

DEVONSHIRE HOUSE talks



An occasional Paper from
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The Truth about Jobs

Synopsis

- Politicians, Trade Unionists and other national decision makers have, generally, got it wrong. They do not have an accurate understanding of the overall construction of the labour market in the UK – the big picture and how the profile of the UK's working population has changed.
- If they did, their leadership and legislative programmes would be very different. It is time to change. Probably, life after Brexit, with our global aspirations, will demand it with delivery needing to come from individuals as much as from corporates.
- About half (55%) of the UK's working population of 32m are full-time employees on a payroll – nothing more and nothing less. The other half (45%) do something different. Understanding this 45% is what this Occasional Paper is all about.
- The difficulty in understanding this lies in the size, the terminology, the definitions and the constant change and variability in virtually all aspects of this phenomenon. This 45% includes Part-timers, Self-employed, Contractors, Freelancers, Interim Managers, Temps, Consultants (Independent or nearly so), Management Consultants, Gig workers, Semi-retired people, Portfolio Workers, Off-payroll workers, those who work through PSCs (Personal Service Companies), full-time workers increasingly doing jobs on the side, "Redundant Executives" very often position themselves – often unknowingly – somewhere in this 45% category. Some see themselves as (working) Consultants and some see themselves as unemployed and this might vary from month to month. Additionally, many move around within these categories and on and off permanent payrolls.
- This Devonshire House Network Occasional Paper comes from Working Free Ltd – www.WorkingFree.co.uk, part of the Devonshire House Network. They refer to those falling within the 45% collectively as "Self Drive Workers" – because this is what they have to do – and, mostly, want to do - and no better descriptive words have yet been found.

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Introduction

Self Drive Working is a direct linear outcome of the UK's move away from factory-based manufacturing/ industrial activity – going back to the Industrial Revolution – towards technology-driven knowledge working and 24/7 response times, increasingly being demanded by businesses and their customers. These changes – set to continue indefinitely – demand flexible labour and risk taking – all of which will increase.

Generally, there is an oversupply of goods and services in the UK and it looks like this gap will widen. This means, amongst other things, that many workers have to find different things to do. These people need to be resourceful, trained and supported. Inevitably, some don't find a market for their professional product – mainly because there is not one or was one that has now disappeared – or because their profiles and/or abilities are not right. This is the entrepreneurial risk. Self-drive workers need to continuously re-invent themselves.

Working Free's Proposal to BEIS in their submission re the Taylor Review of Modern Working Practices. 28.5.18

Government should not only recognise Independent Working for what it is but should work towards celebrating it. This should start at senior levels – as this is where maximum torque can be obtained but it also easier. Lower levels need to be handled with more care due primarily to Trade Union sensitivities and zero hours issues.

Based on the material in this Submission, we propose that where professional services are rendered through a limited company in circumstances where the hiring body may need reassurance as to the tax status of the supplier limited company, that company may rely on a clearance certificate from HMRC. This will have the effect of not requiring the hiring company to make deductions for tax and NI for fees billed nor being liable for any costs that would normally be associated with employees of that company. A key part of the clearance from HMRC will forbid any payments being made by the company as dividends out of profits generated. HMRC should also be empowered to collect due tax on a quarterly basis.

Available Data

Generally, employment data is available from the ONS, HMRC and DWP. Data available from private sources will to a large extent be sourced from these three main public sector sources. But some data from private sources is based on reduced datasets that may lack sample soundness. Some of this may be qualitative research – and produced mainly for promotional purposes – and which needs to be recognised for what it is.

The figures referred to in this submission are extracted for the ONS EMP01 statistics.

Understanding the dynamics of this market starts with asking the simple question "What is the proportion of the total UK working population who are full-time employees on a payroll – nothing more and nothing less." The balance is and has to be the so-called "flexible" labour market. This "balance" contains a broad mix of worker-types – a complex and constantly changing mix.

We contend that the only way to get at this figure for the "flexible work" market is to deduct from the total 32m – the total working population in the UK – the figure of full time employees on a payroll nothing more and nothing less. What remains – a complex mix - has to be the right figure for commentators to focus on.

These figures – see analysis below – point to very nearly a half of all the working population in the UK being flexibly engaged.

Even the word flexibly is not a good fit. We submit that a better description is "Self Drive Workers" – being workers who are primarily responsible for finding their own work – they are NOT primarily dependent on one employer for their livelihoods.

