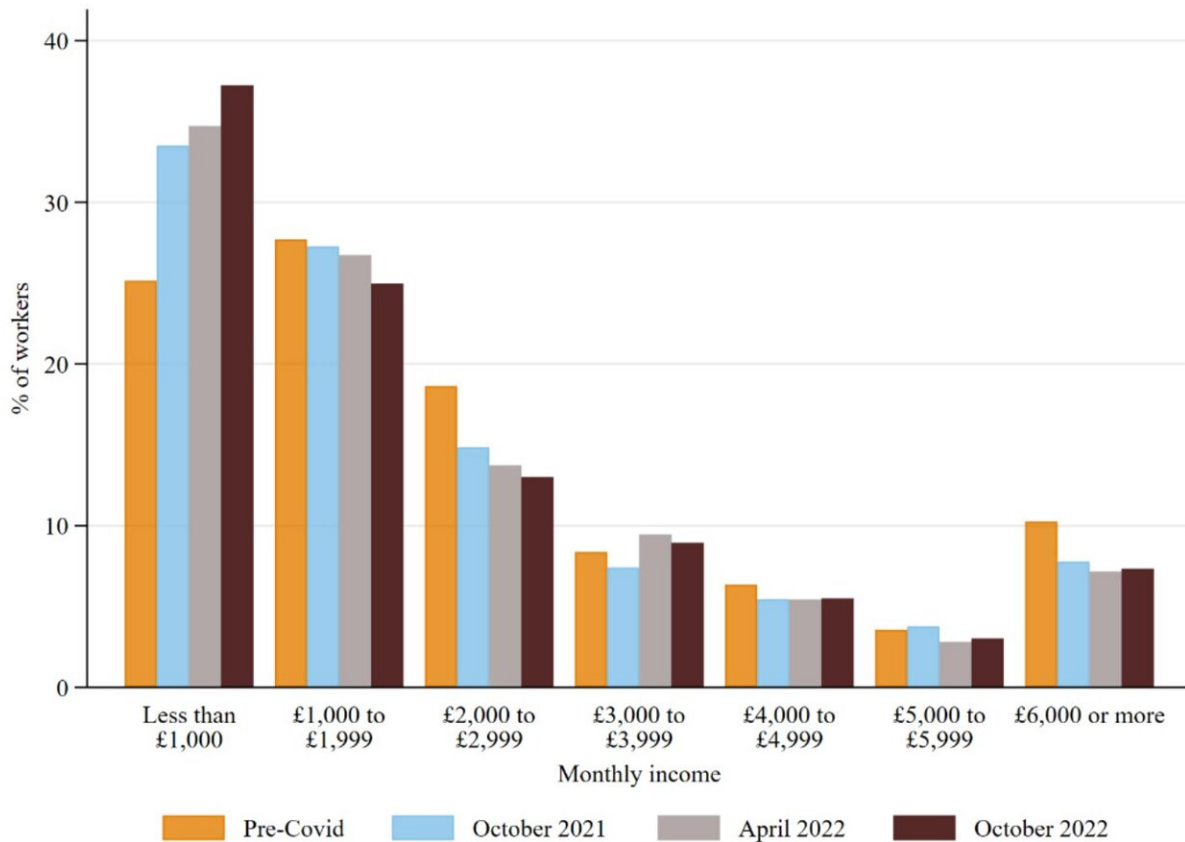


Flight from self-employment as UK cost of living crisis continues

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Monthly incomes – Pre-Covid, October 2021, April 2022, October 2022.
 Source: LSE-CEP Survey of UK Self-employment November 2022. Credit:
From COVID-19 to collapse? The self-employed and the cost of living crisis
 (2023).

New analysis of self-employed people in the UK, co-authored by the University of Liverpool Management School, shows an exodus of those who are full-time or who employ others, while most who remain in self-employment have been suffering falling incomes and profits.

"From COVID-19 to collapse? The self-employed and the cost of living crisis", published today by the Centre for Economic Performance (CEP) at the London School of Economics and Political Science (LSE), reveals that the share of self-employed people who are having trouble paying for basic expenses has risen since April 2022. More than two in five say that energy bills are now a major challenge.

The research, which draws on a representative sample of 1,500 individuals in the self-employed population, also raises concerns about pension savings among the self-employed.

Almost three-quarters of the group do not make contributions to a personal pension scheme, with a lack of sufficient income being reported as the main reason.

The authors examine the views of the self-employed on a government-backed pension scheme. They find that the self-employed would be willing to contribute up to five percent of their earnings, provided that there is a government bonus contribution of three percent. Almost half of the self-employed with annual incomes typically above £10,000 and a third of those with lower incomes would contribute to a scheme under these conditions.

Stephen Machin, director of CEP and co-author of the report, said, "One of the characteristics of the self-employed over the years has been their ability to sustain their activities, even in difficult economic conditions. But the series of shocks encountered over the past three years is fully testing this resilience. There has already been a recent exodus of the self-

employed. Our new analysis explores some of the reasons for this, and raises concerns that [economic hardship](#) among the self-employed, especially for some of those in solo [self-employment](#), will continue, given the scale of challenges."

Professor Robert Blackburn, co-author of the report and Professor of Entrepreneurship at the Brett Centre for Entrepreneurship, University of Liverpool, said, "The cost of living crisis is hitting [small businesses](#) particularly hard, with the increase in energy prices and other input costs compounding the effects of the pandemic. Inflation has taken over as the most significant challenge that the self-employed have to overcome. Their incomes, like that of employees, are falling sharply in real terms, and this is inhibiting their entrepreneurial potential."

Maria Ventura, co-author and Ph.D. candidate at the LSE, commented: "The new socio-economic composition of the self-employed and disquiet with the UK political context have combined to generate changes in voting attitudes. The results suggest a shift in allegiance towards Labour (38 percent) away from the Conservatives (24 percent), the traditional party of choice for the self-employed."

More information: Report:
cep.lse.ac.uk/pubs/download/cepcovid-19-029.pdf

Provided by University of Liverpool

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