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## The self-employment trap?

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## The self-employment trap? CEP COVID-19 ANALYSIS

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### Summary

- The seventh LSE-CEP survey of the self-employed was undertaken between May and July 2023, following the six previous surveys of May 2020, September 2020, February 2021, September 2021, May 2022 and November 2022.
- The income of the self-employed remains in the doldrums, not showing post-pandemic improvement. This is also reflected in the high probability of respondents experiencing trouble in meeting basic expenses (34%), which has shown no change since August 2020.
- The high cost of energy remains the main issue facing the self-employed, but increases in interest rates have now exacerbated their challenging financial situation, particularly for those in debt, and added to personal stress. The impact of Covid-19 is now diminishing relative to the more recent challenges.
- Effects of the current challenges to self-employment were explored in terms of a hypothetical experiment evaluating willingness to switch to a salaried employee job. Four out of 10 individuals currently in self-employment state a preference of moving to a position of regular employment, if they could secure the same income level. The situation is so marked for some groups, in particular the solo self-employed, that they would be prepared to move to regular employment even if this involved a wage cut.
- Even though there is widespread willingness of the self-employed to move to employee jobs, most of them reported that in practice they would find it hard switching. This is particularly the case for the older self-employed. For the solo self-employed, the main reported obstacles to switching concern a lack of appropriate skills and old age. This suggests some of the solo self-employed may be stuck in their current positions, with no feasible alternative to earn their living.
- The challenges faced by the self-employed are having an impact on their wellbeing. Using a public health questionnaire, PHQ-4, more than a quarter of those surveyed are experiencing “moderate” to “severe” mental health issues. The main source of distress is financial insecurity. Within the sample, younger people reported a higher rate of mental health problems reflecting the severity of the challenges faced.
- While traditionally supporters of the Conservatives, for the second time in our series of surveys, Labour is the most popular single party of the self-employed (36% say they would vote Labour in a general election). But a significant share remain sceptical or undecided. These findings suggest it is a structural shift in the voting behaviour of the self-employed rather than a blip. This may be a result of the changing composition of the self-employed as well as their recent tough experiences.

## **Introduction**

It has now been more than three years, since the world economy was first hit by the Covid-19 shock. From that moment on, the UK economy has faced a series of challenges, initially featuring recovery from the pandemic, then including the disruption associated with Brexit, sharp rises in inflation and, from monetary policy trying to counter this, increases in interest rates to their highest levels since 2008. The economy has been stagnant, with gross domestic product estimated to be only 0.2% higher than its pre-pandemic levels (ONS, 2023).

This economic context has, inevitably, had ramifications for the labour force. Evidence suggests that the self-employed in particular have suffered in terms of incomes and hours worked. One estimate is that the sector shrank by £25bn in 2022 (IPSE, 2023a) and more recent shifts in the financial markets are causing concerns regarding their saving capacity and possibility of accessing finance (IPSE, 2023b) as well as their ability to keep up with payments, including taxes (FT, 2023).

This report is the seventh self-employment briefing from the Centre of Economic Performance (CEP), following-up on the previous reports on the experiences of the self-employed in the post-Covid era (Blundell and Machin, 2020; Blundell et al, 2020; 2021; Blackburn et al, 2021; 2022; 2023). With the recent increases in the cost of living and energy prices, exacerbating the already tough aftermath of the pandemic, this survey very much confirms the continuing precarious and uncertain situation of the self-employed.

Increasing costs and the rise in interest rates have very clearly affected the ability of the self-employed to pay mortgages and other debts. This has had knock-on effects on their wellbeing and the relative attractiveness of being self-employed as a working option. Despite these insecure and precarious conditions, a large proportion of the self-employed report that they are unable to move to alternative work opportunities even though they want to. It therefore comes as no surprise that there are relatively poor levels of mental health among the self-employed, and this is particularly so for groups with specific characteristics. The survey finds that the levels of disaffection and vulnerability that the self-employed feel with their current situation is manifested in their voting intentions. In the hope of a new type of support system and income stability, the Labour party is now the most popular single party of choice of the self-employed if there was a general election.

## **The survey**

The seventh round of the LSE-CEP Survey of UK Self-employment collected responses from more than 1,500 people<sup>1</sup> between 30 May and 4 July 2023. The (online) survey asked about their incomes, profits and hours worked at different points in time in the last few years, the main challenges they face, expectations for the future and their voting intentions as well as their basic demographics. In this seventh survey, data was collected on the wellbeing and mental health issues faced by respondents following the recent increase in interest rates. Our survey findings are complemented in this report by drawing upon data from the Labour Force Survey (LFS), whose most recent wave is used to weight our survey results to make them representative. Additional details on how the data were collected are provided in Appendix B.

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<sup>1</sup> Of these, about 1,360 were still self-employed at the time of the survey, while the rest have survived the panel selection due to outdated records. See Appendix B for more details on the analysis sample.

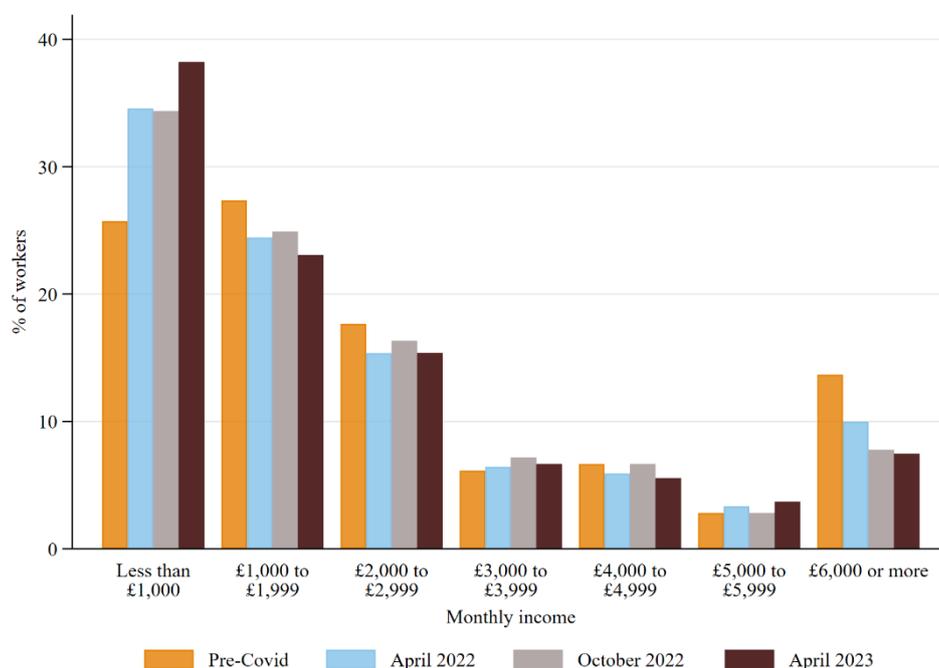
## Incomes show no signs of recovery

The past editions of the survey (Blundell and Machin, 2020; Blundell et al, 2020, 2021; Blackburn et al, 2021; Blackburn et al, 2022; Blackburn et al, 2023), have documented the impact of the Covid-19 shocks on the amount of work and incomes of the self-employed. Over time our results show that the pandemic, followed by the sharp increase in the cost of living, has affected the structural conditions of the self-employed, leaving them in a persistent and significantly worse economic position than three years ago.

