The UK social security system for self-employed people

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April 2005

ISSN Nr. 1011-9523

Research Area:
Employment, Social Science and Welfare State

Research Unit:
Labour Market Policy and Employment
http://www.wz-berlin.de/ars/ab/

Order number: SP I 2005-104

Wissenschaftszentrum Berlin für Sozialforschung (WZB) •
Reichpietschufer 50 • D-10785 Berlin • www.wz-berlin.de

Preface

In most European countries, self-employment (outside of agriculture) has been increasing since the 1980s. This has been accompanied in most countries by a growing number of ‘new self-employed’, many of whom have come directly from unemployment and set up small companies in the service sector with only a small amount of capital. It is also associated with a stronger labour market dynamic, so that more frequent transitions into and out of self-employment are becoming an element in the employment histories of a growing share of each national population. This has created new challenges for labour market and social policy. It raises the question of whether and to what extent the social insurance system for the self-employed in the individual countries is working and is capable of dealing with the new situation.

This question about the provision of social protection for the self-employment is the starting-point for a project entitled ‘The new self-employed in European perspective: the structure, dynamic, promotion and social protection of the new self-employment’, which is being supported by the Hans-Böckler-Stiftung. The project has been running at the Wissenschaftszentrum Berlin since May 2004. It is being directed by Günther Schmid and Karin Schulze Buschoff and will run for two years. Germany, Great Britain, the Netherlands, Italy and Sweden comprise the group of countries selected in order to investigate self-employment in the context of different welfare state regimes. In addition to quantitative/statistical analyses of the structure and dynamic of self-employment in these countries, a methodology based on expert interviews and country studies will also be adopted as a means of fully capturing social protection. In particular, this method should provide information on national institutional arrangements and problem situations that cannot be captured by means of representative surveys. The following paper by Rebecca Boden is one of the five country studies that describe in detail the national social insurance systems for the self-employed and compare them with the systems for dependent employees. It is also planned to use the country studies as a basis for a comparative five-country study (Social Security in Europe in Comparative Perspective).

Karin Schulze Buschoff

Abstract

The UK system for social insurance has evolved over the past sixty years in response to both changes in government policy and changing social circumstances. The current system has moved away somewhat from the old Welfare State principles. The current social insurance system in the UK is targeted at supporting people in work to make 'work pay', is largely non-universal, emphasises personal provision (especially in areas such as old age pensions) and is means-tested.

Self-employed people form a significant part of the UK labour force, perhaps largely as a result of government policy that has encouraged such a restructuring of the labour market. Self-employed people in the UK are an extremely heterogeneous group and also exhibit important differences in characteristics compared with employees. Self-employed people are more likely to be less well off financially and to be older than employees.

For the most part, these self-employed workers receive very similar or identical state provisions to their employee counterparts. One major operational difficulty encountered with self-employed people is how to measure their income properly in order to subject them to means-testing. Moreover, the differences in the nature of their work and their different demographic characteristics compared to employees may mean that the social insurance outcomes for self-employed workers may be very different. It may be that social insurance for self-employed people needs to be designed with *outcomes* in mind rather than *inputs.*

Zusammenfassung

Das britische System der Sozialversicherung hat sich in den vergangenen sechzig Jahren sowohl in Reaktion auf Änderungen in der Regierungspolitik als auch auf den sozialen Wandel entwickelt. Das gegenwärtige System hat sich dadurch von den ursprünglichen Wohlfahrtsstaatsprinzipen entfernt. Es zielt darauf ab, nach dem Prinzip, dass sich „Arbeit lohnen“ soll („make work pay“) Menschen in Beschäftigung zu bringen, es ist in hohem Maße nichtuniversalistisch, es betont persönlich geleistete Beiträge (besonders in Bereichen wie der Altersvorsorge) und es basiert auf Bedürftigkeitsprüfungen.

Selbstständige stellen einen bedeutenden Teil der Erwerbstätigen im Vereinigten Königreich dar. Dies ist möglicherweise auch Folge einer Beschäftigungspolitik, welche die Restrukturierung des Arbeitsmarktes in dieser Weise gefördert hat. Selbstständige sind eine sehr heterogene Gruppe und sie weisen im Vergleich zu den abhängig Beschäftigten deutliche Unterschiede auf. So sind Selbstständige finanziell eher schlechter gestellt und älter als abhängig Beschäftigte.

Prinzipiell haben Selbstständige sehr ähnliche oder fast gleiche Ansprüche auf soziale Leistungen wie abhängig Beschäftigte. Eine Hauptschwierigkeit besteht in der

richtigen Berechnung des Einkommens von Selbstständigen, etwa, wenn es darum geht, ihre Bedürftigkeit festzustellen. Außerdem machen die Unterschiede, die in der Natur der selbstständigen Arbeit begründet sind und die im Vergleich zu abhängig Beschäftigten ungleichen demographischen Merkmale Selbstständiger es wahrscheinlich, dass sich die Ansprüche aus der Sozialversicherung deutlich unterscheiden. Die Konzipierung der Sozialversicherung für Selbstständige sollte daher vorrangig an den Leistungen und weniger an den inputs orientiert sein

Contents

1 The UK social security system in historical perspective

Self–employed people in the UK receive very similar and often identical forms of social insurance compared to employees. The UK system of social insurance – or 'social security' as it is usually called – has developed over a substantial period of time and any understanding of the present system is best predicated on its historical antecedents. In particular, the present scheme represents both contemporary political initiatives and the adaptation of the pre-existing scheme to changing social circumstances and needs. This is particularly the case with the treatment of self-employed people.

Immediately following the end of the Second World War the UK began to build a social security system, commonly referred to as the 'Welfare State'. The founding principles for this were set out in the Beveridge report in 1942 (Cmnd 6404). The scheme engendered by Beveridge was predicated on socio-economic characteristics that were near-ubiquitous at the time: heterosexual nuclear families in which the male was in lifetime employment and the woman did not work. For instance, for many years married women could elect not to make social insurance contributions towards an old age pension because their husbands would provide for them. The Beveridge model sought to provide a safety net for those who temporarily dropped out of this social norm and facilitate their re-entry to it: '[t]hat is, citizens were to be offered a ladder of work-based opportunity underpinned with a benefits safety net' (Boden 2005, page 108).

