
South West	413	475	-11.12	-4.36	-12.96
Wales	172	193	-5.81	-4.51	-10.97
Scotland	303	315	-2.17	0.77	-3.81
Northern Ireland	111	134	-18.00	-6.69	-16.77
United Kingdom (Total)	4316	4970	-12.05	-3.05	-13.11*

*Note: Quarterly Labour Force Surveys, weighted data. Excluding full-time students. Unpaid family members are not counted as self-employed. *This figure differs from Tables 1 and 6 where full-time students could not be excluded.*

Table 4. Self-employment rates in regions

	October-December (Q4)		All Quarters
	2020	2019	2019
North East	11.80	12.51	12.97
North West	12.44	13.24	14.31
Yorkshire and Humberside	13.67	14.44	13.81
East Midlands	12.47	14.67	14.39
West Midlands	12.16	13.87	14.38
East of England	14.14	16.14	16.04
London	16.49	19.64	18.86
South East	14.31	17.49	17.18
South West	15.67	17.59	17.91
Wales	12.21	13.54	14.98
Scotland	12.14	12.46	12.75
Northern Ireland	13.86	16.11	16.03
UK TOTAL	13.79	15.67	15.72

Note: Quarterly Labour Force Surveys, weighted data. Excluding full-time students. Unpaid family members are not counted as self-employed.

Table 5. Percentage change in number of self-employed Q4 2020 to previous year, by social groups

	% Change Q4 2020 to Q4 2019	% Change Q3 2020 to Q3 2019	% Change Q2 2020 to Q2 2019*
Males	-13.53	-3.09	-8.97
Females	-12.29	-12.07	0.11
Age groups			
16-29 years	-22.63	-15.83	-13.21
30-44 years	-18.53	-12.59	-4.35
45-54 years	-11.86	-8.67	-4.75
55+ years	-5.63	-4.1	-6.28
Graduates (with degree)	-5.66	1.64	4.10
Non-Graduates (without a degree)	-16.75	-13.88	-10.51
Ethnic groups			
White	-11.81	-8.74	-6.06
Asian	-24.14	-10.83	-2.91
Black/African/Caribbean/Black British	-27.45	-26.56	-17.70

*Note: Quarterly Labour Force Surveys, weighted data. Excluding full-time students. Unpaid family members are not counted as self-employed. *These figures have been updated to include new weights applied by the ONS in Autumn 2020 to Q1 & 2 2020 and may therefore differ from our previous reports.*

Table 6. Percentage change in number of self-employed and employees by industry October-December 2020 to previous year, workers 16 years and older, total and by gender

	Self-employed			Employees			All workers		
	All	Men	Women	All	Men	Women	All	Men	Women
Agriculture, forestry, fishing, mining, energy & water	-8.86	-10.38	-0.95	8.60	12.53	-2.26	4.50	6.58	-2.05
Manufacturing	-15.20	-17.26	-7.93	-11.40	-13.47	-5.31	-11.70	-13.77	-5.49
Construction	-12.97	-12.53	-23.43	-3.51	-5.06	3.75	-7.30	-8.33	0.18
Wholesale, retail & repair of motor vehicles	-15.53	-22.68	-0.54	-6.00	-4.18	-7.92	-6.93	-6.49	-7.43
Transport & storage	-20.11	-19.04	-33.57	1.27	0.14	5.37	-2.90	-4.14	2.42
Accommodation and food services	-26.92	-24.32	-29.35	-14.21	-15.93	-12.83	-15.40	-16.77	-14.28
Information & communication	-12.79	-10.31	-20.31	8.67	6.40	13.83	5.09	3.41	9.08
Financial & insurance activities	0.19	-1.23	4.84	19.38	20.21	18.34	17.80	17.85	17.74
Real estate activities	-1.31	17.47	-24.89	15.34	21.88	10.78	12.06	20.78	5.22
Professional, scientific & technical activities	-2.74	-4.08	-0.58	12.71	16.38	8.37	8.99	10.94	6.51
Administrative & support services	-22.44	-23.21	-21.46	-4.03	-3.92	-4.16	-8.64	-8.91	-8.32
Public admin, defense & social security	10.49	2.29	22.54	15.49	15.95	15.07	15.36	15.53	15.21
Education	-10.16	-19.53	-3.20	3.79	-0.24	5.29	2.60	-2.69	4.71
Human health & social work activities	-22.45	-39.90	-15.72	-0.80	8.64	-3.46	-2.64	3.54	-4.43
Other services	-11.43	-1.67	-18.72	-4.15	-11.23	2.56	-6.67	-8.20	-5.33
Total	-12.94	-13.15	-12.53	0.60	0.26	0.95	-1.47	-2.31	-0.54

Source: ONS Table EMP14: All self-employed and employed by industry sector: People (not seasonally adjusted), own calculations.

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