Results from this latest survey provide no evidence of an amelioration of this position. Figure 1 presents the distribution of self-reported incomes over the last year and before the Covid-19 outbreak (February 2020). The increase in the share of self-employed in the lowest income band (less than £1,000 per month) is reflected in the falling share in the higher income band, in most of the cases reversing what little temporary improvement they may have experienced within the period. Distributions for profits and hours worked (see Figures A1 and A2 in Appendix A) point in the same direction, underlining how the drop in incomes is inextricably linked to the decrease in the amount of work.

It is noteworthy that the recent waves of the survey cover periods of rising price inflation in which workers in employment have experienced some nominal growth in their earnings. This is not the case for the self-employed whose nominal incomes have, if anything, worsened and so they have experienced very big drops in real labour income. And at the same time they have fallen behind those in employee jobs.

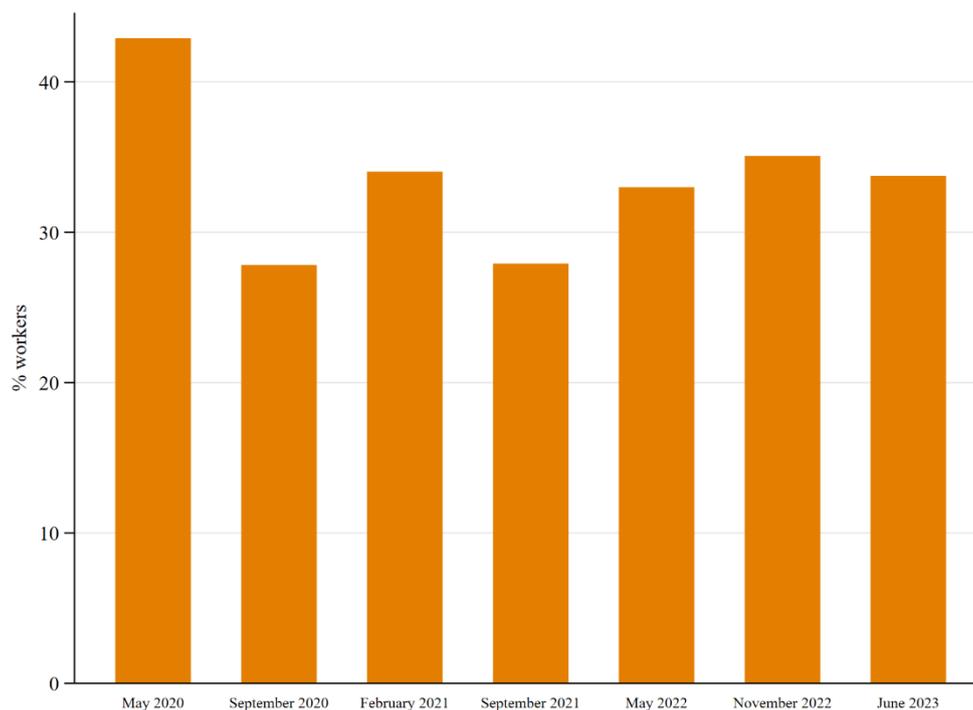
**Figure 1: Monthly incomes – Pre-Covid, April 2022, October 2022, April 2023**



**Source:** LSE-CEP Survey of UK Self-employment June 2023.

Since May 2020, the LSE-CEP survey has considered the ability of the self-employed to pay their expenses. Figure 2 shows that in June 2023 a third (34%) of respondents report having had difficulties paying for basic expenses in the previous month. This matches those reporting difficulties in 2022 but is lower than in May 2020. In this light, it should not surprise us that many self-employed workers are expected to have missed the 31 July tax deadline, with the consequent HM Revenue and Custom penalties associated with a delay (FT, 2023). These 7.5% late payment interest costs, incidentally the highest seen in 15 years, may worsen the already insecure financial conditions faced.

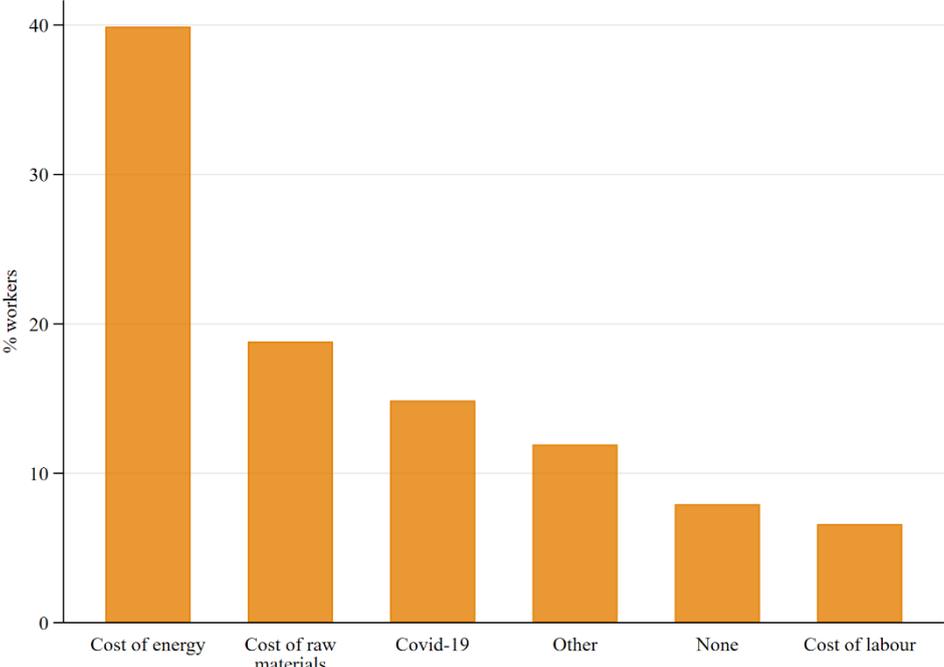
**Figure 2: Share experiencing financial difficulties**



**Source:** LSE-CEP Survey of UK Self-employment May 2020, September 2020, February 2021, September 2021, May 2022, November 2022, and June 2023. **Note:** Question asked was: “Have you experienced trouble with basic expenses in the last month?”