The UK is fairly unusual within the European Union (EU) in that it provides basic insurance-based and contingency entitlements for all self-employed people within the same national insurance scheme as for employees. Prior to Beveridge, it was probably assumed that the self-employed were either wealthy and/or able to make their own provisions with regard to social risks (Forde, 1979). Beveridge saw that this view of the self-employed as a homogeneous *petit bourgeoisie* was possibly false and that many of them were not wealthy individuals. It was recognised that some people move between employment and self-employment throughout their lives, or combine both forms of working simultaneously. Beveridge therefore envisaged a scheme where all workers, employed or self-employed, would participate in the same scheme, but on different terms.

The Welfare State was funded by a combination of national insurance contributions (NICS) paid by those in employment or self-employment, and from tax revenues. NICS are not invested, with the proceeds of such investment being applied for social benefit. Rather the social insurance scheme is 'continuously funded' – contributions coming in are immediately paid out as benefits. This has created an inter-generational reliance as people working now are, say, paying the old age pensions of those retired. Long term demographic shifts create risk in such circumstances. For instance, in the UK the ageing population profile means that there are falling numbers of workers to support a greater number of older people. The National Insurance Fund is now frequently in deficit and has to be topped up from general tax revenues. The continuous-funding system all leads many people to see NICS as an additional form of taxation, rather than something akin to a personal pension where they are directly entitled to the proceeds of the contributions that they have made.

This system of collecting money for social insurance benefits through taxation and NICS was often referred to colloquially as ‘tax and spend’ – the government took money with one hand and gave it out with the other. This binary divide between taxation and social security was reflected in the very fabric of government itself. Thus the Inland Revenue (the tax office) operated one system for the collection of taxes and variously named successive social security ministries awarded social security payments. Recipients of social welfare were also often taxpayers – dealing with very different departments operating very different rules systems. For instance, the Inland Revenue paid no heed to whether couples were cohabiting when calculating the tax they had to pay, but the social security ministry was concerned with this when assessing a household’s total income for means-tested benefits. As is discussed below, matters became particularly complicated with regard to the measurement of self-employed people’s income as the two ministries operated wildly different accounting systems, often producing very different calculations of ‘income’ for the same individual. Thus in the early period of the Welfare State taxation was functionally distinct from social security and a distinct area of policy too.

A major characteristic of the system was a dual hierarchy of benefits, designed to operationalise the principal Welfare State aim of incentivising work whilst insuring those who temporarily fell out of work or became ill. The first type of payments were ‘contributory benefits’, for which people became eligible when they had paid sufficient social insurance contributions. These were more generously funded than the second type of payments, called ‘non-contributory benefits’, where entitlement was not reliant on having paid sufficient NICS. A few non-contributory benefits were universal, such as a small sum paid weekly to parents/carers (usually the mother) for each child regardless. This distinction in social security persists to this day. The Welfare State was thus designed as a safety net for those falling out of the regular pattern of male full time life time employment and a ladder of opportunity back into this condition.

A final and important characteristic of this system was access to benefits through means-testing. The UK has very little by way of universalism in benefit entitlement. Means-testing regimes have encountered difficulties in area such as deciding what and whose income will count in the means-test and also how that income will be measured. This has been a particular issue, as discussed below, with regard to self-employed people.

Such a system had the seeds of problems inherent in it and by the seventies and eighties was not without its critics. Thus Parker (1989) argued that the system was failing in five fundamental respects:

1. The system failed to take into account difference in family size, meaning that people in work on low incomes but with large families fell outside the scope of assistance or the assistance was too meagre.
2. The system had not adapted to widespread social change. Society was no longer overwhelmingly composed of married couples, widows and a few genuinely single people living alone or with their parents. Instead there were growing numbers, for instance, of single parent families and divorced couples. Indeed, by the nineties the UK had the highest rate of benefit dependency by single mothers of any country in the European Union. Thus provision was mismatched to the needs of real people and their life circumstances.
3. Even married women were increasingly gaining their own financial resources, mainly though work, thus breaking the male breadwinner paradigm that had dominated since the end of World War Two.
4. Government had long abandoned the concept of achieving ‘full employment’. Full employment, in any case, was no longer equated with male lifetime full employment with no retraining – the shape of the labour market was changing rapidly.

During the long period of Conservative government from 1979 to 1997, led mostly by Prime Minister Margaret Thatcher, the traditional notion of the Welfare State was subject to radical reform – but for reasons largely distinct from those set out by Parker. The ideology of successive Conservative governments was one of ‘rolling back’ what were seen as overly large states to allow ‘free’ markets to flourish. The argument was that a voracious social security budget was pushing up the demand for tax revenues. The consequential high taxation rates, it was argued, removed the incentive to work for both rich and poor. To break this cycle the Conservatives sought to cut both taxation and social security rates and place increased emphasis on individual responsibility to support oneself – in effect a dismantling of the Welfare State and the principles of social insurance that underpinned it. Ruth Lister called this ‘economic citizenship’ (Lister 1990; 1997) – a ‘citizenship predicated on a contestable notion of personal economic empowerment and the private rather than the state provision of welfare’ (Boden 2005, page 109). Many commentators (for instance Cook 1989) argued that the system was predicated that the rich had to be incentivised to work by low tax rates and the poor incentivised to work through low social security rates.

This ideologically motivated reshaping of the system also had a practical imperative underpinning it – as the UK experienced some extreme economic recessions and a variety of social changes (especially in family types), so the benefits bill began to rise inexorably. Conservative policies were also very much oriented towards low wages for those in work – meaning that social security rates had to be driven even lower to ensure an incentive effect. Whilst the Conservatives have a reputation as tax-cutters, they did this primarily through weakening progressivity in the tax system and therefore this policy mainly benefited the better off. Unfortunately, and this was a major problem throughout the Conservative years, the interaction of the tax and benefits system and the ubiquity of very low wages meant that many people were caught in what became known as a 'the benefits trap' – they would have been worse off going to work than staying on benefits. This was because means-testing ensured the partial or complete withdrawal of benefits as income increased – often meaning that people would be no better off working than not working.

2 The development of the system since 1997

When the New Labour government came to power in 1997 it was with a somewhat different agenda to the Conservatives they replaced– but most certainly not a return to the old Welfare State ideals. Instead, they adopted a neo-liberal stance, underpinned by the ideology that the role of government was not to shrink out of existence so that the free market could flourish, but rather work actively to facilitate the operation of the markets (Rose, 1996).

