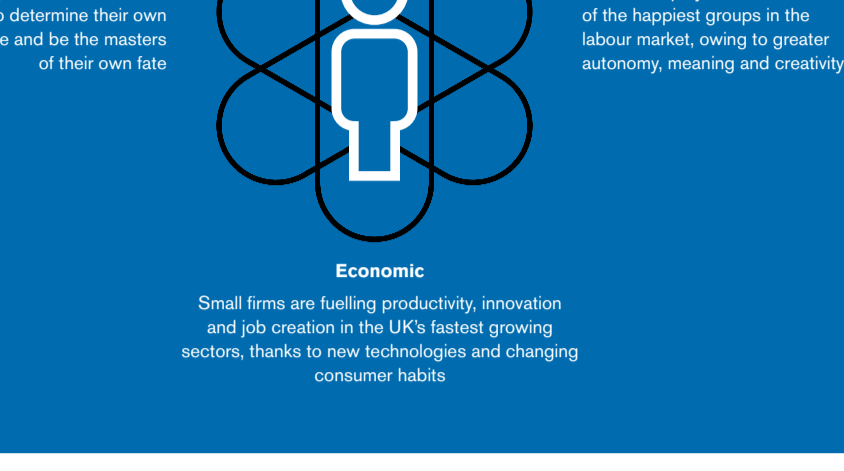


# A Charter for the Self-Employed

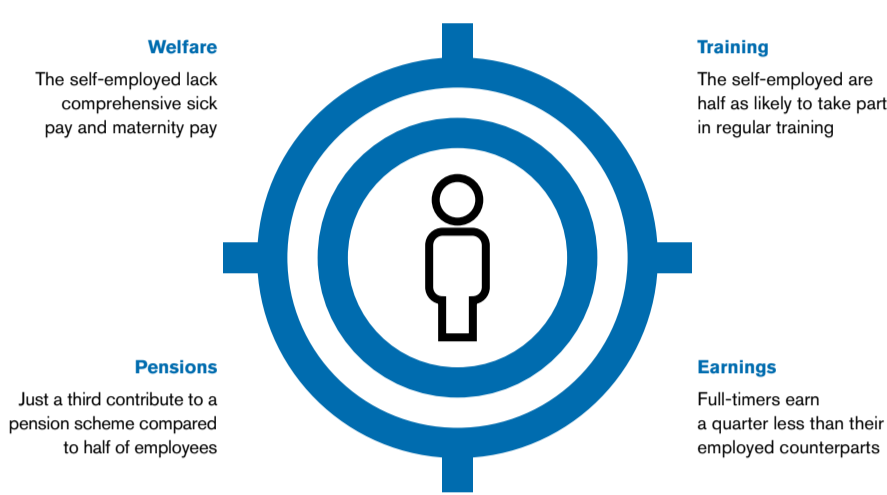
Since its founding in 1754, the RSA has believed that social progress is driven by individual aspiration, endeavour and ingenuity. Our vision is of a world where everybody has the ability to turn their ideas into reality and in doing so become the authors of their own lives – something we call the power to create. There are few better means of achieving this goal than through entrepreneurship. Our research shows that a nation where more people work for themselves is likely to be healthier, happier and more prosperous.



## Challenges

The number of people in self-employment has grown by 40 percent since 2000, and now 1 in 7 of the workforce answer to themselves. But many business owners continue to struggle. Nearly a quarter of the self-employed are what we call 'survivors' – people who want to work for themselves but find it hard to cope without the protections typically enjoyed by employees.

The self-employed face particular challenges on four fronts:



These and other problems mean that many aspiring entrepreneurs struggle unnecessarily, not having the support they need to find their footing and stabilise their business. A third of new business owners cease trading before their first year, and half before their third anniversary. This makes life hard for individuals but also harms the wider economy, which is dependent on small businesses for job creation, innovation and growth.

The government has made significant progress in helping more people to start up in business. Taxes have been cut, regulation repealed and finance channelled to where it is most needed. Despite this, there is a disconnect: our research indicates that only 1 in 6 self-employed people feel adequately supported by the government, and just 1 in 10 feel that the welfare system is fair to those who work for themselves. The way to solve this disconnect is to support the self-employed as individuals, as well as business owners.

## Principles

We call on the government, business organisations and other institutions to make an investment in the wealth creators of the future and take action to help more people engage in meaningful self-employment. The potential prize is greater productivity, greater job creation, greater numbers of people able to work for themselves, as well as ultimately, greater numbers of people able to lead fulfilling lives.

We propose the following principles as the underlying basis for any policy intervention:



## Eight Practical Ideas

The following ideas are intended to address the disadvantages facing the self-employed. They are aimed variously at the government, financial institutions, mortgage providers and public bodies.

- 1**  
**Establish automated saving schemes for the self-employed on low incomes**  
To improve saving rates, banks should create a 'Save When Paid' initiative for their self-employed clients, which would allow them to channel a percentage of every invoice into a savings account.
- 2**  
**Establish a 'Right to Request' for more flexible terms on mortgage payments and rental costs**  
To manage income volatility, the government should establish a 'right to request' in the housing market so that self-employed workers (and employees) can ask for more flexible terms on their payment schedule, for example by switching to an interest-only mortgage for a short-period.
- 3**  
**Present a 'compulsory question' for enrolment onto a pension or ISA scheme**  
To improve readiness for retirement, the government should present the self-employed with a 'compulsory question' asking them whether they wish to join a workplace pension scheme and/or a government-backed ISA.
- 4**  
**Redesign Universal Credit so that it reflects the reality of self-employed work**  
To help the low-income self-employed sustain and grow their business, the government should make several adjustments to Universal Credit, for example extending the 'Start-Up Period' (where claimants are treated more generously) from 12 to 24 months.
- 5**  
**Explore the potential for creating a social enterprise with a 'cash-pooling' service**  
To alleviate the problem of late payments, the government should work with business groups to develop a new social enterprise that pools the finances of small business owners, allowing them to dip into a collective pot of money as they await payments.
- 6**  
**Fully open up the new Fit for Work service to the self-employed**  
To improve occupational health, the government should allow the self-employed to access the face-to-face assessment component of the new Fit for Work service, which supports people to return to work after an illness.
- 7**  
**Address the design flaws in the New Enterprise Allowance**  
To help more low-income groups into self-employment, the government should make several adjustments to the way New Enterprise Allowance is delivered, for example by reducing the value of the payment gradually rather than abruptly, and ensuring every Job Centre Plus has a named self-employment adviser.
- 8**  
**Introduce equal treatment under the Work Programme**  
To help more low-income groups into self-employment, the government should mandate that every Work Programme provider offer specific support to people who want to move into self-employment, and consider whether the Work Programme participants be allowed access to the New Enterprise Allowance stipend.

## Thanks

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