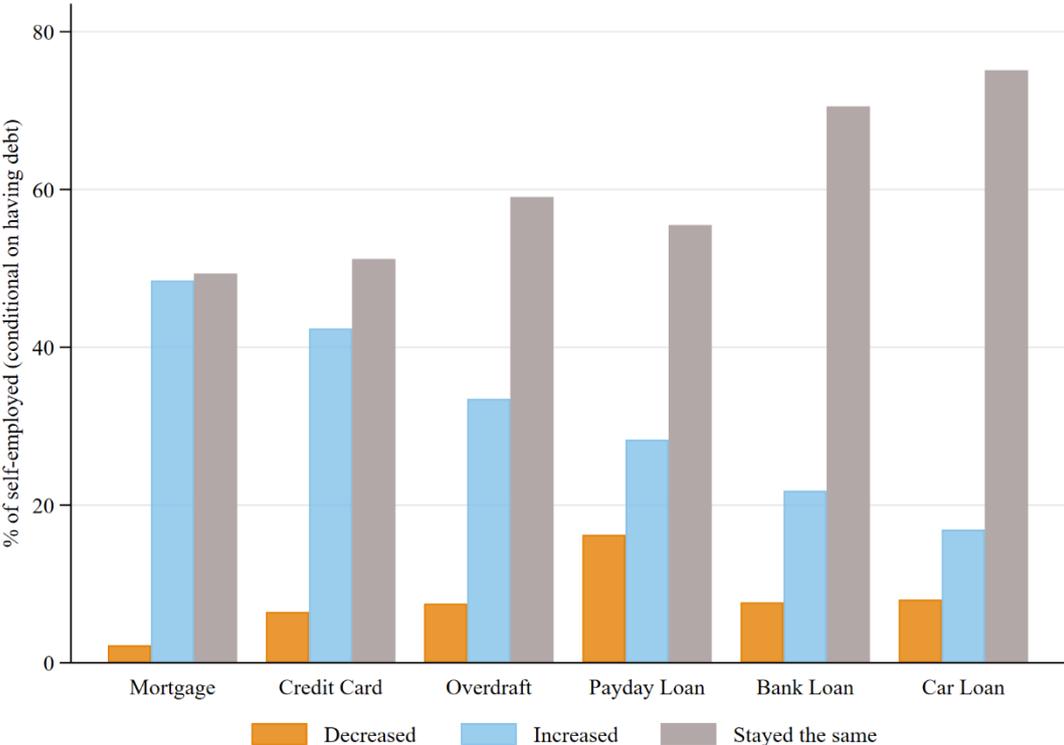
Among the many challenges faced by the self-employed, the recent rise in energy costs and raw materials, are confirmed as the most pressing issues (Figure 3). But the recent changes in monetary policy, through rises in the Bank of England’s interest rate and subsequent increase in borrowing costs, have exacerbated this situation, generating another front that they have to address. Figure 4 shows that this is especially so for those with mortgages, a reliance on credit cards and payday loans. A recent study by the Association of Independent Professionals and the Self-Employed (IPSE, 2023b), reports that it is men and limited company directors who are more likely to be homeowners and have a mortgage, suggesting an uneven impact among the self-employed.

**Figure 3: Issues affecting the self-employed**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Question asked was “Which of these issues have been the most challenging?”

**Figure 4: Changes in interest rates**



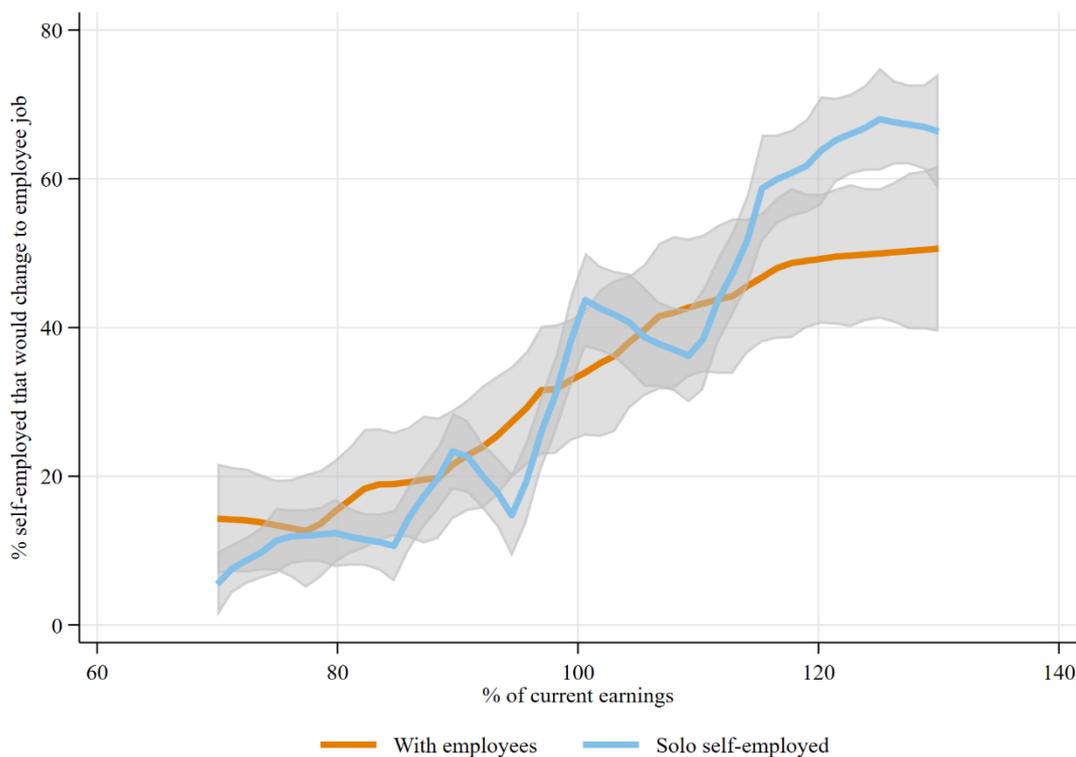
**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Question asked was: “How has your interest rate changed?”

## “Would if I could”: who wants to move into employee jobs?

In light of the recent enhanced vulnerability of many self-employed, it is worth considering what are their alternative employment opportunities? In our latest survey, we framed a hypothetical experiment with randomised earnings streams which asked respondents to think about: i) whether they could work in an employee job; and ii) elicited their willingness to pay for a move through an income sacrifice or move for an enhanced income.

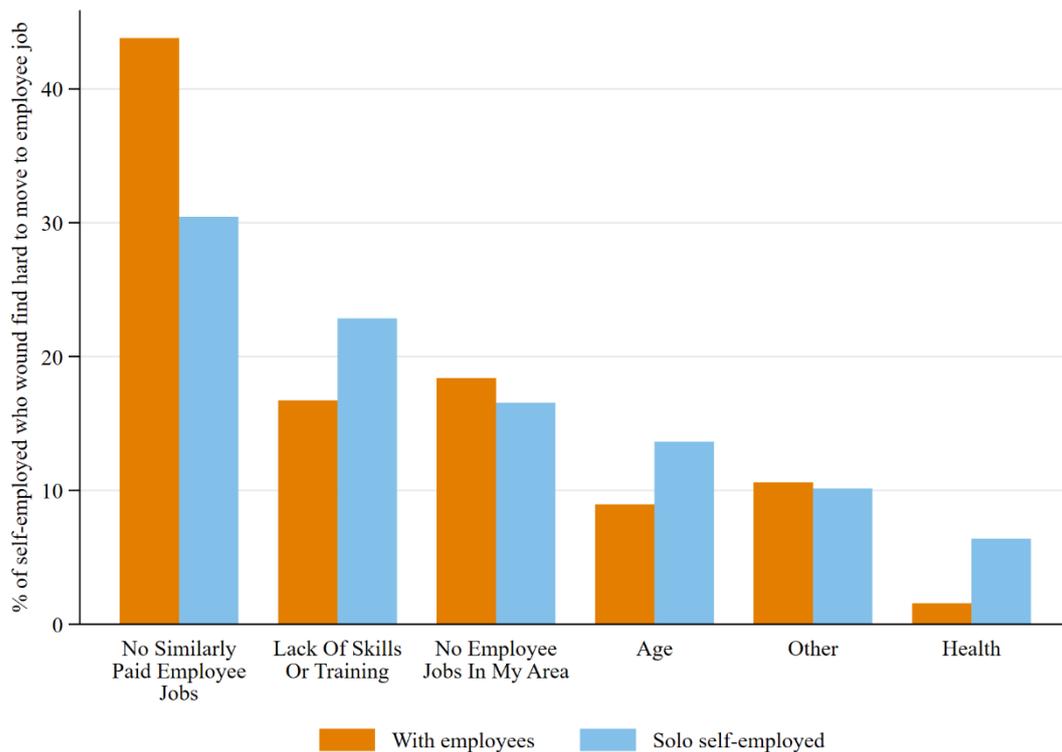
The results of the experiment are shown in Figure 5. For each hypothetical cut or increase in their current earnings, we record how many would be willing to move to salaried employment. The vertical axis shows the percentage of the self-employed who would be prepared to change their job and the horizontal axis shows how much of their current income they would want to allow a move. The latter can be a negative or positive percentage of their current income. We report our findings separately for the solo self-employed and those with employees based on an assumption that their financial stability, commitment to running an enterprise and self-employment experiences may differ.