The ONS themselves would probably support this view. They rely wholly on their established panel of data providers who self-certify their figures. They feel very confident that they can accurately report the figure for full time employees on a payroll (understood to be broadly the same as HMRC figures, but not reconciled with it) – but much less so for the balance of the 32m.

Self Drive Workers are the converse of "purely full time employees on a payroll. Self Drive Workers are those who need, either wholly or in part, to find their own work, their own "clients" – their own things to do – with their infinitely variable and often uncertain levels of reward and risk. They are not dependant on one employer for their income - but could be on occasions.

At management levels, most Self Drive Workers get to this status through having been on someone's payroll as permanent employees. They stopped being an employee either through their employers' action or their own. Where through employer action, many opt to stay in the independent lifestyle because they find that it works and sometimes because they can't get a "proper job" (a traditional permanent employee role on a payroll.) Succeeding as a Self Drive Worker is never easy. It calls for information, guidance, being good at what you do (almost always a nice/ focussed approach), good external and internal soft skills – and some luck.

Working Free has been observing these figures for nearly 20 years and documenting them since 2013.

What are the implications for Government?

The Government should note two points of fundamental importance – based on the fact that this 55%/45% split has not

changed over the years and, in our contention, is not likely to:-

- When the number of full-time permanent employees increases so does the size of the “flexible” work force. This means that an improving economy benefits everyone in the workforce, however described. A rising tide floats all boats.
- This 55% / 45% split looks like being a permanent feature of the UK’s business landscape. When we started publishing our figures and views years ago we were told that rises and falls in the economic cycles would alter the balance of these figures – permanent jobs go up in good times and non-permanent roles go down. Not true, we contend. But this might be slightly true as flexible workers trading through differing formats may well earn less – or even nothing – and no-one ever finds out about it – certainly not in publishable form.

In broad terms, this 45% have to find their own work – if they want to. Having to sell their own professional services is very different to finding a permanent job and is relatively unsupported by Government. This is genuine risk. The UK has been moving away from the traditional work model for many years, – and now this level of flexibility has become significant and entrenched. How best to manage this, and to work out where it is heading to is important.

Traditionally, all the Political Parties have always talked about Jobs and about employers. The reality is that they are only talking about half the current working population. If they fully realised that, today in the UK, the other half of the 32m – the Self Drive Workers – do not want to talk about jobs and they don’t want to talk about employers or employment – they certainly do not want to hear about legislation, restrictions and accusations about tax-dodging. They want to talk about work.

They want to see a broadly based successful economy growing steadily and creatively, in new industries, in new technologies, in new places and creating opportunities for work and actively encouraging individuals in all these directions including, importantly, exporting and working overseas.

The Government needs to recognise that this is major change.

Governments somehow feel compelled to want to control and tax Self Drive Workers in exactly the same way in which full time employees are controlled and taxed – not recognising that Self Drive Workers are separate businesses, have no employment protection (limited social and legal protections, no sick pay, no holiday pay, no redundancy pay, no PHI, no other benefits) and have to pay for their own direct costs of running their businesses and take the full risk in finding their next assignment. Government’s attitude needs to change. It needs to change in the direction of everyone being winners

Example – when Government reduces public sector headcounts either after a recession – or reflecting political ideology – with

the aim of reducing costs, where do these people go and what do they do? Indeed, are any costs actually saved?

Apart from being given varying amounts of money from the public purse (unlikely to be recovered by savings for a number of years) outcomes include – some of these people do nothing, drawing unemployment pay and other benefits or go back into their former organisations as Independent Consultants. The real questions are around whether they find appropriate work elsewhere and do their former organisations benefit commercially from them NOT being there?

The allocation of public sector contracts should be reviewed to include more Self Drive Workers – not easy – but the principle of “using all the talents” is a good one. The recent practice of awarding contracts to larger companies with the provision that a stipulated volume should be passed onto small businesses has not largely worked.

What are the implications for Trade Unions?

Trade Unions are vital for the UK. And always have been. They were born out of a need to prevent exploitation and injustice for workers. This need still exists. Without it, workers would be exploited by virtually all management teams under continuous pressure to reduce costs – even by well-intentioned management teams.

Most management teams do not seriously mind being pushed into acceptance of settlements that look fair from most angles. They don’t like being forced into settlements that damage the business. The backstop is that this process generates discord and there is legislation to handle this – which, in commercial terms, seems to justify the discord.

The impact of the Self Drive Worker on Trade Unions is an interesting one. Most Self Drive Workers do not belong to Trade Unions – and see little reason to want to. Conversely, trade unions rarely think of Self Drive Workers and where they do, treat the concept as they do Zero Hours Contracts – with hostility and some outrage – and as something between an irrelevance and a threat.

