

Self-employment in the UK in September 2020

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This report presents newest findings on self-employment based on the Labour Force Survey (LFS) and the Understanding Society COVID-19 Study. The focus of this data presentation is on regional variations and differences by social groups and industry. We compare Quarterly LFS data from July-September 2020 (3rd quarter 2020) against the same quarter in 2019 and the 1st quarter 2020 (before the outbreak of the coronavirus pandemic). The Two-Quarter Longitudinal LFS is used to investigate flows into and out of self-employment between the 2nd and 3rd quarters 2020. The Understanding Society COVID-19 Study provides additional insights into earnings losses and reductions in hours worked of the self-employed since the beginning of the 1st national lockdown to September 2020.

The **reduction in self-employment** continued in the 3rd quarter 2020. The number of the self-employed shrunk by ca. 9% in July-September 2020 to the previous year. The drop is due to a much higher level of people leaving into paid employment and unemployment/inactivity than in 2019. At the same time, fewer people enter self-employment from the paid employment sector. Overall, the exits account more for the reduction in self-employment than the lower entry rates.

There is no region/nation that has not been affected by a decrease in its number of self-employed individuals compared to the 3rd quarter 2019. However, there are **significant differences between regions/nations in the extent and timing** of the reduction in self-employment.

- London's big drop in self-employment in the 2nd quarter 2020, as reported previously, has stabilised. The change in the level of self-employment to the previous year is now lower than the national average. London still has the highest regional self-employment rate.
- The **South East, Northern Ireland, East Midlands and West Midlands** instead had **substantial decreased in self-employment** later during the crisis, in the 3rd quarter 2020. These regions/nations have experienced reductions in self-employment in 2020 to 2019 well above the national average.
- Wales had the biggest drop in self-employment compared to the previous year. However, the decrease during the COVID-19 pandemic was small meaning that almost all of the reduction in self-employment compared to the previous year happened before the coronavirus outbreak.
- The East of England has seen a moderate decrease in self-employment compared to 2019. However, self-employment has decreased here more strongly in the 3rd quarter than in the 2nd quarter which may indicate that the increase in self-employment is here delayed.
- Scotland has experienced a moderate decrease during the crisis but has still a substantial lower level of self-employment now than a year ago. Its self-employment rate remains one of the lowest in the UK.

- The **North East** and **North West of England** had continued decreases in self-employment the longer the crisis lasts with now **substantial drops in self-employment** compared to 2019 by almost 10%. The regional **self-employment rate is lowest in the North East of England**, now slightly lower than in Scotland.

The decrease in self-employment by social groups is particularly pronounced among **men, young people, those without a degree and ethnic minority groups**. The absolute number of the self-employed with a degree, however, has slightly risen to the previous year. This is likely to reflect the limited options in paid employment during this crisis. Because male self-employment has decreased more than female self-employment, the **gender gap in self-employment has become slightly smaller**. In 2019 on average, 33.28% of the self-employed were women. This proportion was 34.88% in the 3rd quarter 2020.

Female self-employment, however, has been harder hit by this crisis than male self-employment in terms of earnings losses and reductions in hours paid. **Large proportions** of both male and female self-employed **experienced reductions in hours worked and net (pre-tax) earnings**. Since June 2020, however, when lockdown regulations were relaxed, **women experienced a significantly greater negative impact** on their hours worked than men. The proportion of those who experienced gains in hours worked and earnings compared to their pre-COVID level, has also grown faster among male self-employed than female self-employed.

Self-employment contracted to the previous year in almost all sectors with the exception of **financial and insurance services** where both female and male self-employment had **substantial increases** in absolute numbers. Furthermore, **female self-employment grew substantially in education** compared to 2019. Self-employment numbers also grew slightly both for men and women in other (personal) services. This is despite the entertainment sector being particularly hit by lockdown restrictions.

Largest decreases in self-employment numbers were recorded in **accommodation and food services, real estate services, transport and storage and manufacturing**. The decrease in real estate contrasts with gains in this sector in paid employment and may suggest that the self-employed work in different segments/positions. In transport and storage, too, the self-employed were more negatively affected than workers in the same sector in paid employment. Although the information and communication sector grew in total employment, female self-employment contracted in this sector too.

