

Working as a self-employed professional, freelancer, contractor, consultant ... issues, questions ... and solutions?

TUI McKEOWN* AND PATRICIA LEIGHTON**

This special issue ‘Working as a self-employed professional, freelancer, contractor, consultant ... issues, questions ...and solutions?’ covers such a broad range and depth of topics that capturing the essence seems almost impossible. We, therefore, open this special edition with a snapshot from thought leaders from around the world.

These snapshots cover a world view, presented by renowned British organisational theorist, consultant, and London Business School Professor Lynda Gratton, an Australian perspective from Australian Small Business and Family Enterprise Ombudsman, Kate Carnell to a UK view from Cambridge University’s renowned Labour Law Professor, Simon Deakin and a EU perceptive from esteemed European Policy Centre Advisor, Hans Martens.

As you will see, while they are united by being well informed of the issue, they all come to the topic from different (sometime very) perspectives. All of our contributors have written on the subject, including for policy development and have an ‘expert eye’ on the topic.

THE RISE OF THE INDEPENDENT PRODUCER

By Professor Lynda Gratton
London Business School

We are about to witness a significant increase in the number of people across the world who decide to work for themselves or start a new business. This is being shaped by a number of trends that are influencing individual aspirations and changing the dynamics of the market place for jobs.

Clearly technology will be a key enabler, allowing people to connect with each other, to reach previously unexplored market places and to use the ever-growing array of apps and platforms to power their business. But it is more than that. My research, with the economist Andrew Scott, has argued that the emerging reality of the 100-year life is that people will work a great deal longer – perhaps into their 70s and 80s and that the traditional three-stage life will be replaced by multiple stages of life and by the emergence of a wider array of ways of working.

Some of those who are self-employed will become what we term Independent Producers. These are people who are not, in the main, aiming at building a company that is intended to last and grow and prosper, and then be sold on. Instead they are creating more transient structures; some will be pop-ups intended to grab the moment – with the emphasis on the activity itself rather than the outcome, the start up not the sell out. This is less about building a corporate entity and accumulating financial assets, and more about spending a block of time, at any stage in a working life, engaged in independent self-supporting productive work: making a product, creating a service, building an idea.

* Monash Business School, Monash University, Vic., Australia

** IPAG Business School, Nice, France

Becoming an independent producer could be an early-stage choice – with a significant emphasis on building credentials and creating a good reputation. This more than a traditional linear autobiographical record of institutions attended or qualifications gained. Instead, it is a period of curating a reputation that is made up of many different forms – what has been achieved, what has been experienced, networks that have been created and evidence of cocreation and working collaboratively with others.

Being an Independent Producer could also be a lifestyle choice and the means of preservation of financial assets later in life. Many of those over 55 are already becoming self-employed, and we would expect people in their 70s and 80s to join this group. Some will choose to continue to work fulltime, others will build a portfolio, but some will choose to put their time and energy into creating something that has the potential to excite and interest them and possibly to be a legacy for others. Working actively under their own self-management is a wonderful way to preserve their lifestyle whilst also supporting their vitality and productivity.

This emphasis on a multistage life will bring to the fore the capabilities to transform, to create diverse networks and to be prepared to take an active and reflective view of life's possibilities.

SELF-EMPLOYMENT: THE KEY TO JOB CREATION IN THE 21ST CENTURY

By Kate Carnell

Australian Small Business and Family Enterprise Ombudsman

There has been a clear structural shift in the labour market towards self-employment in recent years. Australia – and indeed the world – has seen an increase in the numbers who have chosen to leave salaried employment and go-it alone.

It could certainly be argued that governments have failed to keep pace with the rapidly changing nature of the workforce, and an agile response from our law-makers – and the labour market itself – is needed if we're to support the self-employed and create an environment that endorses this form of work.

Approximately 2 million Australians are self-employed; put another way, that's just over 17% of our workforce.

The motivations for self-employment are surely as varied as the professions these workers represent. Whether the decision is a financial one or a lifestyle choice, technology has opened up this frontier in a way that dangles the prospect of self-employment in front of vastly more people than ever before.

However, opening up these new horizons is not without its challenges; there are three key areas that we as small business advocates need to focus on if society is to truly embrace this form of work and reap the rewards it brings the broader economy.