There has to be a case that Unions should recognise that, as Self Drive Workers represent 45% of the 32m UK working population, that they should react positively to it. Representation might be possible where Self Drive Workers operate as a group – but most do not. Most importantly, they should prepare their members for whatever might be happening next - whether this is major technology and efficiency driven changes to the sectors where they have representation or through individual support to those of their members with personal ambition. Self Drive Workers recognise the need for a process of improving levels of knowledge, modern technical skills, added value attributes, soft skills and the personal ability to contribute to the success of the organisation – so why should

Trade Unions not recognise those features as worthy aims for their own members – and support them? Helping members to improve their personal IT skills should be part of this.

The TUC Conference in September 2018 brought many of these issues into sharp relief. Their concern is the gradual long-established erosion in membership which reflects a diminution in influence and bargaining power. Their traditional mainstream areas of manufacturing and the nationalised heavy industries are contracting at a faster rate than other areas, but with Public Sector as a main unionised area. Reflecting this, Unions should be developing their usefulness in these other areas. It should be noted that professional associations, trade bodies and formalised networking groups are continuing to make inroads here.

Employment legislation, as it affects Self Drive Workers, has been over-complex for too long in terms of differentiating between Self Drive Workers and employees. Whilst the volume of new Employment legislation has generally reduced over the last year or so, it is still quite complex for employees. However, for Self Drive Workers, there has been much relevant and continuing legislation mainly affecting their own employment status. Mostly this pushes them towards employee status. This legislation is unwelcome, unnecessary and clumsy.

What are implications for HMRC?

The job of HMRC is to collect tax where tax is due. In fairness, it is noticeable that the main area of criticism is about how long they sometimes take the answer the phone – implying that everything else lies outside the scope of critical comment. Most observers will note with some understanding their prodigious and continuous digitisation programme.

However, tax legislation around Self Drive Workers has been muddled for years. There is a sense with many that HMRC sees Self Drive Workers as tax dodgers. No doubt there are some. Generally, Self Drive Workers pay less tax than “purely full-time employees on a payroll.” Those who run their own “businesses” know how to tax-plan to best effect. This cannot realistically be seen as tax dodging, although there will be some. It reflects risk and the uncertainty of work – both as regards the level of charge and the volume, the marketing cost of finding this work and other matters that need to be paid for which would have been paid for by the employer, had the worker been an employee.

Comments on legal and definition issues.

Please note how the HMRC define self-employment:-

“A person is self-employed if they run their business for themselves and take responsibility for its success or failure. Self-employment can be in the form of a sole trader, a partnership

(two or more people who run a business), or an owner of a limited liability company (also responsible for running the business). The split between full-time and part-time self-employment is based on respondents' self-classification.”

Comments

- A self-employed person who earns little or nothing may define him/herself as unemployed.
- Why should a professional running his own small consultancy limited company be not called a full time permanent employee of that company? Many do.
- If there is a way of determining what a PSC (Personal Service Company) is, how much bigger does it need to be to escape this definition?
- You could say the same for small Partnerships, although the legal issues are different.

According to Companies House, the number of new limited companies being formed has increased significantly over the past few years. What is not fully known with any accuracy is how this increase splits over being a vehicle for the self-employed or a genuine new business, or part of an established business, and if so, of what substance – and for what purpose.

Partners in a business or professional practice – are generally self-employed. This applies to all the professional partnership practices in the UK – including most accountancy practices, law firms and some Consultancy Practices and some estate agents – and which are run under Partnership law as opposed to company law where they would categorise themselves as employees. To the extent that the responders to the Labour Force Survey categorise themselves as “self-employed” in their monthly returns, the ONS will include them in the “self-employed” figures. Otherwise, they would be categorised as “employed”.

EXAMPLE – Partners in the big four accountancy Practices – indeed, in all accountancy Practices operating under partnership law – excluding those who operate under company law – are technically self-employed. They are certainly treated that way by HMRC for tax purposes, but tax is generally collected more frequently than other self-drive workers.

Senior people retiring as soon as possible on two thirds pensions are mostly well set up – but their numbers are decreasing as pensions schemes change – and also, as, current employer and government action starts to chip away at their value. Older people who need to keep earning and also keep working for other reasons need to be supported. ONS reports that the increase in part time working is partly mainly due to older people.