**Figure 5: Willingness to move to employee jobs**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Question asked was “Would you move to an employee job if paid x% more than current earnings?”

**Figure 6: Difficulties in moving to an employee job**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Question asked was: “Why would you find it hard to move to an employee job?”

Overall, the results show a significant share of the self-employed would be willing to change their employment status, even if that came with a reduction in income. On average 41% would be prepared to leave self-employment if they could secure the same income (ie, 100% of current earnings). We find that differences between the solo self-employed and those with employees are marginal, although the solo self-employed would be more prepared to move given an increase in earnings (for example, around 70% would move to get 30% increase in their current earnings). This may partially reflect the fact that their baseline earnings are on average lower and/or the instability of their work. In comparison, 50% of those with employees would not move jobs even if they had a hypothetical increase in income of 30%.

This can be investigated further by examining the differences in the willingness of the self-employed to switch to an employee job if this involved a pay cut, by demographic characteristics. Table A1 in Appendix A shows the results of this exercise. The statistical regressions show that younger self-employed are more prepared to switch to employee jobs when this entails a pay cut: as an illustration, a 30-year-old self-employed worker would be 8 to 10 percentage points more likely to move than someone who is 10 years older. This relationship holds, whether or not someone has become self-employed in the previous year, confirming it is age, rather than time spent in self-employment, that matters. Although the reasons for this are not apparent in the data, this may reflect dissatisfaction of younger people with their conditions in self-employment.

The statistical analysis further explored differences in the willingness to switch to employee jobs between the UK-born self-employed and immigrants which reveals some differences. UK-born self-employed are 12 percentage points less likely to be prepared to make a switch to an employee job than those not born in the UK. This finding also holds true when age and

having become self-employed in the previous year are controlled. These results highlight the greater flexibility in the labour market of certain groups. Nevertheless, it does seem to partly reflect the fact that immigrants may be having more trouble paying for basic expenses, as the coefficient measuring an unwillingness to switch decreases by a quarter (to 9 percentage points) when a control for whether the individual was born in the UK is included. Consistently, immigrants also show a significant higher willingness to move (23 percentage points), most probably in view of the higher perceived financial stability and security associated with salaried employment.

### **Why don't the self-employed move out?**

Given that a significant proportion of the self-employed are looking to change their employment status for a more secure situation, why don't they? It appears that there is a "frustrated demand" for gaining an employee job. Indeed, when asked about the perceived difficulty of finding a job in salaried employment in the real world, a number of practical obstacles emerged.

Figure 6 shows the main reported reasons for them not finding a job, separated between the solo self-employed and those with employees. While the lack of jobs with comparable financial rewards appears to be the most common reason for not moving, there are also notable differences between the solo self-employed and those with employees. The solo self-employed are more likely to report not having the appropriate skills or training, as well as (old) age and health-related concerns.

We further explore the difficulties in finding an alternative job according to a range of demographic characteristics. Linear regression analysis (Table A2 in Appendix A) shows that older workers are more likely to report difficulties in finding an employee job, reflecting the earlier finding that they are also less willing to do so for an income sacrifice. Moreover, we observe that self-employed workers who have recently experienced financial issues are also more pessimistic in their chances of obtaining an employee job, in spite of their higher willingness to do so.

The above findings confirm the growing literature on the heterogeneity of the self-employed population, their different experiences and their abilities to respond under conditions of uncertainty. We also find that while there are some differences between the solo self-employed and those with employees, this binary classification should be treated with care. For example, there has been a recognition of a growth in highly skilled solo self-employed, including freelancers, who have high levels of job autonomy and command high levels of income (Burke and Cowling, 2020). While we recognise this heterogeneity, overall, our results confirm studies that have identified the broad differences between solo self-employed and those with employees, including the solo self-employed workers' lower levels of income security and access to the social security infrastructure (Boeri et al, 2020; Cieřlik and van Stel, 2023). This view is consistent with those that have identified differences related to motivations to enter self-employment, the scale of their enterprise and career ambitions, with some working exclusively for others and others developing an entrepreneurial venture (Rubinstein and Levine, 2020).

## **(Not) feeling too good: self-employment and wellbeing**

What influences a worker's wellbeing is complex and multi-faceted and there have been calls for more focused attention on the self-employed (Stephan, 2018). Research has found that the mental health and happiness of the self-employed is generally higher than comparable employees and this is associated with the high levels of self-efficacy and job control, even though incomes may be lower (Yue and Cowling, 2021). But the series of shocks that the self-employed have encountered over the past three years, documented in our LSE-CEP reports, may have affected this position. Following on from the financial pressures reported by the sample together with their reported difficulties of moving to an employee job, we analyse the relationship between financial hardship and levels of mental wellbeing of the self-employed. Changes in the stability of the economic context of the self-employed may have disproportionately affected their wellbeing because of reductions in work, instability in incomes and lack of a social security infrastructure to smooth out drops in income. Within the context of Covid-19, studies from a range of contexts, using a variety of methodologies have found a deterioration in the mental health of the self-employed. This deterioration is frequently associated with reductions in work levels and self-efficacy, and a rise in financial instability and high levels of stress (IPSE, 2020; Patel and Rietveld, 2020; Wolf and Patel, 2021; Yue and Cowling, 2021; Caliendo et al, 2023).

In our latest survey, we utilised the four-question Patient Health Questionnaire (PHQ-4), a common survey instrument employed by researchers to measure mental health in terms of anxiety and depression. Survey participants responded to the following question: "Over the last two weeks, how often have you been bothered by the following problems? Feeling nervous, anxious or on edge; Not being able to stop or control worrying; Feeling down, depressed or hopeless; Little interest or pleasure in doing things." Participants rated the items on a four-point scale: Not at all (0); Several days (1); More than half the days (2); Nearly every day (3). This method produces a classification in one of four potential categories of mental health issues: "none to minimal", "mild", "moderate" and "severe".<sup>2</sup>

When grouped, our findings reveal that a significant share of self-employed (31%) are currently suffering from "moderate" or "severe" mental health issues associated with anxiety and depression (Figure 7). This is in contrast with the average of 16% for the general population (ONS, 2022), pointing once again at the disadvantaged position of self-employed individuals. Our results confirm those of a study of the mental health of workers by socio-economic class in the UK, that used a verified measure of mental health, and concluded that "...small employers/self-employed were most affected in relative or absolute terms" (Kromydas et al, 2022).