Cultural attitudes

Community attitudes are varied on the viability of self-employment. Those in the 'pro' camp see it as a legitimate form of work that affords a work-life balance that's simply not attainable in traditional employment. Others however believe this phenomenon is being driven by nefarious company executives, determined to save a dollar by engaging the self-employed and exploiting them through under payment.

The idea that self-employment creates a power imbalance between employers and those working for them is certainly one promoted by unions, who aren't exactly cheering for employment arrangements that deny them members, especially at a time when their numbers are dwindling.

The reality is – and this is backed by research – that the vast majority of those who are self-employed are doing it because it suits them; their primary motive is simply seeking to control their working life.

Getting the regulation right

While in the minority, unfortunately there are people who think if they engage self-employed workers, they can rip them off. We must therefore create adequate protections within our commercial frameworks to stop any potential exploitation.

The key to self-employment – indeed to any small business – is contract integrity; we need light approaches to regulation that ensures the rule of contract law applies in practice, and in a way that enables people to freely conduct business.

The new unfair contract laws coming into effect in Australia this year, are a game changer in this space; these laws will give the self-employed clear contractual rights in what is potentially a lop-sided relationship.

Fundamentally, the key is to make sure commercial regulation in relation to self-employment is as simple, and as clearly defined as possible.

It's also worth noting here the challenges self-employment can present when it comes to retirement. Research by the Association of Superannuation Funds of Australia found that almost 25% of self-employed people have no superannuation, and those who do, only accumulated it from a time in their career when they were an 'employee'.

At present, the majority of the self-employed will struggle to secure comfortable levels of retirement income; in terms of regulation, more needs to be done to incentivise them to better prepare for their retirement future.

Promoting sound business practices

The idea of becoming your own boss can be tempting for many, but self-employment is not without its pitfalls. It's certainly true that a substantial percentage of new businesses fail within the first few years, due in large part to a lack of business savvy; many people decide they'll go into business based on their area of expertise or passion, but that in itself is not enough. Basic business skills – at the very least – are fundamental to long-term success.

Without knowing how to properly structure and run a business, the self-employed are doomed to fail. So it's essential that as interest in self-employment grows, people not only have the right business skills, but also have access to the specialist advice (i.e., lawyer, accountant) that they need to flourish in this space.

Here in Australia, the government has established a specialised website (www.business.gov.au) which contains easy to access tips and guidance for those pursuing self-employment. As small business advocates, it's important to focus on measures like this, which better prepare the self-employed for what lies ahead.

Conclusion – the next decade

The number of people in self-employment is growing. The challenge, however, is to ensure that those who have opted out of traditional forms of employment can operate their small business successfully, on a level playing field, unrestricted by onerous and rigid regulation, within a welcoming labour market that values their contribution.

At a time when governments around the world are increasingly framing policy within the prism of innovation and enterprise, a sensible approach would be to develop mechanisms that support the agile nature of our modern workforce.

The self-employed – who by the very nature of their work are intuitive and highly motivated – need to be embraced and given every chance to flourish, if they're to make the substantial contribution to the overall economy that they're indeed capable of over the coming years.

NEW OPPORTUNITIES FOR WORKING AS AN INDEPENDENT

By Hans Martes
Senior European Policy Centre Advisor

A lot of our thinking is still focussed on the industrial age. It did shape the fundamentals of our systems, including our political parties, and the nostalgic discussion about the ‘capitalists’ and the ‘proletariat’ still prevails in the minds of many. It was a time where you were the employer or the employed, and the roles were fairly straight forward and easy to understand for all. Today and tomorrow, we will be living in a different world – moving from the industrial society to the knowledge society and thereby also to different social and labour market roles.

I have been a ‘capitalist’ feeling very much as a member of the ‘proletariat’ because I choose to work independently. Sometimes with a few associates. Sometimes alone. And all of it has been wonderful. I have often left discussions with larger corporate clients thinking how nice it was to be outside of the turf wars that are nearly always felt when talking to large corporations.

But on the other hand one is also exposed as an independent. Deliver and get paid, and if you don’t deliver, then it is the worst for yourself! Illness can mean no income, and not enjoying sickness pay as the employees get. But that is all a part of the game, and a risk to be taken – and be taken care of – if the choice of being an independent is made.

Technological developments have changed the game quite a lot. From the times of good old snail mail via the fax to the internet has created a whole new ball game. A way to succeed as an independent is to have a network – a number of collaborators that can support and with whom tasks can be exchanged. Before, it meant talking head to head or over the phone or writing letters. Now we can work together on projects via email and all the different work platforms that exist, so suddenly your collaborator may sit in a different part of the World. Where you sit doesn’t really matter as we have moved from the industrial to the knowledge society.