It is wrong of the Government to think that all Independent workers want to get back into permanent employment. Many Self Drive Workers quote lifestyle as the main reason for

becoming independent. This seems to happen more frequently with women and, whilst there are more men than women operating as Independents, women are catching up.

Conversely, many employers – maybe the majority – welcome the flexible employment patterns afforded by Self Drive Workers and are increasingly building the use of independent workers into their resourcing strategies.

One of the contentious elements in current flexible employment patterns is Zero Hours Working. It is a salutary exercise debating the pros and cons of Zero Hours working but the practice should be seen as just part of the flexible remuneration patterns currently active in UK businesses, particularly now that most of the perceived unsatisfactory elements have been removed and responding to increasing demand for 24/7 working. It falls into the same flexible arrangements context as profit related payments – whether alongside a salary or retainer, bonus/ commission schemes and share incentive schemes and, indeed, wherever outcomes are dependent on personal deliverables or the company's performance – or both.

What are the implications for Entrepreneurs?

Additionally, and importantly, there are many individuals operating on an independent basis, setting up and/or running micro businesses or entrepreneurs chasing their ideas and not currently earning much, if anything. The burgeoning rhetoric around Entrepreneurs and Entrepreneurship – the glamour people in the Self Drive Worker market – reflects the significance of this phenomenon as between the different stakeholders – Government, businesses and the swelling ranks of individuals now operating as Self Drive Workers.

Part of the reality of this is very likely to reflect that there are many Self Drive Workers who do not see themselves as Entrepreneurs and, in fact, are. Many see themselves as Entrepreneurs and, in fact, are nothing of the sort. But the underlying reality is that this sector is vital for the future of the UK's economy. It is growing. And the Government wants it to grow. Sometimes it is not apparent exactly what the Government is actually doing in this area.

What are the implications for businesses?

There is a certain irony in that the quest for greater efficiency – whether through technology or better management – has resulted in much reduced corporate headcounts over the years. Whilst technology has had a major impact – and this will increase – what has happened is that much of this headcount reduction has been disguised by the external use of consultants, interim managers, contractors and outsourcing. There is also a

core staffing level, below which the only result is that the work does not get done – either in part or wholly or badly. (This might currently be seen in the NHS and HMP.)

"Disintermediation" (getting rid of the middleman) whilst always more of a threat than a reality can get nearer to being a reality through Self Drive Workers. Greater emphasis on key drivers to the business are increasingly being either handled or managed in-house through external parties being contracted into the organisation. Finding these people is getting easier.

The concepts of loyalty and team building are becoming opaque and, to a certain extent, self-contradictory. Loyalty is being seen less as a laudable and traditional characteristic and more of a contractual obligation and one with a mutually understood limited duration. Good pay-offs make being fired "acceptable" for many and a convenient launch pad into Self Drive status.

One of the interesting outcomes and developments in many businesses – across all professional services businesses – and probably more noticeable in the larger ones – emerges from mixing technology, more efficiency, better customer service and – importantly – accommodating the changing requirements of workers.

Take as an example any large business consultancy – where incoming work is of erratic size, type and frequency. The firm does not want turn work away – whether it be from current or new clients – but, conversely, it does not want lots of expensive employees sitting on the bench with nothing to do. Added to this is –and in more recent times – the need to keep all staff (particularly the ones you don't want to lose) engaged, mentally stretched – almost entertained - and getting as close as possible to their own personal work/ career plans.

This makes for the need to manage an increasingly complex processing of continuously changing components - and one that only works efficiently by using a graded resource bank of suitable and available workers, whether they be internal or external professionals.

"suitable and available" – means more than having the right technical and professional qualifications to do the task – and being available for the planned duration of need. It also means responding to the workers own needs – geography, logistics, domestics, personal career and experience plans and money. Every worker has, in theory, a personal cost profile. Technology can tell you what this is.

Hence the growing need for Self Drive Workers!

These principles have a much wider application and those organisations who can develop an infrastructure to handle them effectively will be the winners.

Take, for another example - UBER. The core of their business (notwithstanding distractions about employment status) is getting a driver to a customer very quickly and at a lower cost than alternative suppliers. They could not do this without

technology – and without drivers who are suitable and available – and without customers who buy from UBER rather than from more traditional suppliers.

What are the implications for Individuals?

Massive changes so far. Massive changes to come.

In many ways, this aspect has to be seen as the most important one. It's about how people earn their livings, how they live their lives and how these change when they don't have a (single) direct employer.

What has changed for the good in recent times is the arrival of "choice" and "lifestyle". Broadly, people can choose what to do with their working lives – although on many occasions it does not feel that way!