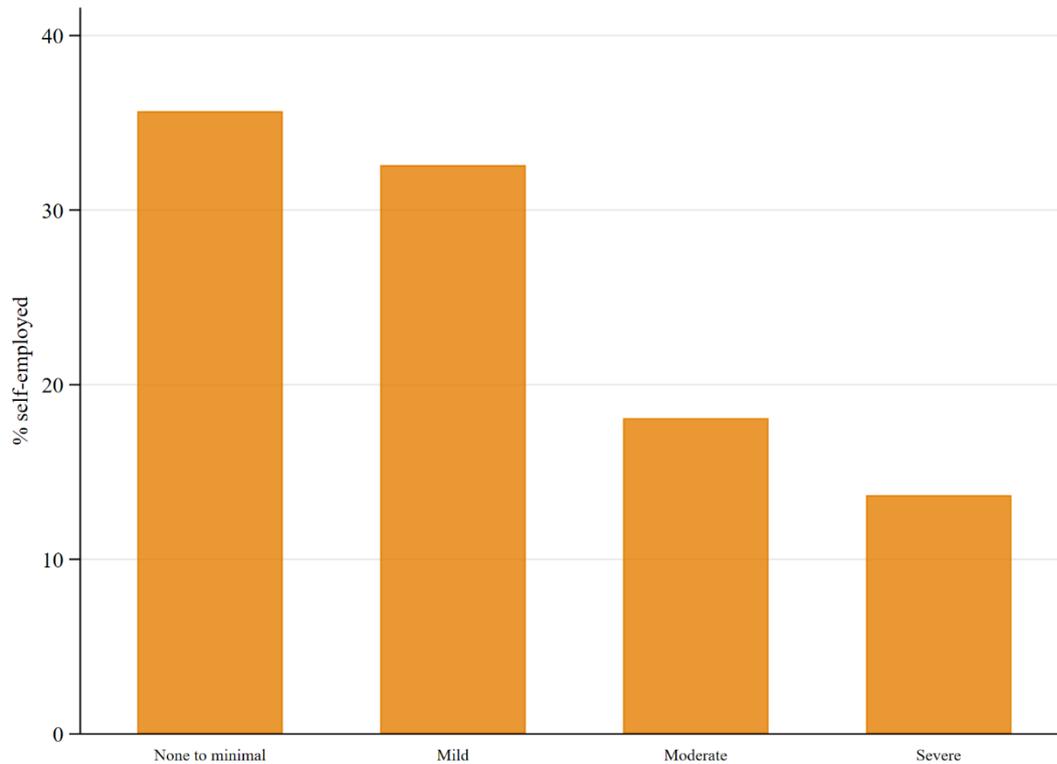
Given the different experiences of the self-employed that we have reported during and following the Covid-19 pandemic, we explored whether there are any differentials within the sample in their levels of mental health. Although the average scores are shown in Figure 7 and Table A3 in the Appendix by subgroups, these do not take into account interactions between each variable. Hence, we use regression analysis to identify specific relationships between the characteristics of the self-employed and levels of mental health, controlling other variables. Our analysis reveals that age is important, followed by having trouble with basic expenses: the younger self-employed having worse mental health problems (Table A4 in Appendix A). Among potential reasons, financial issues represent the top concern, closely followed by work,

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<sup>2</sup> We use the nomenclature and definitions as in Kroenke et al (2009).

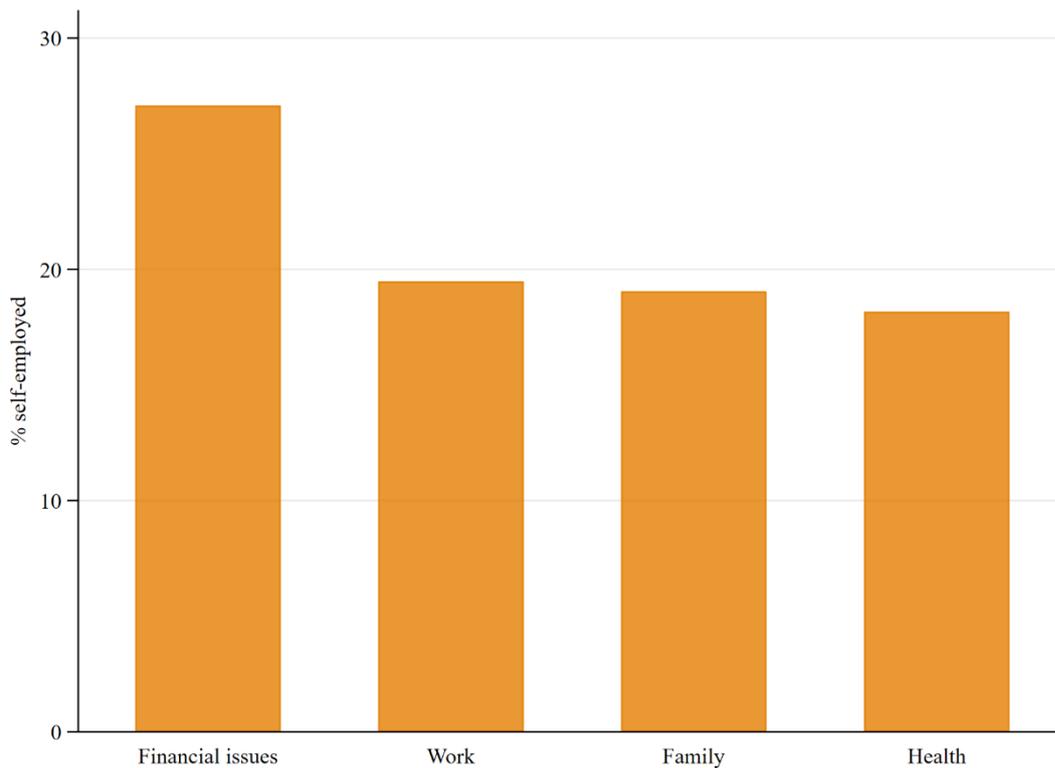
family and health problems (Figure 8). These results also confirm the relationship between financial problems and mental health of the self-employed in studies reported above.

**Figure 7: Mental health scores**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Scores are measured according to the PHQ-4 standard.

**Figure 8: Causes of distress**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Question asked was: “Have any of these caused you distress in the last year?”

### **The self-employed are steering left**

In our previous survey (Blackburn et al, 2023) we reported a high share of the self-employed population who said they would vote for the Labour party in a forthcoming general election. This is in contrast with the view that has historically identified the self-employed population as supporters of a conservative ideology and laissez-faire policies (Barisone and De Luca, 2018; Scase and Goffee, 1991). In this report, we confirm this change of direction and possible reasons for this, by also investigating self-reported past voting intentions of the self-employed. Studies of the voting patterns of the self-employed are relatively scarce and deserve more attention (Clark and Drinkwater, 2023), but given the size of this population of more than 4 million, they represent a significant share of the electorate.

