

An Occasional Paper from Devonshire House Network Ltd

The truth about jobs – The impact of Self Drive Workers.

From Charles Russam, MD, Devonshire House Network Ltd. (18.5.15)

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Summary

Of the current 31.1 million working people in the UK at the end of March (ONS – EMP01 – published 13.5.15), only 53% are purely full time employees on a payroll. See charts.

The rest – 47% - are what can best be referred to as **Self Drive Workers** – who are not dependent on one employer for their total income – which is the default understanding of a “Job”.

In broad terms, this 47% have to find their own work and develop their own “Business Development Strategies” – unheard of in employee circles since the Industrial Revolution. The UK has been moving away from this traditional work model for some years, - and now it has become significant.

So what? If only about half of the UK’s working population are full time employees on someone’s payroll, what are the implications of this key differentiation? Where does it lead?

More Research is needed.

This paper calls for more Research aimed at creating a base for more and accurate statistical information. This will enable better informed and creative assessments to be made of the implications. There is a small number of other organisations who have an involvement in this 47% area and may be able to offer research material. Probably, the best source of research material is the ONS. Their currently produced material is consistent and they could probably produce excellent answers if someone else could frame new and insightful questions.

There are current uncertainties within the ONS output in this area – mainly related to definitions and the ways in which their Panel Respondents actually interpret the questions they are asked.

These are the key questions which need better answers than are currently available:-

- **Why bother?**
- **What are Self Drive Workers?**

- **What are the ONS stats that support the Self Drive Worker proposition? What else is there?**
- **What does this mean for the low wage growth of recent years, the reduced tax take over the past few years against the perceived employment levels and GDP and does this explain low productivity?**
- **What are the implications for Government?**
- **What are the implications for businesses?**
- **What does it mean for Individuals?**

Background

Particularly in the recent general election – but for quite some time before - all the Political Parties have talked about Jobs and about Employers. The reality is that they are only talking about half the current working population. If they realised that, today in the UK, the other half of the 31.1m – 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, accusations about tax-dodging.

They want to talk about work. They want to see a broadly based 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. The Government needs to know that there is major change in the UK workforce going on – and has been for some time. Both EU and UK 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.

This needs to change. It needs to change in the direction of everyone being winners.

Why bother?

- Self Drive Working is a direct outcome of the UK's move away from heavy manufacturing/ industrial activity towards knowledge working and 24/7 response times. These changes – set to continue indefinitely – demand flexible labour – which will increase. The realities of Self Drive Working cannot be ignored.
- 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.
- For example – when Government reduces public sector headcounts – as appears to be about to accelerate with a reported 100k Public Sector workers scheduled for redundancy, where do these people go and what do they do? Apart from being given varying amounts of money from the public purse (unlikely to be recovered by savings for a number of years) answers include - nothing; draw unemployment pay; go back into their former organisations as Independent Consultants; maybe, find ways of drawing benefits after this, there will be a realisation and/or need to actually do something..... but what?

- The converse of this will be that Government needs to do a lot more than hitherto to create work for those leaving the public sector.
- Senior people retiring as soon as possible on two thirds pensions are well set up – but their numbers are dwindling as pensions schemes change. Older people who need to keep working need to find things to do – and be supported.

What are Self Drive Workers?

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. They are not dependant on one employer for their income. They are a varied and mixed group of part-timers, self-employed, contractors, freelancers, Interim Managers, Temps, Consultants, Management Consultants, Semi-retired people, Portfolio Workers, Off-payroll workers, etc. (Portfolio Workers include a broad mix of Professionals who have more than one source of income and work-type activity (payrolled, freelance and non-remunerated). Redundant Executives very often position themselves – often unknowingly - somewhere in this 47% category. Some see themselves as Consultants and some see themselves as unemployed.

At management levels, most Self Drive Workers get to this status through having been on someone’s payroll as a permanent employee. 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; sometimes because they can’t get a “proper job” (a traditional permanent employee role on a payroll.) 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. There are more men than women operating as Independents but women are catching up.

Conversely, many employers 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. Not alas, for this Paper – but if you exclude some of the original “abuses”, you argue yourself into a position that more people want it than don’t want it – and you then leave the debate alone!

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. New patterns are emerging including more people with second jobs, zero hours workers, greater numbers of contractors and interim managers, independents teaming up with others and individuals trading through a myriad of business formats.

Alongside this is the burgeoning rhetoric around Entrepreneurs and Entrepreneurship – the glamour people in the Self Drive Worker market. The significance of this phenomenon varies 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.

What are the ONS stats that support the Self Drive Worker proposition?

The figures in this Paper are taken from the monthly ONS Reports – the schedule headed EMP01. Our exercise separates out *“purely full time employees on a payroll”* from everything else – to show those who we refer to as “Self Drive Workers”.

The ONS statistics do not differentiate between the various levels of “worker” - whereas this Paper looks only at “Management” levels – seen as those who would routinely see themselves as earning about £45k and upwards, based on their previous work roles. It is felt that this differentiation does not materially alter the analysis.

See our own detailed analyses:-

- Self Drive Workers – ONS Stats – EMP01 – 2013 & 2014 - *here*
- Self Drive Workers – ONS Stats – EMP01 – 2015 - *here*
- The Russam GMS Publication “Self Drive Workers” (October 2013 – updated April 2014)

(See www.DevonshireHouseNetwork.co.uk)

The ONS retrospectively alter published figures as more information emerges – so some which are available now may differ from those stated in our schedule which we compiled from information published as soon as it became available.