Because career development (different than skills and knowledge development) is not an issue with Self Drive Workers, higher risk work is likely to be undertaken as long as payment is more or less assured – even being "paid" in ways other than money – such as equity in a business is involved. Your client company going bust is less of an issue than it would be with a permanent employee.

Many hirers with talent management remits, see the Self Drive community, broadly defined, as a key source of specific skillsets and experience that would support aspects of corporate and business development projects.

Impact of Technology

The massive rate of development in all aspects of technology may well represent another industrial revolution. On the basis that nature itself is hugely wasteful, many expect the wasting of high numbers of people as technology encroaches. Many would say that this is what happened before and, therefore, it will happen again. Others, however, will take the view that although massive change occurred in the past, the reality was that many displaced people simply found other things to do. Their current contention is that this is what will happen this time.

Research published by PWC in July 2018 (available on their website) reports:-

"AI and related technologies should create as many jobs as they displace. AI and related technologies could displace many jobs formerly done by humans but will also create many additional jobs as productivity and real incomes rise and new and better products are developed. We estimate that these countervailing displacement and income effects on employment are likely to broadly balance each other out over the next 20 years in the UK,"

At the risk of sounding facile, this is what needs to be done by individuals to emerge as a winners in this process.

- All workers to strive to keep up to date with technology – IT, AI and Machine Learning. Important.
- Get into a position of being adaptable and flexible. Younger, early stage professionals seem to be doing this already without having to learn how to. Older workers will need to be supported.
- Keep material and financial encumbrances as light as lifestyle permits. There are likely to be more opportunities requiring relocating including overseas.
- Be in the right sector – some losing out to AI and some winning. Winners are likely to include health, professional, scientific, technical services and education. Losers are likely to include manufacturing transport and storage and public administration. (Source PWC).
- Watch out carefully for government action – and take advantage of helpful offers.
- Read about the implications for and what pathways to the future might be found in the Sections in this Occasional Paper for Government, Businesses, Individuals and Trade Unions

What is the Research Base for this Occasional Paper?

The central message in this Paper – the 55%/45% split – is based on Working Free's interpretation of the monthly ONS stats.

Readers are encouraged to be critical! You'll become aware of the complexity, the difficulty with Definitions, the constant process of change in virtually all of it – and even if you go for a different split of the figure, you will be unlikely to dispute the principles behind "The Self Drive Worker" concept.

Analysis of ONS figures (EMP01 - March 2013 and March 2018 (published 15.5.18) - **see next page**

Analysis of ONS figures (EMP01 - March 2013 and March 2018)

Published 15.5.18

	March 2013		March 2018	
	All figures	NOT F/T Employed	All figures	NOT F/T Employed
Employees (Full-time)	18565		20402	
Employees (Full-time but with a 2nd job)		1098		1137
Temps (included here in F/T Employees)		1617		1594
Employees (Part-time)	6715	6715	7029	7029
Self Employed (Full-time)	3022	3022	3290	3290
Self Employed (Part-time)	1155	1155	1456	1456
Unpaid/ family	105	105	110	110
Govt support	147	147	57	57
Total in Employment	29709	13859	32344	14673
		46.65%		45.37%

NOTES

The ONS statistics do not differentiate between the various levels of "worker" – whereas Working Free looks only at "Management" levels – seen as those who would routinely see themselves as earning about £50k and upwards, based on their previous work roles. It is felt that this differentiation does not materially alter this analysis.

The ONS retrospectively alter published figures as more information emerges – so some which are available now may differ from those stated in our schedules which we generally compile from information published as soon as

it becomes available.

The ONS figures are not reconciled with HMRC's figures for "self-employed" nor with the figures from Companies House relating to the creation of new limited companies.

Temps are included in both full-time and part-time workers on the payroll. These figures are also recorded separately by ONS and in the figures quoted in this website are deducted.

About Working Free

Working Free Ltd aims to be a leading web based UK Enabling Provider of career, professional and business development information to Director-level Independent Workers in the UK. Its primary aim is to support the senior Executive coming out of permanent employment and wondering what to do next – and how. It will also be helpful to established Independent workers at senior levels keen to upscale their effectiveness – www.WorkingFree.co.uk – 08081 565604 – 07785 297059

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Devonshire House is a people-focused membership club for Director-level professionals in leadership roles who have an instinctive focus on the human side of enterprise. Our purpose is to create, for our members, thinking time and space for key business issues and where people make the difference. Why not become a Member of Devonshire House?

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