In welfare terms this meant actively encouraging individuals to go to work and making sure that government facilitated this. Prime Minister Tony Blair made great use of the phrases 'a hand *up* not a hand *out*' and 'making work pay'. The government attempted to implement this policy by two means. First, almost immediately on coming to power, the Blair government adopted the social charter of the European Union. This brought in measures such as a minimum wage and paved the way for anti-discrimination legislation that affected the ability of some to work – such as disabled people. Other measures included efforts to encourage, support and, some would argue, cajole groups such as single mothers back into the workplace. Nevertheless, the impact of such reforms has been to make work more remunerative and therefore attractive compared with living on social security benefits.

The second leg of this reform was to institute fundamental changes in the social welfare system itself. Most crucially, through a series of policy reforms and initiatives, and even a reorganisation of ministries, the old divide between taxation and social security has been broken down. This was underpinned by a shift in emphasis from out of work social insurance to in-work social insurance support.

The collection of social insurance payments was transferred from the old department for Social Security (DSS) to the Inland Revenue, who also became responsible for matters such as child support payments. The DSS was renamed the Department of Work and Pensions (DWP) and was left with the rump of out-of-work benefits such as unemployment benefit. But most importantly, old-style social security benefits have been progressively migrated across to become means-tested 'tax credits'. The cornerstone of New Labour's social policy is that work will be made to pay by subsidising the pay packets of the poor. Means-tested, administered by the Inland Revenue and, until quite recently, actually delivered through employees' pay cheques by employers, these tax credits were clearly designed to reinforce a neo-liberal notion that work paid a living wage – even if it was supplemented directly by government money.

It can be argued that tax credits are merely a repackaging of old benefits. The preceding Conservative administration had attempted to embed a number of in-work means-tested benefits, such as ‘Family Credit’ for low-income families. When these benefits were translated to the Inland Revenue all that really changed at first was the payment method – they were now delivered through an individual’s salary cheque rather than by a payment direct from government to the individual. Interestingly, the government recently abandoned this payment method in the face of objections from employers about administrative costs they incurred in operating the scheme and from workers about the invasion of their privacy that resulted from their employer knowing their social security position.

In-work means-tested income supplements in the form of tax credits have become a major tool of social policy. One criticism that might raised about this system is that government supports and sustains what is still a low-wage economy in the UK. There is a redistributional effect here: the withdrawal of tax credits would mean that wage levels would have to rise to compensate workers and avoid widespread poverty (the UK has a particularly severe problem with child poverty). This would increase prices, especially in the service sector where wages are lowest. But, tax rates could fall as the social security budget diminished and this would be likely to have a work-incentive effect. However, such a free market solution would not be as efficient as a state system in allocating resources to those who ‘needed’ them – higher wages would go to everyone regardless of ‘need’.

The difficulties with the Labour system, however, are three-fold. Firstly, government decides who is ‘needy’ and there may not be social consensus on this. Second, and very importantly, some tax credits suffer from a very low take-up – individuals have to apply for them rather than receiving them automatically. Third, means-testing is costly and complex (especially for self-employed people) and can cause resentment amongst recipients subjected to such state scrutiny. Finally, especially as payment through the pay packet has been abandoned, it might be worth considering whether the tax credit system really does create an impression that ‘work’ is paying, not the state and, therefore, what the impact on personal work incentives might be. On the positive side, means-testing combined with progressive ‘tapers’ for the withdrawal of benefits as earnings increase have resolved many (but not all) of the tax and benefit trap problems.

The system continues to be funded by both general tax revenues and also NICS. It also still embodies both contributory and non-contributory benefits. Which are, in the main, means-tested.

NICS are paid by those in employment and those in self-employment (and indeed by those who are both employed and self-employed). But the types of NICS and the rates at which they are payable differ between employment and self-employment.

Employees currently pay NICS at a rate of 11% on all income above £4715 a year up to a maximum income of £32720 a year. Earnings above £32720 attract a NICS charge of just 1% — a very regressive system. Additionally, employers must pay a 12.8% contribution on employee earnings above £4715 a year. In contrast, the self-employed pay two sorts of NICS. One type, called Class 2, is at a flat rate of £2.05 a week for every week that they are self-employed. Additionally, they must pay Class 4 NICS at a rate of 8% on all income between £4715 and £32720 a year and 1% on earnings above £32720 a year.

An employee who has made sufficient NICS may claim unemployment benefit (now called 'Higher Rate Jobseeker's Allowance'), incapacity benefit (where they are unable to work through illness or disability), an old-age pension, entitlements when they suffer certain bereavements and maternity allowances. A self-employed person who pays Class 2 NICS can get all of these benefits apart from Higher Rate Jobseeker's Allowance. Class 4 NICS, despite the government's insistence that NICS are not a tax, bring no directly associated social insurance benefits whatsoever. The argument for the lower rates of NICS for the self-employed is that they do have less benefit entitlement – especially with regard to Higher Rate Jobseekers Allowance.

The 'non-contributory benefits' are available to all UK citizens and most residents (with the exception of some asylum seekers). Traditionally, these benefits were less generous than contributory benefits – the intention of the Welfare State was to act as a safety net for those falling out of gainful employment and a ladder back in. Support for those not in work was ultimately supposed to derive from families and husbands. Whilst some non-contributory benefits were and are universal, the principle of means-testing of income to determine the exact level of benefit payable always was, and remains, a central tenet of UK social security.

Of course, the emphasis on in-work benefits, to which the self-employed are entitled, and on means-testing means that in the UK issues of measuring self-employed income have tended to dominate discussions and concerns.

3 Self-employment in the UK

A caveat

The self-employed are a difficult group to access, categorise, regulate and to study in the UK. There exists no single definition of their status and no single agreed method for determining their income (Boden *et al,* 1997; Boden and Corden, 1998; Boden, 1999). The lack of homogeneity amongst the self-employed means that it is difficult to treat them as a single entity, making consideration of their attitudes and understanding problematic. The group rather exists as an administrative classification that is 'loose' and amorphous in the extreme. Whilst the categorisation may be of assistance in the regulation of the self-employed (Boden and Corden 1996) it has limited utility elsewhere- for instance even in producing official statistics (Eardley and Corden, 1996).

This heterogeneity means that the self-employed do not constitute a distinct group readily amenable to study apart from in highly specific contexts – applicants for certain benefits or subjects of regulatory control (e.g. Boden and Corden, 1994; Boden and Corden, 1996). Finally, the very nature of self-employment renders many aspects of it difficult to regulate and control (Boden and Corden 1996). As such, as research respondents, they may be difficult to access and perhaps unwilling to co-operate- particularly in studies which may have an interest in the activities which take place within the "informal economy" (Dean, Keenan and Kenney, 1980).

(In this section figures referred to as self-employment 'rates' are proportion of the economically active workforce. The figures also only include those for whom self-employment is the primary source of income).