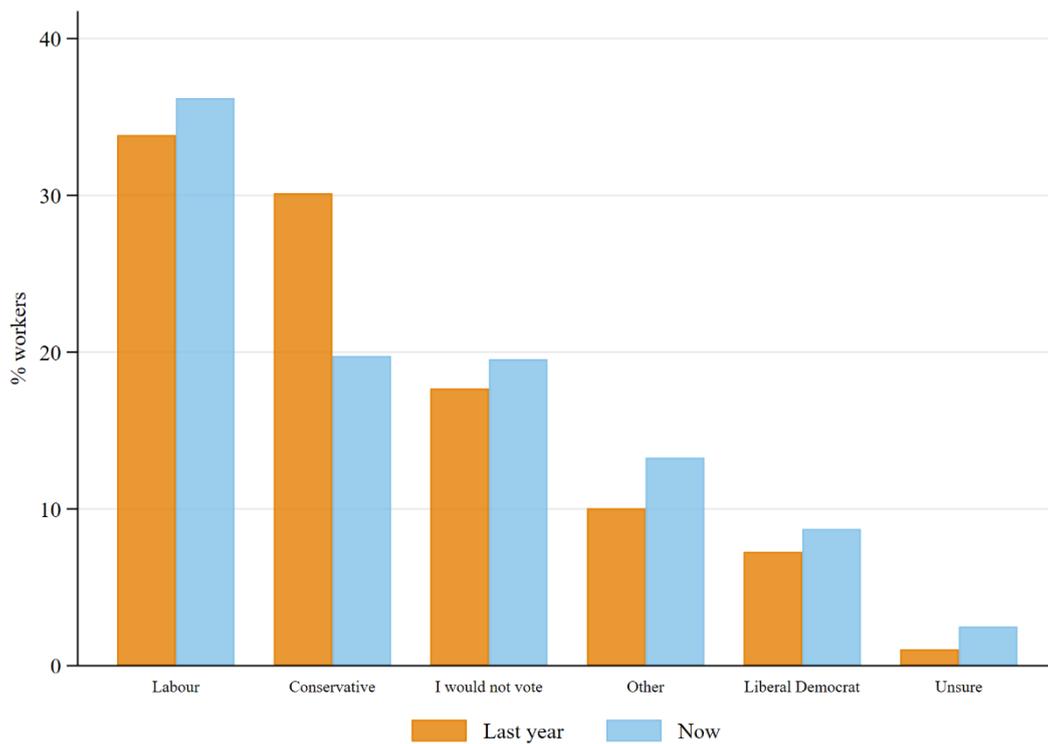
Figure 9 underlines the idea that Labour is now the first party among the self-employed. Moreover, while the difference between Labour and Conservative would have only been 3.7 percentage points one year ago, it has now moved up significantly to 16.5 percentage points: a huge increase in a single year. The fourfold higher gap is now in line with one of 17 percentage points for the general public, although this has only risen by 21% since the previous year (Ipsos, 2023).

Figure 10 highlights these recent changes in voting intentions, with the numbers representing the share of self-employed who would have voted for the y-axis party one year ago and would now vote for the x-axis party. The percentages on the diagonal are, therefore, the share of non-switchers, while the off-diagonal groups have changed their voting intentions. Two main observations emerge from looking at the plot. First, the share of Conservative voters who have not changed their voting intentions (62%) is the smallest group on the diagonal, confirming the

significant move in our sample away from the Conservatives. Interestingly, their primacy is quickly followed by Liberal Democrats voters (68% sticking). Second, most of the movers, especially from Conservative and Liberal Democrats, have switched to Labour, making it the preferred party for the self-employed. We also observe an increase in the share of self-employed who declare they would not vote, mainly coming from the former Conservative and “unsure” voters. This group, almost a fifth of the self-employed, may make a last-minute decision, based on more immediate issues or “gut-instinct”, as found in studies elsewhere (Clark and Drinkwater, 2023).

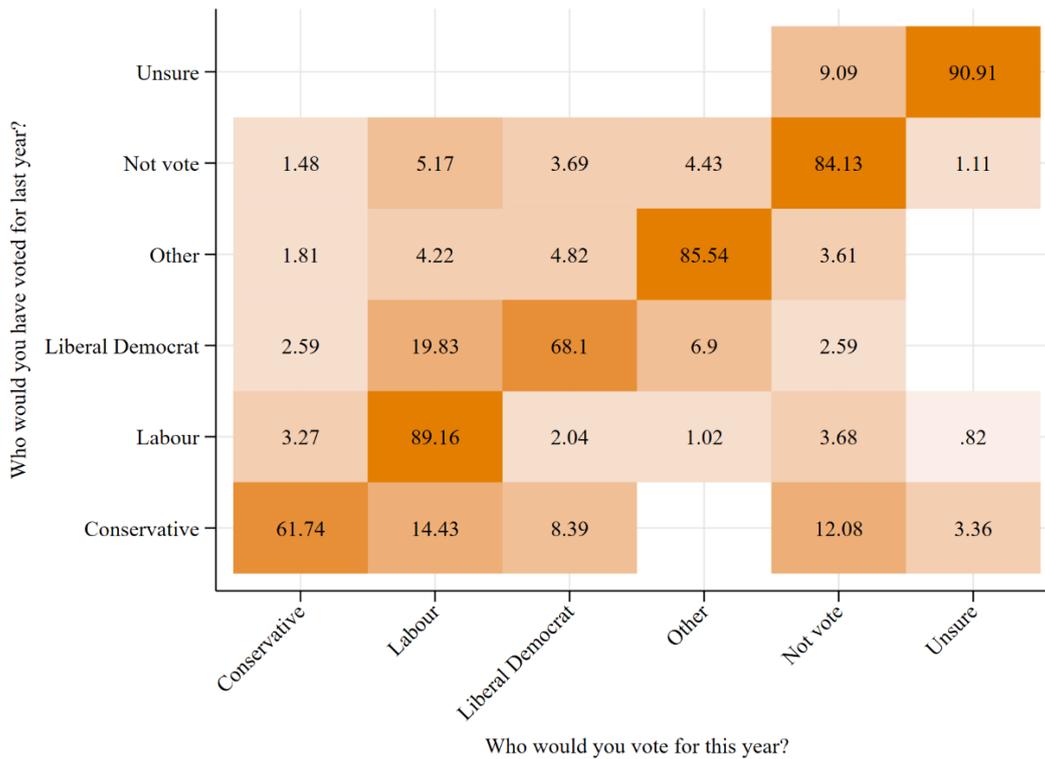
The progression towards the Labour party has also been deemed critical in considering the future political structure of the country (Otto, 2023). In particular, Otto (2023) notes the importance of the self-employed in voting also lies in their over-representation in 50-69 year olds in the population, a crucial segment in determining the outcome of elections. As our descriptive regressions (Table A5 in Appendix A) point to a positive correlation between age and the likelihood of moving away from the Conservative party, the self-employed may indeed play a significant role in the outcome of the next general election.

**Figure 9: Voting intentions of the self-employed**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Note:** Question asked was: “Who would you vote for in a general election?”

**Figure 10: Changes in voting intentions of the self-employed**



**Source:** LSE-CEP Survey of UK Self-employment June 2023. **Notes:** Question asked was: “Who would you vote for in a general election?” The numbers on the plot are percentage of respondents.

## Conclusion

This briefing presents new, up-to-date evidence from the seventh survey undertaken by CEP of the self-employed under crisis conditions since April 2020. As well as providing ongoing evidence to monitor the experiences of the self-employed since the start of the pandemic in 2020, in this report we explore the willingness and practical feasibility, of shifting to a salaried job, their mental health levels and their changing political persuasion in light of the dismal economic outcomes they have faced post-pandemic.