A better understanding can be achieved by the slightly complex process of delving into the origins, backgrounds and methods of collection and collation of the figures by the ONS and also of the involvement of HMRC. Collecting the data to support the 47% is, in our view, more difficult than the 53%. The ONS figures are based on information returned from their Panel which depends on how the individual sees him or herself in terms of the definition of their categories. This process – and the speed with which it needs to be collected - will inevitably involve some bias, honest misinterpretation and unnoticed changes in working business models.

The purpose of publishing the detail behind this 53%/47% split is to support the Self Drive Worker proposition. It is also to enable debate to take place with those who don't believe the proposition. Like all debates of this type, certain figures can be argued both ways, but, in the end, it's the detail that proves the case.

If there is one single statistic that characterises the Self Drive Worker proposition – what is it?

This 53%/47% split has remained the same for at least the last three years – and might have been the same before. Economists and the Government have said that when recession turns into growth and the full time employed figure increases – which it is doing – all the other figures will decrease – as those NOT in full time jobs move back into full time employment. Their belief is that all temps want to become perms and that all part-timers want to become full-timers. Not true. This is not happening. Both sides of the divide are increasing – and the fact that the 47% is remaining constant – and may, in fact, be increasing slightly – means that we are probably looking at a permanent shift in the profile of the UK's working population and it looks like the line of travel may well continue to be towards self-drive working.

What does this mean for the low wage growth of recent years, the reduced tax take over the past few years against the perceived employment levels and GDP and does this explain low productivity

Over the past couple of years or so, Economists and the Government have been talking about the drop in the income tax take and earnings and the slow increase in earnings and looking for an explanation. Not long ago, they were not sure why GDP was going down whilst employment levels remained relatively high and did not get anywhere near reflecting this drop in GDP. Mostly, this will have been due to permanent employees simply earning less - partly through bonus/flexible pay schemes paying out less than before or not at all. But, in part, this has much to do with Self Drive Workers including those made redundant more recently. These people are still in the labour force but with much reduced earnings particularly in the early part of the recession.

Generally, Self Drive Workers pay less tax than “purely full time employees on a payroll.” This is because there is, currently, (but getting better) less work available for them. Also, 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 the uncertainty of work – the rate and the volume, the risk created by this uncertainty, 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 (EG: Training).

What are the implications for Government?

- Government talks about jobs. They should really be talking about work.

- Government needs to recognise the Self Drive Worker market – and assess its implications and potential – and how best to handle the PR. There have been instances where Self Drive Workers working in Government have been cited as being paid too much. Those instances where they've not been paid enough rarely get mentioned. (It is worth noting that £1k per day to a Self Drive Worker is broadly equivalent to a salary on a payroll of £150k. Or scaled down or up as appropriate.) Criticism is all too often driven by envy and ignorance.
- 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 impact of the Self Drive Worker on Trade Unions is an interesting one. Most Self Drive Workers do not belong to Trade Unions. There might be a case that they should but the traditional trade union focus is on their members being paid more and working less – not appropriate to Self Drive Workers. Beyond this, Self Drive Workers will identify 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.
- 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 is virtually no relevant employment legislation as they are not employees.
- 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.
- Support for Childcare provision seems to be improving in recent times. This is welcomed and is particularly important in enabling women back into the (interim) workforce

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, what has happened, we would contend, is that much of this headcount reduction has been disguised by the external use of consultants, interim managers, contractors and outsourcing. There is a core level, below which the only result is that the work does not get done – either in part or wholly or badly.
- Additionally, over the years, businesses have been seeking flexibility and immediacy. To a large extent Self Drive Workers have provided this, either singly, through intermediaries, as part of consultancy teams or working for outsourced organisations.
- “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.

- 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. Good pay-offs make being fired “acceptable” for many and a convenient launch pad into Self Drive status.

What does it mean 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 you don’t have a 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!
- If you look at the organisations which buy the services of these Self Drive Workers, you begin to realise just how integrated these people are in the business fabric of the UK.
- Because career 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.
- Some observers, many 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.

This Paper is not a text book on how to be a successful Self Drive Worker – but there is a growing void here and there does need to be more ways of getting advice. It’s all about **“Being good at what you do and getting the work”**. These are the two key drivers that matter most to the Self Drive Worker. Both sound simple but are not. Everything else relates to this. Routes to market can be complex and unexpected. Skillsets need to sharp and up to date and relevant. Ability, interpersonal skills and personality need to match the role and the task.

More info from Charles Russam, Managing Director of the Devonshire House Network, who, working closely with Russam GMS Ltd, is the originator of the Self Drive Worker Narrative described in this Paper.

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Devonshire House Network is a people-focused membership club for Director-level professionals in leadership roles who have an instinctive focus on the human side of enterprise.

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Charles Russam is the Founder and Associate Director of Russam GMS Ltd which he chaired from 1982 until 2014. Russam GMS is the longest established Interim Management Provider in the UK and has a complementary and growing Search Practice which includes a specialist Practice for NED Search and the Not for Profit Sector and also has an international capability through the WILgroup.

The Devonshire House Network is a people-focused membership club for Director-level professionals in leadership roles who have an instinctive focus on the human side of enterprise. DHN Members have a serious interest in all aspects of people at work and how people can flourish within whatever and wherever the work environment and context may be. Please see www.DevonshireHouseNetwork.co.uk