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

Quarters	Self-employed (Thousands)	% Change on previous quarter	% Change on same quarter in previous year
Jan-Mar 2019	4,919	1.55	3.69
Apr-Jun 2019	4,968	1.00	3.95
Jul-Sep 2019	4,950	-0.36	4.17
Oct-Dec 2019	5,025	1.52	3.74
Jan-Mar 2020	4,970	-1.09	1.04
Apr-Jun 2020	4,696	-5.51	-5.48
Jul-Sep 2020	4,509	-3.98	-8.91

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

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

	2020	2019
Flows out of self-employment into (% self-employed in Q1):		
Inactivity/unemployment	4.32	3.46
Paid employment	6.27	2.92
Unpaid family worker	0.43	0.30
<i>Total exits (% self-employed in Q1 who exited self-employment)</i>	<i>11.02</i>	<i>6.68</i>
Flow into self-employment from (% self-employed in Q2):		
Inactivity/unemployment	3.10	3.04
Paid employment	2.88	3.92
Unpaid family worker	0.13	0.17
<i>Total entries (% self-employed in Q2 who entered self-employment in Q2)</i>	<i>6.14</i>	<i>7.13</i>

Source: LFS Two-Quarter Longitudinal Dataset January-June, 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

	Jul-Sep 2020	Jul-Sep 2019	% Change Q3 to Q1 2020	% Change Q2 to Q1 2020	% Change Q3 2020 to Q3 2019
North East	135	150	-8.4	-10.2	-9.6
North West	436	482	-5.9	-6.1	-9.6
Yorkshire and Humberside	336	354	-4.9	-7.7	-5.2
East Midlands	301	341	-8.0	-3.2	-11.7
West Midlands	346	397	-7.9	1.8	-12.7
East of England	444	451	-9.3	-4.4	-1.7
London	795	836	-12.4	-12.5	-4.9
South East	628	737	-16.6	-7.2	-14.9
South West	432	483	-7.1	-3.8	-10.5
Wales	180	214	-1.4	0.2	-15.8
Scotland	301	318	-2.9	1.8	-5.4
Northern Ireland	119	137	-12.1	-2.5	-13.3
United Kingdom (Total)	4,453	4,901	-9.3	-5.7	-9.1

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

The ONS has revised weights for quarters 1 and 2 2020 with the new release of the quarter 3 2020 data. Therefore, published figures in previous reports for quarters 1 and 2 2020 are different to those presented in this table.

Table 4. Self-employment rates in regions

	All Quarters 2019	Third Quarters 2020	2019
North East	12.97	11.78	12.80
North West	14.31	13.03	14.29
Yorkshire and Humberside	13.81	13.37	14.21
East Midlands	14.39	13.44	14.92
West Midlands	14.38	12.86	14.46
East of England	16.04	14.86	15.03
London	18.86	17.22	18.57
South East	17.18	14.12	16.44
South West	17.91	16.52	17.80
Wales	14.98	12.88	15.06
Scotland	12.75	12.07	12.60
Northern Ireland	16.03	14.66	16.44
UK TOTAL	15.72	14.22	15.53

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

Table 5a. Percentage change in number of self-employed Q3 2020 to previous year, by social groups

	% Change Q3 2020 to Q3 2019
Females	-3.09
Males	-12.07
Age groups	
16-29 years	-15.83
30-44 years	-12.59
45-54 years	-8.67
55+ years	-4.1
Graduates (with degree)	1.64
Non-Graduates (without a degree)	-13.88
Ethnic groups	
White	-8.74
Asian	-10.83
Black/African/Caribbean/Black British	-26.56

