

Is this the death of the traditional employee ?

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The total number of self-employed has now hit 4.5 million. That's around 15 per cent of the workforce and the highest self-employment ratio on record. Analysts are now vigorously debating the significance of this explosion in the self-employment figures.

What does this trend tell us about the state of the economy and, indeed, our society?

Yesterday's minutes from the most recent meeting of the Bank of England's Monetary Policy Committee showed the experts of Threadneedle Street grappling with this question. Does the trend represent, they pondered, concealed unemployment and therefore temporary "slack" in the economy? Or is it a permanent structural change in the labour market?

For one thing it is unclear as to what is driving the trend. Demographics seem to be part of the story. The surge in self-employment has coincided with a glut of baby-boomers reaching retirement age. Anecdotally, many of us know people from this generation who have quit full-time jobs and set themselves up as consultants. And the statistics show over 65s are more likely to be self-employed than other age groups. As the Bank's minutes put it, many of these workers are likely to be choosing self-employment as an alternative to retirement, rather than an alternative to employment.

But this is unlikely to be the whole story. The self-employment surge also coincided with benefits reform by the government. This seems to have pushed more people into setting up shop on their own in order to protect their incomes. The number of women entering self-employment has been particularly striking.

An important question, then, is: how comfortable are people with being self-employed? A recent survey by the Resolution Foundation think tank found three-quarters of those entering self-employment in the past five years were happy to be their own boss. But that still left a quarter, around 450,000 people, apparently hankering after a job in a firm.

There are other vital economic questions too. How will the fact that one in seven of the workforce is self-employed impact on consumption? Can people be expected to spend less and save more if their income is more precarious? Will they work longer hours and more weeks if their holidays are not paid for?

Some regard the rise in self-employment as an encouraging trend, suggesting it indicates a blossoming of entrepreneurship among former wage slaves.

Others describe the trend as an inexorable reversion to an older pattern. They describe the "job for life" expectation of the post-war years as a historical aberration.

Is the age of the traditional employee over? Are we turning into a nation of empowered entrepreneurs? Or will the new-born army of self-employed flow back to their old desks and workplaces as the economy returns to full capacity?

It is hardly a satisfactory answer when so much is at stake but only time – and more data – will reveal the answers.

(495 words)