What’s in a Name? The Value of ‘Entrepreneurs’ Compared to ‘Self-Employed’… But What about ‘Freelancing’ or ‘IPRO’?

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Abstract. This paper is concerned with those individuals who do not fit easily or comfortably into traditional notions of employment. Variously described as ‘self-employed’, ‘sole traders’, ‘own account workers’, ‘freelancers’, ‘independent contractors’ – or more accurately, as independent professionals (IPros), they operate essentially as a nano-business. As a ‘business of one’ they blur the boundaries of socially and legally accepted distinctions between employment and self-employment, small business and entrepreneurship. This paper explores some of the important implications and consequences that this blurring of boundaries has for social as well as government interest and their support of the individual operating as a nano-business.

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1. Introduction

While it is well recognised that small business, both in its own right and in partnership with others, enables many organisations to be responsive to the dynamic business environment (Casale, 2011; Kitching & Smallbone, 2012; OECD, 2010), the reality is that small business challenges many of the institutions, structures and expectations established to support the employer-employee relationship (Casale & Perulli, 2013; Philips & McKeown, 2012). Issues such as fairness, protection and government support have been features of the legal, social and political systems of most developed countries for many, many decades but they still remain contentious at the nano-end of the smallest of small business (Deakin, 2010; Faix, 2012). It seems that systems designed around the notion of business being something performed between and within organisations

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continue to wrestle with the idea that this is not necessarily an amorphous, anonymous group of people, that it can in fact be one individual – quite literally, the organisation of one (Roy, Sane & Thomas, 2012). This longstanding issue becomes particularly difficult for the self-employed individual when the matter is one of government support. Further, that this remains an ongoing issue at complete odds and is one which is increasingly irrelevant in a world where digital technology in particular can level the playing field in terms of the enhanced access to resources typically associated with increasing size (Mettler & Williams, 2011; Tidd & Bessant, 2011).

It is timely to reinvestigate the issues which have typically confounded and confronted those dealing with self-employment and consider whether these constraints have also become outdated. This paper will provide an examination of the terms or labels applied to self-employment with a specific focus on the professional occupations. It will draw on recent events in both Australia and the UK in particular which demonstrate the power of names and the definitions associated with them shape not only social and political debate but also generate actions and behaviours – because, as noted by the European Commission (2010, p.7) definitions have important implications for realities such as tax and national insurance.

The paper is organised into four main sections. First, it outlines key features of the definitions which surround self-employment and entrepreneurism. Second, it places these definitions into the specific context of current debates in the UK, and to a lesser extent the EU, and then Australia to examine both official statistics as well as wider research. Third, I offer a particularly Australian context to self-employment brought about by the introduction of the Independent Contractors Act (2006), where both data and definition support the value of this segment of the workforce. Fourth and in conclusion, I suggest that the term ‘entrepreneurship’ is an important one for the self-employed – but that it is a label rather than a classification of work. Note within the context of this paper, the label of ‘entrepreneur’ is not as an academic term, but refers to the broader societal context where it is a label that can leverage government and societal interest in a way that the term self-employment can never do. As a label ‘entrepreneur’ has an important role in gaining government attention and support but it is also time to develop a more sophisticated understanding which acknowledges the changing nature of employment, particularly self-employment, and allows the growth in the IPPro workforce in particular to be recognised and supported.

2. From Self-Employment to Entrepreneurism

Work is mostly structured and organised through a notion of employment bounded within a highly specific legal and managerial context (Whitely, 1999). In both its legalities and managerial application, employment involves a ‘boss’,
an employer, organising employees to perform functions at the employer’s direction. With self-employment it is completely different. Self-employment offers an alternative to the master/servant relationship of being employed (Deakin & Wilkinson, 2005). Self-employment by its nature forces the individual into operating as a business of one – into risk taking. There is no income security umbrella of the firm because they are the firm. They are subject to the vagaries of the market/s within which they operate. The existing literature on self-employment generally falls into one of two groupings. First, there are legal definitions. These are important because they are known to determine the scope of the legislative and regulatory design under which the self-employed can operate (see for example, Stanworth and Purdy, 2008; Leighton and Wynn, 2011). The second are the behavioural identifiers, which are important because they enable an appreciation of the different perspectives self-employed people can have to work and to understand how and why they do things (Scase, 2003).

The combination of these two bodies of literature on self-employment also highlights the dilemma which surrounds it. Put simply, as both a notion and as behaviour, ‘self-employment’ is not an engaging term – it is not inherently exciting or even, the stuff of aspirations. For this we must turn to the term of ‘entrepreneurism’. Yet, as will be shown below, the practical distinction between the two is difficult to make and indeed, some even contend that they are one and the same. At the academic, government and societal levels, the lack of aspirational notions associated with self-employment are largely because the entrepreneurial activities of the self-employed person are mostly small and unspectacular, and in many ways, just ‘ordinary’.

