

# Free essay about causes and consequences of increasing self- employment in the uk

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Self-employment is the practice of selling goods and services directly to the clients to create revenue for oneself rather than doing it as an employee of another business or contractor. People involved in self-employment make use of their skills and talent to reach their target market and sell their merchandise and services. Most people engage in self-employment in the quest to realize the independence and to generate income. These two factors are the advantages of self-employment. Self-employed people do not have to answer to anybody and this creates a sense of independence. In addition to this, they can set achievable goals and work towards achieving them at their pace. The self-employed people also enjoy the profits from their engagement in trading activities and this is the joy of being self-employed. However, self-employment is not a bed of roses. It comes with a myriad of shortcomings. These include lack of job security for the ones who chose to be self-employed. Self-employment ventures are high-risk activities, and there is no certainty that they will make the expected profits. In the case one does not make the expected profits; the resulting losses will push them out of business, and this will render them unemployed. An additional disadvantage is that self-employed people tend to handle all the operations of the business. Therefore, they have to be restricted to a low volume of production and, as a result, they cannot benefit from economies of scale enjoyed by larger business entities. However, the government expects them to pay taxes like everybody else, and this has a heavy bearing on the profitability of self-employed ventures.

The composition of the working population in the United Kingdom has changed over the recent past. Currently, about 15% of the working

population in the United Kingdom is under self-employment. This proportion is the highest rate of self-employment in the economical history of the United Kingdom. According to the United Kingdom office of national statistics, the rising trend in self-employment started in the post world war two eras. During this period, the rate of self-employment was 7% of the total working population. Following the war, many people were unemployed. In response to the unemployment, most of the unemployed people ventured into self-employed business as a way of creating personal wealth and this saw an increase in the rate of self-employment. In the 1980, the government initiated the enterprise allowance scheme. It provided an incentive for the unemployed people who possessed skill and talents with a potential of commercialization to start their business entities. Many people took up the incentives from the scheme and ventured into self-employment enterprises. As a result, there was a high increase in the employment rate, especially the self-employed people. As a result, the rate of self-employment rose to a record 13.4% in the year 1992 according to the data released on a report issued by the office of national statistics in the United Kingdom.

Following the recession of the 1990s and the recovery period that followed, the level of self-employment started declining. The decline in self-employment stemmed from an increase in the willingness of the companies to hire after the recession was over. Therefore, more people went into formal employment in companies. The professionals who had taken up private practice and engaged themselves in self-employment left their ventures and started working for the companies in the quest of job security and higher pay. At 2002, the level of self-employment stood at 11.9%. However, this

rate started to rise again and since the year 2002, the level of self-employment has been on the rise. Data available from the office of national statistics website shows that there were 4, 139, 000 self-employed in the United Kingdom. This proportion represented a 14. 2% self-employment level. This was the highest level of self-employment in the economy of the united kingdom of all time.

In 2011, there was the initiation of a newly structured enterprise allowance scheme. The main goal of this scheme was to increase the level employment following the 2007 great recession. This new scheme rejuvenated the self-employment scene in the United Kingdom's economy. In 2014, the level of self-employment reached an all time high at 15% with more than 14. 6 million people in self-employment. In addition, a new trend emerged where people who already had another formal job took up self-employment as a second part time job. This new category of self-employed people consisted of more than 0. 36 million people by the beginning of 2014. In its 2014 report, the office of national statistics notes that though there has been a tremendous rise in the overall level of employment, the rise since 2011 is principally attributable to self-employment. The level of employment in the formal sector has remained unchanged while the level of self-employment has been on the rise.

The recent increase in the level of self-employment is attributable to two main factors. The first factor is the inauguration of the enterprise allowance scheme in the United Kingdom. The scheme provided a financial incentive to the unemployed people to start their ventures in order to create wealth and reduce unemployment. Many unemployed people took up the incentive and

started their establishments. As a result, there was a remarkable increase in the level of self-employment.

The second cause of the increased self-employment is attributable to the lack of jobs in the mainstream job market. Many citizens of the United Kingdom suffer unemployment because they cannot secure jobs in the job market. Learning institutions keep churning out fresh graduates every year, but the job opportunities available remain limited. Firms are less willing to hire more employees compared to the recovery after the recession in the 1990s. This unwillingness of the firms to hire leaves a huge number of professionals unemployed. As a result, they decide to make use of their professional skills in private practice and private ventures as a way of generating income. This engagement in private practice in turn contributes to an increased self-employment.

The effects of the increased level of self-employment are numerous and widespread affecting all components of the economy. The main negative effect of self-employment is the deterioration of the working conditions in the United Kingdom. The fact that more people are involved in self-employment means that the industry has become more competitive. It also means that the industry is more crowded than before this era. More and more people engage in the craft self-employed ventures. In order to make profits in a competitive market, the self-employed people have to work for longer hours and less money. The long working hours and low pay contribute to the poor working conditions.

More than 25% of the people who are self-employed in the United Kingdom work in ventures involved in construction. Most of these people work for

more than 45 hours per week. In a week, the average self-employed person works for a total of 40 hours. On the other side, an employee in the formal sector has a working week that comprises of 38 hours. This the workers who are self-employed end up working for longer hours than their counterparts do in the formal sector. The shorter working hours for the employees translates to better working conditions for them and poorer working conditions for the self-employed workers.

In addition to this, the income realized by the self-employed workers has been on the decrease. Data released by the office of national statistics in the United Kingdom shows that the between 2013 and 2014, the average income made by those involved in self-employment decreased by a whopping 22%. Statistical projections show that the average income of the self-employed workers will experience downward shift in the future. This downward shift is an indicator of deteriorating working conditions. Therefore, self-employment has greatly contributed to worsening working conditions. Regardless of lowering the quality of the working conditions, self-employment is the greatest contributor to the reduction of unemployment in the United Kingdom. According to data from the office of national statistics in the United Kingdom, self-employment is the sole income earner for more than 4, 600, 000 people. This proportion forms 15. 0% of the working population in the United Kingdom. In addition to this, self-employment acts as an additional source of income to more than 360, 000 people who already have other jobs. Through the provision of employment to approximately 5 million citizens, self-employment helps in minimizing unemployment in the United Kingdom. It is the realization of this effect of self-employment that

guided the initiation of the enterprise allowance scheme. The reduction of the level of unemployment helped to buffer the economy feet following the great depression of 2007.

In addition to reducing unemployment, self-employment is a source of income to the people involved in it. It helps them to provide for their families. In addition to this, self-employment ventures are sources of tax to the government. Though the collection of taxes from the self-employment ventures is complicated, they form a significant portion of the contributors to the national fund. The government utilizes these funds to finance public projects.

In conclusion, self-employment has increased in the recent years. The initiation of a novel phase of the enterprise allowance scheme in 2011 and the lack of jobs in the mainstream job market have greatly contributed to this trend. The self-employment comes with both positive and negative consequences. The positive consequences are to the economy that enjoys buffering during the recovery from the recession. The self-employment reduces unemployment indicating positive economic performance. Those who are self-employed feel the negative consequences of the increased self-employment. They have to work for longer hours and lower pay due to the increased competitiveness in the self-employment business environment. However, the positive consequences of the increase in self-employment outdo the negative consequences. The creation of revenue for those involved and for the government are welcome outcomes of the increased self-employment. Therefore, an increase in self-employment is a welcome development in the economy of the United Kingdom.

## **Bibliography**

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