In addition, financing and marketing has become very different suddenly. Launching a good idea as an independent meant going through the traditional channels of financing, and do I need to remind anybody about how difficult it was (is) to convince your banker about your brilliant idea? Who cares nowadays? Crowd funding is a modern alternative. More people are also willing to take risks by investing, partly because the individual credit can be fairly small, partly because of the explosive growth that is seen when upstarts become multibillion successes within a short time span.

As mentioned before, modern ways of communication has also changed marketing dramatically. Few independents could advertise in the traditional media, but using social media and dedicated websites doesn’t cost a lot – if anything at all – and the whole world is within reach.

Is working as an independent for all and for all age groups? Statistically, I should have been fully retired, playing golf and cruising the world, but I don’t. I work (at least most of the time) as an independent. And actually work as independent who can address some of the issues we have about the ageing of the population and the difficulties we are having with raising the pension age. There is an enormous potential in using the digital society to keep you busy, even in a higher age, and thus being able to support yourself rather than burden society, that is the young taxpayers!

Will work as independents be sustainable in the future? It will depend on the different national cultures, where some tend to favour independent work, while others are dominated by the traditionally more secure lives as employees. However, the stability of the employee status is perhaps the thing that is not sustainable.

Labour markets have generally proved to be rigid and rigid labour markets do not fit well with the fast-changing world we now live in. Even traditional secure jobs are disappearing, and policies to get more flexibility in labour markets are being pursued everywhere. Digitalisation also means that many jobs disappear – from industrial robots to automation or digitalisation of service jobs.

The independents might actually fit very well into this labour market of the future as independents are good at being flexible, at adapting to changes and take directions towards new opportunities and be less vulnerable to adverse changes in the environment. It goes without saying that this requires that the individual independents are moving with the tides and are willing to adapt, but in this context big is not necessarily best – rather the opposite.

A DIFFERENT VIEW OF SELF-EMPLOYMENT

By **Simon Deakin**

Professor of Law at the Faculty of Law, Cambridge, and a Fellow of Peterhouse, Cambridge and Programme Director, Cambridge Centre for Business Research

Unlike some of the other contributors to this volume, I do not believe that self-employment is about to displace wage labour as the predominant form of the work contract. Self-employment is declining globally as emerging markets, above all China, experience the kind of industrialisation which occurred in Europe and North America in the 19th century. In the countries of the 'global North' (which for this purpose includes Australia and New Zealand) the recent increase in self-employment is probably a cyclical phenomenon rather than a secular trend. We saw a similar cycle in the early 1980s when governments in the United States and United Kingdom pursued policies of austerity in order to weaken organised labour. Waged labour revived, and self-employment fell back, once austerity fell out of fashion and labour markets started to tighten again (although, as we know, this also did not last long).

The argument that we are seeing the 'end of work' is nothing new. Commentators like Jeremy Rifkin have been predicting this for several decades, over the course of several very different waves of technological innovation. None of these previous predictions came true. If we were really seeing 'the end of work' this would mean the end of self-employment, not just that of wage labour. Neither seems very likely to me.

We can't see the future, but we can understand the present better. We live in a capitalist economic system, and as long as that is the case, we won't see wage labour disappearing, as it is a basic feature of how firms make their profits. Wage labour and self-employment are complementary phenomena; legally and institutionally, the category 'self-employment' only exists in relation to, and because of, the numerically much larger category of 'employment'. Self-employment provides labour markets with flexibility and a buffer against economic shocks, but it won't displace wage labour unless or until capitalism itself is replaced by something new. I suspect we are living in 'early' not 'late' capitalism, and that the market economy has a long future ahead of it.

The issue, then, is how to provide a legal and fiscal regime which protects the self-employed against risks specific to their position. This, and not an artificial debate about the 'end of work', is where we should be focussing our attention. Sometimes the solution is to treat independent workers as if they were employees, by extending certain labour law protections to them. This is what some of the litigation involving Uber is currently about. Another technique is to support micro-businesses through government grants and the fiscal system. Facilitating social enterprise through new variants of the corporate form will also help.

SUMMARY

These four brief thought pieces set the scene for a foreword by renowned labour economist Nigel Meager.