UK labour market trends

The UK labour market has undergone radical change during the period since the introduction of the Welfare State after the Second World War. In the 1940's most people were employees. Employment was generally full time, life long and largely male. The demise of traditional manufacturing industry in the UK during the seventies and eighties saw the eventual growth of service sector jobs. These included part time working, more female employment and with greater 'churning' of the workforce as people went from job to job, often switching between employment and self-employment.

The eighties also saw a dramatic growth in the numbers of self-employed people (Eardley and Corden 1996). Some of this may be related to the growth of the service sector – where jobs are more likely to be contracted-out. During the Conservative administrations great emphasis was placed on small scale entrepreneurial activity, with a welter of government grants and assistance to help people set up as self-employed workers. Very high rates of unemployment may have been a motivating factor for people to become self-employed and also provided an imperative for government policy (Weir 2003). Between 1986 and 1990 self-employment grew from 6.3% of the economically active population to 7.9% (Weir 2003).

The recession of the early nineties saw self-employment fall slightly, rally somewhat between 1993 and 1995 and then decline again. This period of decline in the nineties has been attributed (Weir 2003) to changes in the Inland Revenue's tax system for construction workers. Such workers represent a substantial proportion of self-employed people – for instance, 23.3% in Spring 2003 (Labour Force Survey 2005). The Inland Revenue changes made it more problematic for such workers to be treated as self-employed rather than as employees. Other reasons for the decline may be rising employment and falling unemployment – unlike the eighties, self-employment did not rise as unemployment fell (Weir 2003).

After a long period of stagnation or decline, self-employment has risen dramatically of late. In the 12 months to September 2003 the self-employment rate increased by 8.9%. In November to January 2005 some 12.7% of people working were self-employed (ONS 2005).

Types of self-employment

In the past, self-employed workers have been conceptualised in sociological terms as the *petit bourgeoisie*, comprising merchants, the owners and operators of small and medium sized businesses and other professionals. Recent trends in the growth of self-employment (Hakim, 1988; Bögenhold and Staber, 1991; Goodman and Webb, 1994; Eardley and Corden, 1996) mean that notions of the self-employed as a distinct *petit bourgeoisie* are now outmoded. The self-employed now constitute a heterogeneous employment 'category' spanning a wide variety of business forms and occupational groups.

Self-employment, in contrast to its *petit bourgeois* origins, might now be categorised as frequently a low-income and marginal form of work. Boden (1999) and Corden (1997) argue that self-employment now exists primarily as a regulatory category which facilitates regulatory control by the state. It can also be argued that the definition (and in some cases redefinition) of work as self-employment may facilitate, intentionally or otherwise, the exclusion of certain workers from social benefits and protections. Certainly the increasing definition of many forms of work as self-employment has enhanced the flexibility of the labour market and decreased the costs of labour. For instance, if a worker is defined as self-employed the organisation utilising their services does not have to pay employers' NICS.

There are four primary business forms that self-employed people in the UK utilise. The most familiar is that of the 'sole-trader'. Sole-trading typifies most people's expectations of a self-employed person (Boden and Corden 1998). They are people in business on their own account and not incorporated as a legal company. They may tune pianos, run shops or do building work. They are rarely employers themselves: in the year 2002 75% of self-employed people worked alone or with a business partner (Weir 2003). Sole-traders have a high degree of autonomy over their work practices and bear all of the risk of being in business themselves. They may be able to increase or decrease their work rates and alter their working conditions as they wish. These characteristics that have made self-employment an attractive option for many disabled people, who may need this sort of flexibility if they are to work (Corden and Sainsbury 2003). Sole traders also therefore may have the capacity to adjust their income: for instance, they might decide to do less work and therefore earn less if to earn more would adversely affect their social security position. There are also a number of other routes through which they can, legally and illegally, decrease their reported income – such as claiming a deduction for the expense of 'employing' a spouse.

Some sole traders combine with others to form business partnerships. Whilst these are not incorporated as companies, partnerships do have some status as legal entities under the Partnership Act 1890. Agreements on the splitting of partnership profits may be verbal and can often only be dislodged with some difficulty. This provides people in partnership with family members the opportunity to manipulate their earnings by shifting income around between family members. This may impact on social security entitlement.

A common form of self-employment in the UK is to be a franchise operator (*franchisee)*. Examples of franchise operations are common throughout the EU – for instance, shops such as the *Bodyshop* and many petrol station chains. Whilst technically sole-traders or in partnership, franchisees have less control over their business and might effectively be seen as profit-sharing employees. However, in the UK and for social security purposes, they are seen as self-employed.

The final major type of self-employment is *subcontracting* or *agency working*. This is a growing field of self-employment. Subcontracting is where the worker is sub-contracted by a main contractor to perform work. Subcontracting is a major self-employment form in the construction industry. Agency or freelance workers go to work effectively as an employee but the contract is not between the worker and the organisation they work in. Instead there is a three way contractual relationship between the organisation, the worker and the agency that procures their services. It is not unusual for the agency to be a limited company owned by the worker. These forms of self-employment are growing rapidly. For instance, Lindsay and Macaulay (2004) Macaulay (2004) found that the very large increase in self-employment across the UK in 2002 and 2003 was due almost entirely to an expansion in the construction industry and, as a consequence of job losses in the City of London financial services sector, an increase in business and professional people becoming freelance workers.

Demographics of self-employment in the UK

Self-employment is also subject to specific demographic characteristics that may affect social security matters. In particular:

Industry sector: The structural realignment of the UK economy from heavy industry to services has created an environment more facilitative of self-employment. Self-employed people tend to work in very specific industry sectors in the UK. Thus in the Spring of 2003, of people for whom self-employment was their main job, 5.3% worked in agriculture and fishing, and 6% in manufacturing, but 23% in construction and 65.5% in 'services' (adapted from Labour Force Survey 2005). Indeed, in 2003 31% of self-employed people worked in skilled trades such as construction and 18% were classified as "managers and senior officials" (Weir 2003).

Gender: In 2003, whilst 48% of all employees in the UK were women, only 26% of the self-employed were female, demonstrating that women are much less likely than men to be self-employed (Weir 2003). It has been suggested that this skew is due to the preponderance of male-dominated trades amongst the self-employed – especially construction work. Weir (2003) also shows that self-employed women are better educated than women who were employees are. Taylor (1997) suggests that this may be because, in a gendered and discriminatory labour market, better educated women may get a better rate of return on their human capital by being self-employed. Conversely, a lot of paid-for childcare in the UK is provided by women working in their own homes, who are classified as self-employed.

