

The need for more self employed

In early 2020 there were over 5 million self employed. The most recent figures show this has slumped to 4.3 million, a fall of 14%. This has occurred at a time of continuing low unemployment. It took place against a background of changes to Treasury rules for companies employing self employed contractors designed to reduce the numbers. There were also early retirements from self employment brought on by lockdowns.

Self employment growth is essential to healthy growth in an economy. Self employment can expand capacity quickly where it is needed. It can produce more innovation and better value than large companies can manage quickly or at all. Many self employed people provide great service. They have to take full responsibility for their actions and for their customers' satisfaction.

The latest variant of IR 35 rules makes it more difficult for people to start up as self employed, and puts larger companies off hiring them. Of course there should be rules against people who simply work for one company entering into an arrangement that is designed to create tax advantages for themselves and or the company compared with a proper employment contract and PAYE salaries. Nor do we want to see people forced into less job security by employers who want to strip them of some benefits whilst keeping the benefits of their work.

What we do want is the ability of people who choose to do so to offer their services to a range of companies and customers without tax rules getting in the way. We need a pro self employment revision to the tax code, which was better before the 2017 and 2021 changes.