The analysis finds that the self-employed are facing persistent low levels of monthly incomes. These are not only below pre-pandemic levels in nominal terms, but a lot lower. Around a third reported having trouble paying basic expenses in the previous month, a figure equal to January 2021. While the cost of energy remains the largest single issue, the recent rise in interest rates has had a further deleterious impact. This is particularly challenging for those who have debt, either as homeowners or for business purposes.

Given that we found the self-employed to be experiencing ongoing challenging financial conditions and most probably a reduction in the rewards to risks involved, we explored their levels of resilience and commitment. When asked whether they would be prepared to move to a salaried job for an income sacrifice or increase, around four in 10 self-employed would move to a salaried job if they had the same earnings. We also found that the solo self-employed are more prepared to move than those with employees, particularly when this involved a pay rise

– a finding that probably reflects their lower levels of pay than those with employees. This most probably reflects a desire for security of income and a guaranteed social security net, currently absent for many in self-employment.

The analysis also found that the willingness to move out of self-employment differed significantly between subgroups in the sample. Young self-employed workers have a higher preparedness to move to a salaried job, even when this entails a wage cut, reflecting their low levels of income and wellbeing. The non UK-born self-employed report a significantly higher willingness to move (23 percentage points higher than UK-born respondents), a finding that is most probably related to their perception of the financial stability and security about non-wage features of jobs associated with being an employee.

Given the preparedness to move, we also found that a majority of respondents were still in self-employment because they would find it hard to move out of their position and find a job. While a “flight” from self-employment since the Covid-19 pandemic is acknowledged, these results show that a significant number of people are trapped.

Our previous survey results reported that the Labour party had become the most popular single party of choice of the self-employed (Blackburn et al, 2023). This latest survey confirms this pattern, finding a big increase to over a third reporting that they would vote Labour. Our analysis of switching intentions finds that unusually it is the older self-employed who are switching from Conservatives to Labour. This dynamic may have significant implications for the outcome of a future general election given the size of this segment of the population and that it is younger people who are often linked with voting Labour. Whatever the voting intentions are, it is clear from their preparedness to shift their political allegiance, that the self-employed cannot be ignored in the manifestos of the political parties.

Three major implications are drawn from this survey. First that more analysis is required to unpack the different segments of the self-employed, according to demographics and enterprise characteristics. Gaining a better understanding of the reasons for a lack of income growth of the self-employed when employees have experienced nominal wage growth as inflation has risen and, for a sizeable sub-group of the self-employed, their frustrated demand for having an employee job would seem to be top priority. Second, and related, for public policy the results emphasise: i) the importance of a system to help smooth out the financial vicissitudes faced by the self-employed during different phases of the business cycle; and ii) interventions that reduce the barriers to the self-employed switching into employment. Finally, concern is particularly expressed over the high levels of financial insecurity, stress and low levels of wellbeing among younger self-employed people.

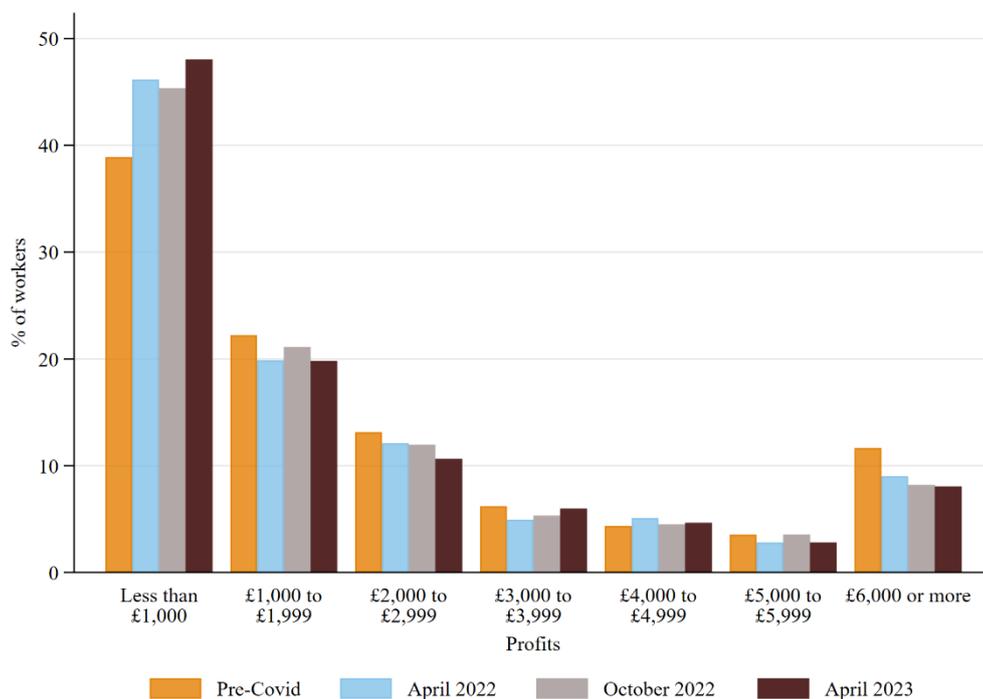
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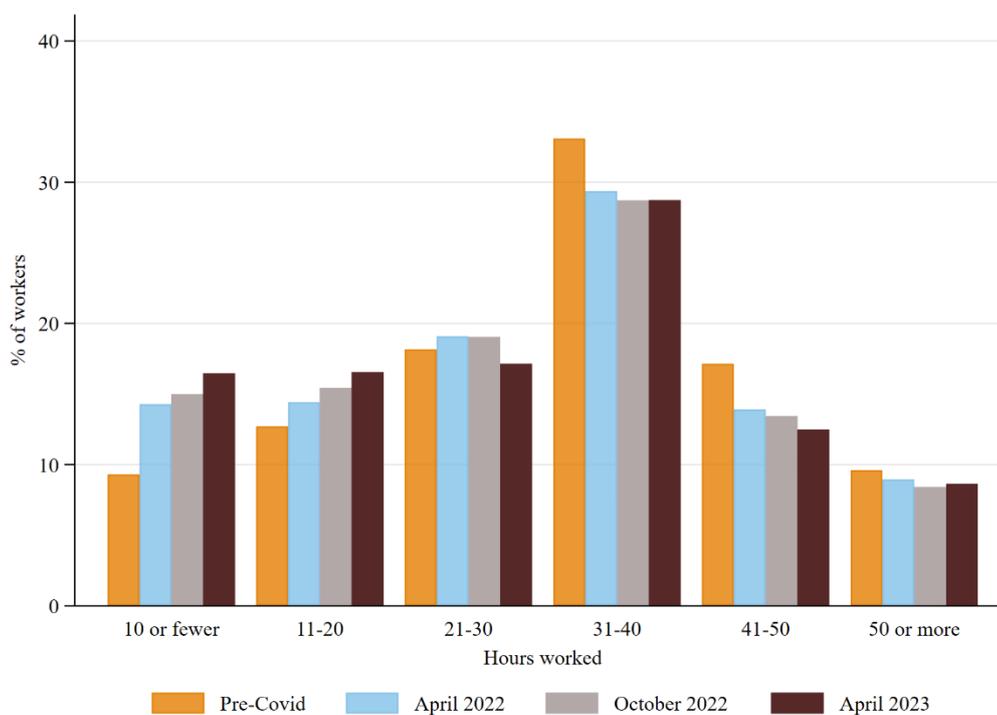
## Appendix A

**Figure A1: Monthly profits – Pre-Covid, April 2022, October 2022, April 2023**



Source: LSE-CEP Survey of UK Self-employment June 2023.