Age: Rates of self-employment are clearly age-related in the UK – the older someone is, the more likely they are to be self-employed. Amongst 16-20 year olds about 2% of workers are self-employed. By the age of 36 onwards, this has evened out to between 10% and 15%. After the 'official' retirement age (60 for women and 65 for men) the proportion of the economically active labour force who are self-employed rises steeply to between 15% and 30% (Weir 2003). There may be a number of explanations for this lifecourse pattern. Possibly younger people lack the financial and other resources to become self-employed. And self-employed may work for longer because of poorer pension provision or because they have greater flexibility around 'winding down' their working life rather than stopping abruptly. There is a marked trend in the UK for some employees, especially professional people, to retire and then continue working in some self-employed capacity.

Regional trends: There are marked regional variations in self-employment rates. In the North East of England self-employment rates were around 6% in 2003, whilst in London and the Southeast they were 13% (Weir 2003). Statisticians have suggested that this is due to the regional variations in industry structure in the UK – the richer southeast has a higher preponderance of professional service industries and also greater economic activity in terms of construction etc. (Weir 2003).

Income levels: The average declared gross income (before taxes etc.) of the self-employed in 2001/2 was £484 a week compared with £362 for employees (Family Resources Survey). This difference may be due to sectoral factors mentioned above – for instance, construction workers are currently very well remunerated in the UK and better educated women will earn more than their less well-educated counterparts. But this mean figure masks a serious imbalance. Income distribution figures reveal that the first four fifths of self-employed people in the distribution earn less than their employee counterparts. Only the top 17% of self-employed earners have a larger income than their employee counterparts. Indeed, some 12% of the self-employed had no income at all in 2001-2. This is possibly because they are in new or failing businesses.

These demographic factors are likely to have an impact on the social security position of the self-employed. For instance:

- Many typical self-employed industry sectors, such as construction, are likely to be highly seasonal in nature. This creates problems as income fluctuates throughout the year, creating budgeting problems for the individuals involved. Seasonal earnings have been found to be a major problem in means-tested social security regimes – this is discussed in detail below (Boden and Corden 1994; 1998).
- People are more likely to become self-employed whilst they are also burdened with the costs of raising children and buying their homes.
- The rise in self-employment for those over 60/65 years may indicate a poor retirement pension position for the self-employed.
- Self-employment for most in the UK is not characterised by *petit bourgeois* wealth. Indeed, much self-employment is marked by low incomes.

4 Social risks and self-employed people

As noted in section 1, the UK does provide a comprehensive range of social insurance benefits for self-employed people, often on the same basis as employees. However, there are some key differences, often associated with the particular nature of self-employed people's lives that make consideration of this group very worthwhile. Additionally, the UK's emphasis on in-work benefits and on means-testing creates interesting problems with regard to self-employed people because of the difficulties inherent in verifying when they are actually working and what their actual income is.

This section deals in turn with the following risks which social insurance systems address:

- Low income (and especially child poverty)
- Disability and sickness
- Unemployment
- Old age
- Parenting

Low income

As noted in section 1 above, under successive Conservative administrations there were attempts to encourage people into work, and especially to undertake entrepreneurial activity such as self-employment. The ideology of 'Economic Citizenship' dictated that the best safeguard against the risks of sickness, unemployment and old age was to act in an entrepreneurial way such that the individual could care for him/herself rather than relying on the state. As explained above, in a slightly more nuanced form, this is also the ideology underpinning the current Labour government's thinking.

To sustain this policy, Conservative governments utilised social security income support schemes to encourage people to take the risk of moving from unemployment or low-paid employment to self-employed work by providing a social security income to supplement the self-employed earnings of families with children. The main means by which this was done was through a benefit called 'Family Credit'. This was a means-tested in-work benefit for the employed and the self-employed that were in low income families with children. It was a non-contributory benefit – access to it was not dependent upon having paid NICS.

Self-employed recipients of family credit had exactly the same treatment as employed recipients. The system for calculating family credit was complex, but it is important to understand it, as it has become the model for subsequent systems of social benefits.

> *Stage 1:* For each applicant the DSS calculated a theoretical maximum benefit payment. This was calculated by reference to the number and ages of children in the family. A further amount was added to the calculation in respect of the parents. No distinction was made between two parent and single parent families, so the scheme was generous to single parents. This was because in the nineties the UK experienced exceptionally high levels of economically inactive single parents living on benefit and family credit was intended to incentivise them into work.
>
> *Stage 2:* The applicant's income from work and other benefit income was calculated.
>
> *Stage 3:* If the applicant's income was beneath a certain defined threshold then the full amount calculated in Stage 1 was paid. If it was above the threshold, the benefit payment was reduced on a tapering basis. That is, for every £1 earned above the threshold the benefit payable was reduced by 70 pence. Eventually, of course, the benefit payable is reduced to nil.

The incoming Labour government replaced family credit with a new system of tax credits for low income families – the Working Families Tax Credit (WFTC). The concept of 'tax credit' can be confusing and the name is somewhat misleading. In essence, these are social security benefits that are targeted at people who are in work and who, because of their circumstances, might be regarded as being on a low income. For instance, WFTC was designed to assist families with children who earned low incomes. At inception, the chief distinguishing feature of tax credits was that, for employees, they were paid through the wage packet rather than an order book at the Post Office or directly into the individual's bank account. Thus they were meant to reinforce the notion that 'work pays'. Tax credits were and are government subsidies for those on low incomes whose personal circumstances mean that they are poor.

In actuality, WFTC was family credit by a new name and the method of calculation was the same as for family credit. The chief change was that the administration of the benefit was transferred (along with most of the staff) from the DSS to the Inland Revenue. Most important was the change in payment method for employees. Under the DSS regime recipients were paid either through an 'order book' which they took to the Post Office or directly into their bank accounts. Under WFTC, employees received payment through their pay packets, with employers made responsible for transferring the money to them. Employers were faced with a sometimes complex task of collecting tax from employees' salaries (salaries are paid net of tax in the UK) and also making payments of WFTC, sometimes to the same employees. The employer would then hand over to the Inland Revenue the tax collected minus the WFTC paid out by them. Because self-employed people have neither an employer nor a salary, the payment method for them remained unchanged and they were paid either through an order book or via their bank account.

