

Advice and support for the self-employed – improving the chances of running a successful business

As the number of self-employed people increases so does the need for advice in this area. John Dougill, Bob Russell and Barrie Clarke of Citizens Advice Reigate & Banstead realised that self-employed people with technical and professional skills were well-served for advice and support but there was a gap in provision for those in home and personal service businesses. Here they reflect on the need for advice and support for new 'hands-on' traders and how the gap might be filled.

1. The growth of self-employment

Since 2001 the number of self-employed people has increased by 45% from 3.3 million to 4.8 million (1). Meanwhile, the growth in 'insecure' jobs, worries about 'bogus' self-employment, and the direction of benefit policy have all raised the profile of self-employment.

The government realised changes were necessary and the prime minister asked Matthew Taylor to carry out an independent review of modern working practices. Matthew Taylor's report – Good Work – was released on 1 October 2017 and recommended, among other things, "A new offer to the self-employed" which recognises their vulnerability in regard to financial uncertainty, saving for the future, having a collective voice and making informed decisions. (2)

The Government issued its formal response on 7 February 2018 and ministers acknowledge the real differences between standard and self-employment. The government follows the Taylor report recommendations in agreeing that technology can, in various ways, improve the experience of freelancing. A section on "Support for the self-employed" points to current financial and support initiatives it will seek to build on. (3)

2. Client problems

At Citizens Advice Reigate & Banstead we had been aware for some time of the increase in genuine self-employment as well as the increase in bogus self-employment. In 2016 however we began to notice more clients with common problems – debt, housing, relationships – whose origin was traceable to difficulties at work and, in a notable number of cases, to their genuine self-employment.

We began to compare their stories and three things quickly became clear. First, unforeseen problems linked to self-employment were affecting their lives and families. Second, although the self-employed had found the higher job satisfaction they were seeking, – they were working longer hours, often for lower pay, than people in employment. Third, they generally had valuable skills, confidence and enthusiasm but were still getting things wrong.

Why was this happening? Deciding to go it alone and start work on a self-employed basis is a significant moment in a working life. The Matthew Taylor report is clear that self-employment won't be right for everyone. He says, "the decision to become your own boss should be done with all the facts". When we researched the advice available we found a wealth of high quality material on the mechanics and formal requirements of self-employment. There are check-lists for everything: insurance, taxation, record keeping, choosing an accountancy package, and much more. There are also funding incentives through the New Enterprise Scheme and help from dynamic local authorities which provided useful and relevant advice and support to budding tech and professional entrepreneurs. But, we found much less help for people starting more 'hands-on' businesses such

as domestic or personal service business such as plumbers, gardeners, hairdressers, cleaners or electricians. There was a gap in advice and support in basic business skills such as how to acquire customers; how to relate to clients; how to source materials; how to estimate and price work; how to keep records; how to monitor progress and how to meet the requirements of HMRC.

Our research showed problems coming from a lack of awareness and inexperience.

Case Study 1: Terms of trade: trader not consumer

*Two brothers are in business. They do small extensions, and kitchen and bathroom refurbishment or updating. One brother came for advice because a supplier had refused to take back a bath that appeared defective. If he had been a consumer, his supplier would have had to respond by remedying the fault, replacing the bath or refunding the amount paid. **But he was a trader and bound by the supplier's Terms of Trade. He was selling on the bath as part of a refit.** It was a special item, ordered from abroad and he would charge to the householder as part of works undertaken. The Terms of Trade specifically included a condition that special items, one-off orders to meet a particular need, could not be returned. Our trader had not read the Terms of Trade and was left with a bath that was rejected by the client. He would have to pay for the item himself unless he could arrange something with the supplier.*

Case Study 2: Estimates and contracts

*Our client, an event caterer, responds to an enquiry with an initial estimate. If interest persists, the estimate is fleshed out into a quotation. When accepted, this forms the contract for work she will do. Besides costs and payment, there must be discussion on timing and any facilities the client will make available, such as access to a kitchen. What has been agreed will need to be linked with, or written into, the quotation. **The client must understand and accept the scope of the work and what cooperation and facilities she will provide to make it possible.** A successful trader handles this, making clear the uncertainties and how they will be dealt with. But this vital phase of involvement with a client may be new to someone taking on a project for the first time.*

3. Looking for solutions

The issues that we were seeing led us to identify a gap in support for early-stage self-employed people and those thinking about it. We worried about this because we felt that when a hands-on sole trader was in trouble the impact on their family and community would almost certainly be greater than for those in the technical and professional sectors. We formed a project group of volunteers to look at these problems and think who might fill the gap and how.

Our first initiative – a dedicated ‘Talk Self-Employ’ blog on our website – wasn’t a great success. We produced a steady stream of posts on case studies, labour market developments and sources of support. It showed people what we were about but didn’t get a conversation going as we had hoped.

Our Twitter feed @ReigateandBCAB was more productive. We could engage with local business groups and stakeholders as part of a contact programme. Through the programme we have held meetings with our local council economic prosperity team and taken part in local guild meetings.

Late 2017 we published ‘Better Self-Employment’, a report authored by group member John Dougill, setting out our case in the context of the public debate on insecure employment, bogus self-employment and the Taylor review. (4) It uses case studies and short commentary to explain the

difficulties. Our main areas for potential assistance are for a 'buddy' or mentoring scheme to introduce learners to successful traders; and a properly funded online forum carrying information new and early-stage self-employed people find easy to engage with.

In the year ahead the report will be the basis of Citizens Advice Reigate and Banstead continuing campaign to build awareness of the need for support and advice for the 'hands-on' self-employed. The aim is to find partners who share our belief that a new framework of relevant support would help the economy and society by enabling more skilled people to take the plunge into self-employment and succeed.

4 Next steps

We hope to take our ideas forward by engaging people who can make a difference.

We hope to continue to raise awareness of the need for advice and support for self-employed businesses. In particular, more 'hands-on' self-employed and those who are starting out. We would like to work with the local borough council, local business guilds and Job Centre Plus to recognise the importance of supporting basic knowledge when preparing to set up a self-employed business and in the first year of work. We would also like to engage with the local business community to create interest and involvement in a community effort such as buddying or mentoring a newly self-employed person.

We will also be continuing our social media work to try to support blogs and discussion groups. Follow us on twitter @ReigateandBCAB.

Notes

- 1 Trends in self-employment in the UK, ONS, 7 February 2018.
- 2 Good Work, The Taylor Review of Modern Working practices, BEIS, July 2017
- 3 Government response to the Taylor review of modern working practices, Policy paper, BEIS, 7 February 2018
- 4 Better Self-Employment, Citizens Advice Reigate & Banstead, October 2017