**Figure A2: Weekly hours – Pre-Covid, April 2022, October 2022, April 2023**



Source: LSE-CEP Survey of UK Self-employment June 2023.

**Table A1: Characteristics of self-employed who would take a pay cut for an employee job**

	<b>Would accept a pay cut</b>				
	(1)	(2)	(3)	(4)	(5)
Female	0.056 (0.043)	0.056 (0.043)	0.055 (0.043)	0.059 (0.0420)	0.059 (0.042)
Age	-0.010*** (0.002)	-0.010*** (0.002)	-0.010*** (0.002)	-0.008*** (0.002)	-0.008*** (0.002)
Born in the UK	-0.121** (0.054)	-0.123** (0.054)	-0.122** (0.054)	-0.089* (0.052)	-0.093* (0.052)
Trouble with basic expenses				0.232*** (0.036)	0.234*** (0.037)
Solo self-employed			0.012 (0.055)		0.001 (0.054)
Newly self-employed		-0.012 (0.0504)			-0.031 (0.0477)
Constant	1.324*** (0.187)	1.334*** (0.195)	1.316*** (0.192)	1.126*** (0.184)	1.150*** (0.194)
Observations	733	733	733	733	733
R-squared	0.202	0.202	0.202	0.252	0.253

Notes: Robust standard errors in parenthesis. All regressions control for monthly income, industry. “Newly self-employed” takes value of 1 if the worker has become self-employed in within the previous year.

**Table A2: Characteristics of self-employed who consider hard finding an employee job**

	<b>Would have difficulty finding employee job</b>				
	(1)	(2)	(3)	(4)	(5)
Female	0.017 (0.035)	0.017 (0.035)	0.014 (0.035)	0.010 (0.035)	0.007 (0.035)
Age	0.005*** (0.001)	0.005*** (0.001)	0.005*** (0.001)	0.006*** (0.001)	0.006*** (0.001)
Born in the UK	-0.041 (0.050)	-0.041 (0.050)	-0.038 (0.049)	-0.033 (0.049)	-0.032 (0.049)
Trouble with basic expenses				0.127*** (0.035)	0.125*** (0.035)
Solo self-employed			0.083* (0.044)		0.077* (0.044)
Newly self-employed		-0.000 (0.043)			-0.011 (0.043)
Constant	0.348** (0.149)	0.348** (0.153)	0.285* (0.146)	0.258* (0.151)	0.211 (0.153)
Observations	1,360	1,360	1,360	1,360	1,360
R-squared	0.075	0.075	0.079	0.088	0.091

Notes: Robust standard errors in parenthesis. All regressions control for monthly income, industry. “Newly self-employed” takes value of 1 if the worker has become self-employed in within the previous year.

**Table A3: Mental health scores of the self-employed**

	<b>Had trouble paying for basic expenses (1)</b>	<b>No trouble paying for basic expenses (2)</b>	<b>Overall (3)</b>
Overall	2.498 (1.019)	1.612 (0.865)	1.911 (1.011)
Female	2.494 (1.059)	1.738 (0.910)	2.030 (1.037)
Above 40 years old	2.424 (1.042)	1.522 (0.818)	1.796 (0.983)
Born in the UK	2.503 (1.015)	1.585 (0.855)	1.885 (1.007)
Solo self-employed	2.458 (1.045)	1.656 (0.882)	1.936 (1.016)
Newly self-employed	2.633 (0.981)	1.681 (0.856)	2.113 (1.029)
Observations	557	803	1,360

Notes: The table displays means, and standard deviations in parentheses. “Newly self-employed” takes value of 1 if the worker has become self-employed in within the previous year.

**Table A4: Characteristics of self-employed with moderate to severe mental health issues**

	<b>Has moderate to severe mental health issues</b>				
	(1)	(2)	(3)	(4)	(5)
Female	0.036 (0.030)	0.037 (0.030)	0.035 (0.030)	0.021 (0.029)	0.021 (0.029)
Age	-0.005*** (0.001)	-0.005*** (0.001)	-0.006*** (0.001)	-0.004*** (0.001)	-0.004*** (0.001)
Born in the UK	-0.034 (0.044)	-0.028 (0.045)	-0.033 (0.044)	-0.017 (0.044)	-0.014 (0.040)
Trouble with basic expenses				0.270*** (0.034)	0.268*** (0.034)
Solo self-employed			0.025 (0.036)		0.012 (0.033)
Newly self-employed		0.054 (0.036)			0.030 (0.033)
Constant	0.721*** (0.126)	0.673*** (0.129)	0.702*** (0.125)	0.530*** (0.129)	0.495*** (0.130)
Observations	1,360	1,360	1,360	1,360	1,360
R-squared	0.088	0.090	0.089	0.166	0.167

Notes: Robust standard errors in parenthesis. All regressions control for monthly income, industry and region. “Newly self-employed” takes value of 1 if the worker has become self-employed in within the previous year.

**Table A5: Characteristics of self-employed who moved from voting Conservative**

	Has moved from intending to vote Conservative				
	(1)	(2)	(3)	(4)	(5)
Female	0.026 (0.024)	0.026 (0.024)	0.027 (0.024)	0.027 (0.024)	0.027 (0.024)
Age	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)	0.002** (0.001)	0.002* (0.001)
Born in the UK	0.004 (0.037)	0.002 (0.037)	0.003 (0.037)	0.004 (0.037)	0.000 (0.037)
Trouble with basic expenses				-0.011 (0.025)	-0.009 (0.025)
Solo self-employed			-0.030 (0.035)		-0.030 (0.035)
Newly self-employed		-0.023 (0.026)			-0.023 (0.026)
Constant	-0.031 (0.078)	-0.011 (0.081)	-0.009 (0.080)	-0.024 (0.082)	0.017 (0.088)
Observations	1,360	1,360	1,360	1,360	1,360
R-squared	0.055	0.055	0.056	0.055	0.057

Notes: Robust standard errors in parenthesis. All regressions control for monthly income, industry and region. “Newly self-employed” takes value of 1 if the worker has become self-employed in within the previous year.

## Appendix B

The data collected for this policy brief represents the sixth wave of the LSE-CEP Survey of UK Self-employment, following the first edition in May 2020 and its follow-ups in September 2020, February 2021, September 2021, May 2022 and November 2022 (Blundell & Machin, 2020; Blundell et al, 2020; Blundell et al, 2021; Blackburn et al, 2021; Blackburn et al, 2021; Blackburn et al, 2022). All data is self-reported and has been collected between 30 May and 4 July. The survey was administrated by a third party, who provided the panel of individuals that have recently registered as self-employed.

Because the panel's composition is not revised daily, we were able to survey respondents that were self-employed at the time of the last update but have changed their status since. We obtained a total of 1,512 responses. The analysis uses the subset of 1,360 respondents who report their current status as self-employed. Responses are weighted to be representative of the relevant population using the aggregates from LFS, with gender, age and education level as weighting variables. Given the current instability of the labour market, population estimates of shares are likely to become outdated relatively quickly. We have used the January-March 2023 LFS, the latest version available at the time of writing.

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The logo consists of three concentric circles of varying shades of grey, with a smaller circle in the center, all contained within a larger grey circle.

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