In 2003 yet another system of tax credits was introduced. Working Tax Credit (WTC) and Child Tax Credit (CTC) replaced WFTC. CTC is dealt with below in the section on parenting risks. To be eligible for WTC, applicants must be over 16 years old and:

- be responsible for at least one child,
- or be disabled
- or be aged over 25 years and usually work for at least 30 hours a week.

There is a general minimum requirement that the work is done for 16 or more hours a week, it is paid for and that the work is expected to last for at least four weeks. The basic method for calculating the quantum of the benefit payable is as for the precursors of family credit and WFTC. The taper is set at a loss of 63 pence of WTC payment for every £1 earned over the threshold.

WTC is a means-tested in-work benefit payable to both employees and the self-employed. WTC also includes an element for child care costs (e.g. kindergarten) where the recipient pays these. During the eighties and nineties many single parents were unable to re-enter the labour market because the costs of having their child cared for while they worked consumed more cash than they would gain by coming off benefits and working. The child care element of WTC is therefore designed to make it feasible for single parents to re-enter the labour market as either an employed or self-employed person.

The most major change since tax credits were introduced is that, for employees, they are no longer paid through the individual's salary from an employer. Obviously, this change has not affected self-employed people.

Disability and sickness

Employees who are ill and away from work for up to 28 weeks are entitled to Statutory Sick Pay, which must be paid by their employer (some work organisations can get this refunded by government). SSP is paid through the individual's salary and is a fairly small amount. The frequent expectation in the UK is that employers will offer generous sick pay schemes and many people, especially those in larger organisations, receive up to six months full pay when away from work through illness. Obviously, the SSP scheme cannot be open to the self-employed for practical reasons.

When a worker who cannot get SSP, such as a self-employed person, has been unfit for work for more than 4 days they may claim Incapacity Benefit as long as they have paid NICS. The rates at which Incapacity Benefit is paid increases once the illness has lasted for more than 28 weeks and again when the 52 week threshold is reached.

Disability has been included as a self-employed risk here because, in the UK at least, there is some evidence that disabled people may prefer self-employment to employment. This trend may be attenuating now that, as of 2003, the UK has introduced much stricter requirements regarding discrimination on the basis of disability – but basically many disabled people feel that self-employment gives them enhanced job flexibility that may suit their condition better (Corden and Sainsbury 2003).

Successive Conservative administrations operated a variety of schemes, such as the Disability Working Allowance (DWA), designed to make it easier for disabled people to work by assisting with the associated increased financial costs. These non-contributory schemes were means-tested in-work benefits and self-employed people were eligible. The method of calculating DWA was similar to that of family credit.

The incoming Labour government quickly replaced DWA with Disabled Person's Tax Credit. This operated on the same basis as WFTC (see above), but was obviously directed at disabled people. In 2003 DPTC itself was abolished and the elements designed to assist disabled workers, employed or self-employed, were incorporated into Working Tax Credit.

Unemployment

Self-employed people may become 'unemployed' just as employees can. For employees who lose their jobs in the UK there are two sorts of social security benefit called 'Jobseekers Allowances'. One is paid at a higher rate and is for those who have paid the requisite number of NICS. The amount is flat-rate rather than means-tested, but is age-related.

The other type of Jobseekers Allowance is paid at a lower rate and is non-contributory. There are quite strict eligibility tests for this benefit and even modest savings can render applicants ineligible. Self-employed people, even if they have paid NICS, cannot get the higher rate contributory Jobseekers Allowance but can get the lower, non-contributory Jobseekers Allowance. It is unclear why the rule is constructed in this manner. One reason may be that it deters the self-employed (especially sole-traders such as construction workers) from simply ceasing their business when they want to, say, go on holiday, and recommencing it when they wish whilst benefiting from the higher rate Jobseekers Allowance.

The emphasis of unemployment payments in Britain, as the name of the benefits suggest, is to encourage those who are unemployed to re-enter the labour market as quickly as possible. This is part of the general policy push towards in-work rather than out-of-work benefits.

Old age

Pension provision in the UK is a very complex and fraught issue. Employees will have access to:

- A state retirement pension calculated according to the number of years for which NICS have been paid and;
- Either an occupational or stakeholder pension scheme through their employer (paid for by the employer and/or the employee)
- Pension credit – a means-tested social insurance credit to top up the earnings of those on very low pensions.

The maximum basic state retirement pension is currently set at a very low level of just £79.60 a week for an individual or £127.75 for a married couple where the woman does not have a pension in her own right. The amount payable is calculated by reference to the period for which NICS have been paid. Most people (there are different rules for older women as the retirement age for men and women is gradually synchronised at 65 years) will have to pay NICS for 49 years to reach full entitlement – a virtual impossibility unless the individual left school at the minimum possible age of 16 and had continuous employment until the age of 65 years.

These low payment rates reflect many years of policy emphasis on encouraging individuals to make their own substantive provision through occupational schemes or stakeholder pensions. Occupational schemes are schemes specific to the employer whilst stakeholder schemes are collective pension schemes designed for employees whose employer does not have a company specific scheme. Employees do receive tax relief on sums paid from their salaries into pension funds. In the UK, occupational schemes are in a state of crisis due to a combination of poor stock market performance and changes in the accounting rules that have pushed the schemes into deficit. Many companies are closing their schemes or not admitting new members. Take-up of stakeholder schemes has been very low. This means many employed people do not have the security of an occupational pension of any sort, or only an inadequate level of cover.

Pension Credit is a non-contributory means-tested entitlement for people aged 60 or over living in the UK. It guarantees everyone aged 60 and over an income of at least £105.45 a week if they are single or couples £160.95 a week. It basically acts as a top-up scheme for those on low incomes. Those whose earnings solely comprise the basic state pension will have their income topped up to the guaranteed income level. Where people have income other than the basic state pension they are still entitled to pension credit, but the amount payable is reduced on a tapering basis of 60 pence for every £1 of actual income over the maximum state basic pension level. Thus, someone with the maximum basic state pension who also receives £10 a week from an occupational pension would be in this situation:

Basic state pension	79.60
Other pension	10.00
Total pension income:	**89.60**
Maximum pension credit (Guaranteed income of 105.45 less basic state pension maximum of 79.60)	25.85
Reduction for other Income (10 reduced by 60 pence In the £1)	(6.00)
Total pension credit	**19.85**
Total income	**109.45**

This taper operates to ‘reward’ those people who have managed to provide themselves with some income additional to their state basic pension. Pension credit has been much lauded by government. But the fact remains that even the maximum guaranteed income is still very low.