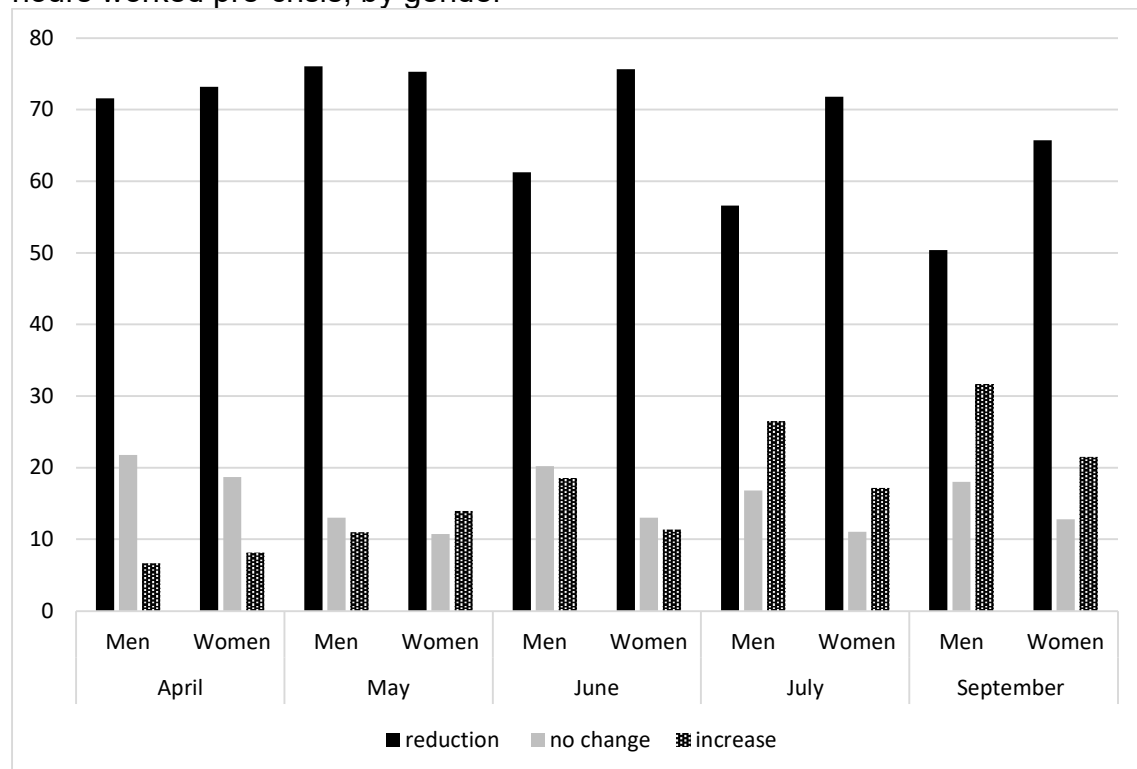
Note: Quarterly Labour Force Surveys, weighted data. Excluding full-time students. Unpaid family members are not counted as self-employed.

Table 5b. Self-employment rates 2020 and 2019 by social groups

	All Quarters 2019	Third Quarters	
		2020	2019
Females	11.15	10.48	10.86
Males	19.75	17.59	19.64
Age groups			
16-29 years	7.52	6.46	7.31
30-44 years	14.30	12.11	14.09
45-54 years	17.51	16.55	17.67
55+ years	24.10	22.42	23.68
Graduates	14.23	13.06	13.87
Non-graduates	16.55	14.90	16.36
Ethnic groups			
White	15.60	14.18	15.51
Asian	18.06	15.17	16.53
Black/African/ Caribbean/Black British	11.71	10.79	13.09

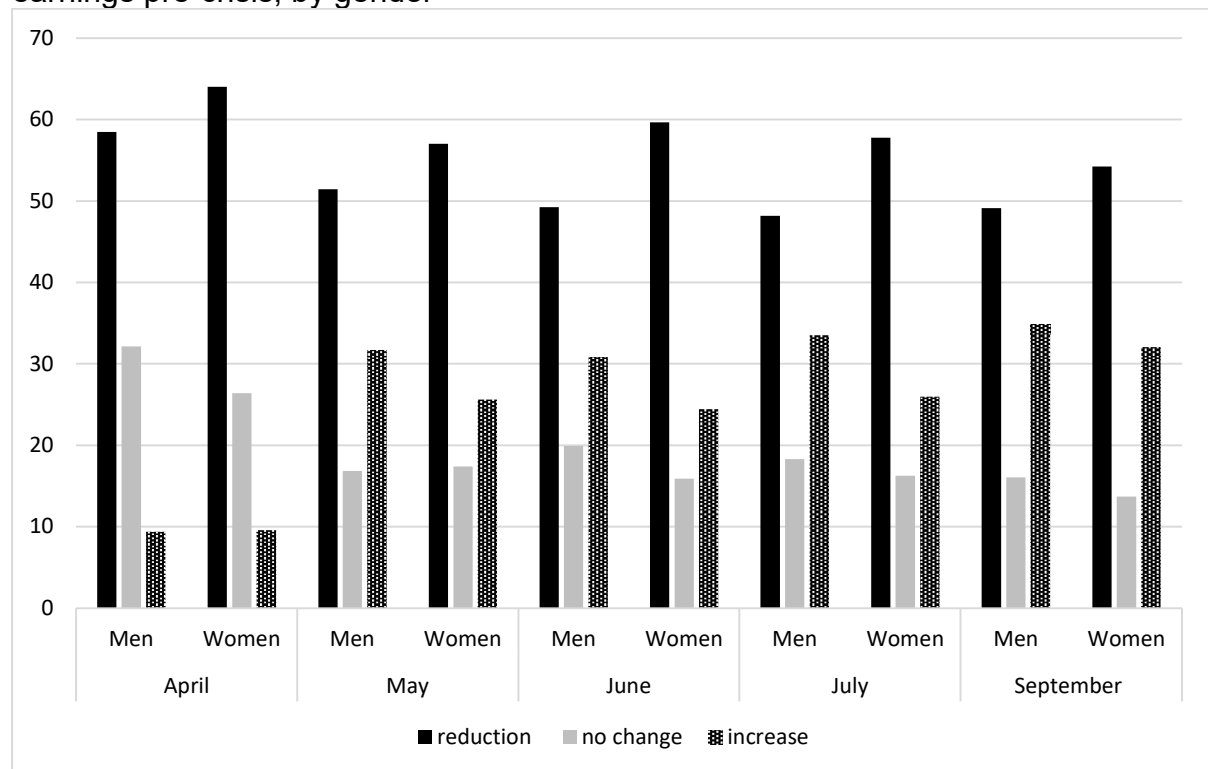
Note: Quarterly Labour Force Surveys, weighted data. Excluding full-time students. Unpaid family members are not counted as self-employed.

Figure 1. Change in hours worked of the self-employed April-September 2020 to hours worked pre-crisis, by gender



Source: Understanding Society COVID-19 Study, weighted data. People who were self-employed in their main or secondary job in January/February 2020 and were still self-employed either in their main or secondary job in the respective months.

Figure 2. Change in net earnings of the self-employed April-September 2020 to net earnings pre-crisis, by gender



Source: Understanding Society COVID-19 Study, weighted data. People who were self-employed in their main or secondary job in January/February 2020 and were still self-employed either in their main or secondary job in the respective months.

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

	Self-employed			Employees			All workers		
	Women	Men	All	Women	Men	All	Women	Men	All
Agriculture, forestry, fishing, mining, energy & water	5.09	-16.05	-12.33	11.94	-3.88	0.09	10.67	-7.07	-2.95
Manufacturing	-9.18	-22.25	-18.97	-9.16	-6.01	-6.84	-9.16	-7.36	-7.83
Construction	-35.84	-10.83	-11.92	0.66	-5.85	-4.70	-4.38	-8.00	-7.55
Wholesale, retail & repair of motor vehicles	3.58	-24.08	-15.67	-3.35	1.06	-1.08	-2.91	-2.18	-2.52
Transport & storage	-28.17	-17.84	-18.56	15.36	-0.54	2.75	11.85	-4.56	-1.63
Accommodation and food services	-36.56	-39.01	-37.79	-8.41	-15.89	-11.84	-10.90	-18.27	-14.31
Information & communication	-4.92	-0.56	-1.53	7.53	16.31	13.62	5.91	13.15	11.04
Financial & insurance activities	13.96	18.05	17.02	4.79	4.47	4.62	5.14	5.66	5.44
Real estate activities	-23.99	-29.32	-27.03	5.40	9.13	7.07	0.23	-0.81	-0.27
Professional, scientific & technical activities	0.17	-9.66	-6.28	6.22	12.54	9.65	4.99	6.09	5.62
Administrative & support services	-16.70	-7.27	-11.52	2.73	0.36	1.48	-1.74	-1.53	-1.63
Public admin & defense; social security	-6.53	-11.14	-9.24	8.30	6.39	7.40	7.98	5.81	6.95
Education	19.91	-1.45	10.99	2.68	-3.57	0.94	3.73	-3.34	1.69
Human health & social work activities	0.78	-9.47	-1.96	0.00	13.75	2.92	0.06	11.48	2.54
Other services	1.86	1.42	1.67	-2.43	-7.07	-4.69	-0.94	-4.55	-2.63
Total	-3.23	-11.69	-8.90	0.83	0.61	0.72	0.40	-1.76	-0.74

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

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