The potential pension profile for self-employed people is much the same as for employees to the extent that they are entitled to the contributory state retirement pension (as a consequence of paying NICS) and pension credit on exactly the same basis. But, obviously, the self-employed will not have access to an employer’s pension scheme, nor do they have the possibility of any employer making pension contributions on their behalf into such a scheme. Given the centrality of occupational pensions in the government’s strategy, this is quite problematic. Self-employed people can subscribe to stakeholder or personal pension plans and receive tax relief on the amounts so invested. However, the costs of provision can be high (for instance, a typical employee may have to have a total of 20% of gross annual earnings paid into a pension plan each year to yield an annual pension equivalent to six months of their final salary). In the eighties and nineties personal pension plans were beset by scandal, with the pensions industry still making considerable pay outs to people who were mis-sold such schemes.

The policy emphasis for employed and self-employed workers for the last twenty years in the UK has been increasingly towards private provision for old age. Whilst there is a state pension and pension credit, the amounts that these pay are insufficient to reasonably support anyone in old age. The poor state of employer pension schemes in the UK means that both the employed and the self-employed alike share these problems.

Parenting

Women who are employees are entitled to Statutory Maternity Pay (SMP) just before and following giving birth to a child, provided they have made NICS for 26 weeks prior to stopping work. For the first six weeks they receive 90% of their average weekly earnings. For the following 20 weeks women are entitled to a maximum of £102.80 a week or 90% of their average weekly earnings if this is less.

Self-employed women are not entitled to SMP but may be eligible for Maternity Allowance (MA) if they have been:

- self-employed and paying Class 2 NICS (or be officially exempted from paying) for at least 26 week in the 66 weeks up to and including the week before their baby is due to be born, and
- earned on average at least £30 or more a week, in any 13 weeks in the 66 week period.

The level of payment is on the same basis as SMP. In essence then, if not name, MA is precisely the same as SMP. The major difference is that employees receive SMP through their employer whilst self-employed women receive a direct payment from the DWP.

Child Tax Credit is payable to people who have caring responsibilities for children. It is a non-contributory, means-tested benefit and the self-employed have exactly the same entitlement as employees and the unemployed.

CTC is calculated by reference to the number of children and in similar ways to family credit (see above). Additional elements are payable if a child is disabled. Like family credit, this produces a maximum theoretical award figure, which is reduced by 37 pence for every £1 by which household income exceeds the set threshold figure.

5 The system in operation

The UK has developed a system of social security that is in many ways markedly different from its origins in the post-war Welfare State. The current regime concentrates on in-work benefits rather than out-of-work-ones. That is, the system is designed to subsidise low income work, especially for those who are disabled or have responsibility for children. This means that there is a shift towards non-contributory benefits in the form of tax and pension 'credits', away from contributory benefits designed to act as a 'safety net' for those falling out of employment.

The non-contributory benefits are all means-tested as they are targeted at those deemed by government to be most in need. To avoid the 'benefits trap' whereby a pound for pound withdrawal of benefits as income increases creates a disincentive to return to work or increase earnings, the credits embody a 'taper', allowing the recipient to gain financially from earning more. The non-universal nature of these benefits means that those eligible have to apply for them – and low take-up of these benefits is still a major problem. All NICS are compulsory and primarily finance the provision of basic state retirement pensions and Incapacity Benefit. In reality then, there is only a weak link in the UK to any principle that individuals should pay into an 'insurance scheme' in order to gain access to benefits. But there is a degree of social collectivity in the system in that the system of financing credits through taxation has a redistributive impact – and this is an avowed purpose of the schemes. The system is also designed to support people *in work*, demonstrating the neo-liberal nature of the current Labour administration.

As shown above, in most respects the self-employed have the same entitlement to contributory and non-contributory benefits and credits as employees. This means that the demarcation of employees as against self-employed people gives rise to very few issues of entitlement. The single, most crucial issue regarding self-employed people and social insurance relates to the means-tested nature of the UK social insurance regime. For employees, the measurement of income is reasonably straightforward – they will simply be asked to provide evidence of their salaries or wages for a number of weeks prior to claiming. If they are starting a new job, perhaps after a period of unemployment, their employers will be asked to estimate what their earnings will be. Means-testing is done on gross income, before deductions for tax and NICS although some adjustment is made for pension contributions (because the government wants to encourage people to save for old age).

Obviously, such a system cannot operate for the self-employed as they are not in receipt of a wage or salary. As the numbers of self-employed people grew in the UK during the eighties the issue of exactly how self-employed income should be measured became critical. Accounting measures of profit are socially constructed rather than in some sense 'scientific'. That is, there is no fixed agreed method of calculating profit. This issue came to the fore in the eighties when the Department for Social Security (now the Department for Work and Pensions) was working to one set of statutory regulations for calculating income for benefit purposes, whilst the Inland Revenue were operating a completely different system for tax purposes.

This could, and did, lead to some egregious situations where the same person, using the same accounting data, would receive two vastly different calculations of their income from the DSS and the Inland Revenue. One would be used to calculate, say, their family credit entitlement, and the other their tax (Boden and Corden, 1994). This system did little for public confidence in government systems. In many ways the income calculations undertaken by the DSS showed a lack of any conceptual thinking about the nature of self-employment and how the income from it should be measured (Boden and Corden 1994; 1998).

Work by Boden and Corden (1994; 1998) assisted in the development of the social security income measurement systems to remove the worst aspects of these differences, but problems still remained. The self-employed people were subject to a multitude of requests for income data and still receiving different calculations of their ‘income’ from different government agencies. The problems were largely resolved by the translation of the administration of most social security to the Inland Revenue and the transformation of the benefits to ‘tax credits’ following the election of the Labour government in 1997. As a consequence, the calculation of self-employed earnings for social insurance purposes now largely follows the regime used for tax purposes. Moreover, individuals are encouraged to use the information on their self-assessment tax returns when making claims for tax credits. There are differences in treatment for items such as business losses, but in the main the two systems are now harmonised.

In the UK self-employed people may make applications for tax credits when they are just starting out in business or part way through their first year. This is done in order to ensure that tax credits act as an incentive for people to move off unemployment benefits and into remunerative work. Of course, at this stage in the business, the self-employed person can only provide an estimate of what profits he or she is likely to make in the period. Under the old DSS regime there was no adjustment of the award given at the end of the accounting period, up or down, to compensate for the difference between any estimate provided and the actual end-of-accounting period figures.

The new tax credit regime operates somewhat differently. The assessment of income is initially made on the basis of the previous year’s income. If actual income in the year of payment is very different (currently plus £2500), an adjustment is made, feeding into the following year’s tax liabilities/credits. Alternatively, if the recipient notifies the Inland Revenue of expected income changes, adjustments can be made in year of payment (Joseph Rowntree Foundation 2003). This system of ‘clawing back’ overpayments has been the subject of much controversy as, for people on low incomes, this represents a debt that they can often ill-afford. It is likely that such a system will hit the self-employed disproportionately, as they will be likely to experience a greater fluctuation in earnings than employees will.

The UK has a labour market profile that includes significant numbers of self-employed people. Self-employed people in the UK are a heterogeneous group encompassing a number of business forms and there is no standard definition of 'self-employment'. For the most part, 'self-employment' is defined for statistical or regulatory purposes rather than embodying a set of characteristics inherent to the work itself. At the same time, the self-employed population is quite distinct from the general working population. In particular, it is older, more likely to be male and skewed towards certain occupational groups such as professional or construction workers.

With regard to the specific risks that self-employed people might encounter:

Low income.

> The UK system does offer a system of income supplements, in which the self-employed are included. The fact that tax credits are available to those just starting out in business means that the system is likely to assist those who wish to become self-employed but are fearful of the financial risks. For those in business already on their own account, tax credits can and do provide a guaranteed income that may be of great use at the start of a business or when it is undergoing difficulties (Boden and Corden 1994; 1998). The new possibilities of tax credit clawback may reduce this incentive effect somewhat compared with the old system in which awards were fixed once made.

Disability and sickness

> There is some evidence that disabled people are attracted to self-employment because of the work flexibility that it offers to them, enabling them to cope with, for instance, intermittent debilitating illness on their own terms (Corden and Sainsbury 2003). Current regimes for tax credits for disabled people appear valued and welcome (Corden and Sainsbury 2003). In particular, the system by which entitlement to benefits that are accrued after lengthy periods off-work through disability are protected whilst people 'try' work are especially valued by disabled people. Were it not for this, the risk of losing entitlements to benefits that may have taken many months to accrue might outweigh incentives to re-enter the labour market.
>
> With regard to sickness, the regime for self-employed people is less favourable for self-employed people than employees. The self-employed have no entitlement to any Statutory Sick Pay and will not enjoy the common employee benefits of generous amounts of paid sick leave. Thus the self-employed suffer an increased amount of risk with regard to sickness. Boden and Corden (1994) found little understanding amongst the self-employed that they were eligible for Incapacity Benefit when they were unable to work through illness.

Unemployment

By definition, a person cannot be unemployed and self-employed. Yet the fact that Higher Rate Jobseekers Allowance is only available to employees does discriminate against the self-employed. Because they are entitled only to the Lower rate (non-contributory) Jobseekers Allowance, the self-employed may endure greater risks should their venture fail and they become unemployed. This may be viewed as iniquitous given the greater risks inherent in most self-employment.

Old age

The current government policy of encouraging private provision through company pension schemes, private pension plans or stakeholder pensions might be seen as discriminating against those who are self-employed. Self-employed people may well be unlikely to understand the importance of pension provision, or even be able to make the necessary level of contributions – especially amongst the lower eight deciles whose income is below that of their employee counterparts. Many self-employed businesses, especially at the lower end of the income range, have very little by way of capital that might compensate for the lack of pensions savings. The risks for the self-employed here are therefore quite considerable and this may represent something of a demographic timebomb in the UK – especially for those people who become self-employed in their middle age (that is, not those who enter self-employment much later, often after retiring from a pensioned job). The skewed age profile of self-employed people towards older people may indicate that some self-employed people at least have insufficient pension income to retire and carry on working in some capacity as a consequence.

Self-employed people have no effective choice in social insurance provision – they must make contributions, although they can decide for themselves whether to claim benefits. The single largest area of ‘choice’ is with regard to pension provision. This is because of the policy emphasis on private sector provision of pensions. But, in actuality, self-employed people may be unable to afford the scale of pension contributions that would guarantee them a decent income in retirement.

6 Conclusions

Self-employed people in the UK enjoy a large degree of parity in terms of treatment under the social insurance scheme when compared to employed people. The mandatory nature of contributions, an emphasis on in-work benefits and a high degree of means-testing mark the system. Perhaps the most notable area of difference is in terms of how self-employed income is measured. Of course, self-employed people have a far greater degree of control over how much income to declare compared with their employed counterparts. One point of especial note is that whilst employees, under the regime that required the payment of tax credits through the employer, suffered a high degree of lack of privacy in social security matters, this was not the case with the self-employed.

Whilst the social insurance system in the UK may provide ostensibly reasonably equal provision for the self-employed compared with employees, a number of attributes of the self-employed population and their work may mean that they suffer discrimination in practice. This applies particularly in relation to the risks that they run compared with employees.

First, self-employed people have no entitlements under the minimum wage legislation, although they are entitled to WTC. This means that very lowly paid self-employed people receive both a lower income and a greater degree of government subsidy than their employed counterparts doing similar work.

Second, the situation with regard to sickness benefits means that it is far less likely that self-employed people are able to ‘go off sick’ from work. This is especially problematic given that disabled people are often attracted into self-employed work. In recompense, disabled people are entitled to WTC and this may go some or all of the way to compensate for what can be a restricted ability to earn money.

Third, self-employed people endure a lower level of social insurance against their business failing compared with the employee’s risk of being made unemployed.

Fourth, the UK pensions system prioritises provision through company or stakeholder schemes where the employer contributes at least something towards the considerable costs of this form of insurance. This puts self-employed people at a very serious risk, especially given that the overwhelming majority of self-employed people have significantly lower earnings than their employed counterparts. They will therefore find it more difficult to make their own provision for a pension.

Fifth, there is a low level of recognition amongst self-employed people that they are in fact entitled to social insurance benefits. This is exacerbated in a system such as that in the UK whether there is such a tiny amount of universal provision.

Thus, although self-employed people ostensibly receive largely similar social insurance protection in the UK, the reality of the situation is that they may still be exposed to a different range of risks. It may be that the UK needs to address the outcome or impact of its insurance systems for self-employed people, rather than the input side alone.

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List of abbreviations used in this report

CTC	Child Tax Credit
DPTC	Disabled Persons Tax Credit
DSS	Department for Social Security
DWA	Disability Working Allowance
DWP	Department for Work and Pensions
EU	European Union
MA	Maternity Allowance
NICS	National Insurance Contributions
SMP	Statutory Maternity Pay
SSP	Statutory Sick Pay
WFTC	Working Families Tax Credit
WTC	Working Tax Credit

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