Adding to the debates is the view that the self-employed can be running a business but that this activity is not entrepreneurial. The OECD (2010) adds a further suggestion offering that “self-employment may be seen either as a survival strategy for those who cannot find any other means of earning an income or as evidence of entrepreneurial spirit and a desire to be one’s own boss.” This perspective offers a continuum from self-employment to entrepreneurism – a view supported by academic research (see for example Kolvereid & Isaksen, 2006). However, others such as Sanandaji and Sanandaji (2014) from the UK based Centre for Policy Studies, argue that self-employment is not the same as entrepreneurship, partly because the former is easily measured and the latter is not. This brings us to the first major task of the paper – defining the terms self-employment and then entrepreneurship.

3. Defining the Terms

Aronson (1991, p.ix) notes “self-employment is unquestionably the oldest way by which individuals offer and sell their labour in a market economy.” The term
‘self-employment’ has been consistently defined since a 1993 resolution by the 15th International Conference of Labour Statisticians to mean:

where the remuneration is directly dependent upon the profits (or the potential for profits) derived from the goods and services produced (where own consumption is considered to be part of profits). The incumbents make the operational decisions affecting the enterprise, or delegate such decisions while retaining responsibility for the welfare of the enterprise. (In this context "enterprise" includes one-person operations). (ILO, 2014)

This definition builds on the United National Statistical Commission definition, approved in 1958 of an ‘own-account worker’ as a person who operates his or her own economic enterprise, or engages independently in a profession or trade, and hires no employees (ILO, 2014). Put simply, self-employment sees an individual earning their living and generating their income by working for themselves, not as an employee of someone else. A recent (ILO) view from Bignami, Casale and Fasani (2013) explicitly positions the role of this international body as one where:

the protection of the employment relationship, placed within the contract of employment, has been at the heart of the International Labour Organization’s agenda since the middle of the 1990’s. The employment relationship is the natural evolution of what previously represented the master-and-servant model. The employment relationship within the contract model operates as a framework for both the protection of workers and the guaranteeing of the exercise of fundamental rights at work.

This focus on protection and rights is at odds with the independence and self-sufficiency emphasis of self-employment - and may explain the general anti self-employment stance of many ILO publications (see for example Casale, 2011, where terms such as ‘subordinate work’ and ‘economically dependent work’ are key themes). The concern is that the self-employed can be engaged by organisations to avoid obligations and cut costs and there is a substantial literature that sees a key feature of this form of work as one where individuals lack ongoing job security, entitlements such as sick and holiday leave, employment protection and union rights. These themes will be explored in more detail below.

The distinction between self-employment and entrepreneurism can be a fine-grained one. Filion (2011, p.42) explains the derivation of the term entrepreneur from the French words literally meaning ‘between-taker’ or ‘go-between’ and noted that it has been extensively used, particularly in context of world exploration, since the 1500s. While seen as the pioneer in the field, Schumpeter (1954 p.555) pinpoints Say as first providing the “value –added” role now commonly associated with the entrepreneur today (Filion, 2011 p. 45). Internationally, governments extol the benefits of entrepreneurism, implementing policies to promote its revival (see for example ILO 2011, EC 2010, OECD 2010, 2014). Parker (2004 p.1) suggests that much of what is achieved is actually in the
The widespread availability of data on the self-employed makes it easier and more useful to operationalise. This is shown in greater detail in the next section with a brief overview of self-employment and entrepreneurism in the UK and Australia – with the corollary that while there is a much wider range of terms we could also include and explore, we are generally restricting discussion here to these two.

4. Self-Employment & Entrepreneurship in the UK

A 2014 UK Office of National Statistics (ONS, 2014) report shows self-employment is becoming increasingly common, with an increase from 6.3% to 3.8 million between 2009 and 2013 – while employment, by comparison, grew by only 2%. The global management consultancy Von Essen (2014) privately generated a report on “self-employed consultants” in the UK which adds further to this picture, showing that the number of self-employed workers is increasing at a faster rate than the average for Europe’s 15 leading economies. The lure of self-employment is clear, “these professionals offer valuable flexibility for employers, allowing businesses to bring in specialist talent for a limited period” (Von Essen, 2014). An important feature in this rise is that the great majority of these are at the nano-end, never employing others, effectively remaining a business of one. Von Essen (2014) also offer that “consulting has risen in popularity as a career choice for skilled workers, as it offers the opportunity to earn more than permanent employees while enjoying more control over working times and practices.”

This view is in stark contrast to the union (TUC, 2014) report that the ONS figures on self-employment which account for 44% of the net rise in jobs since mid-2010 have come at the expense of more secure roles. The tension, even polarisation between views as to the push or pull of self-employment, and whether such moves are a good or a bad thing often emerges very strongly in the UK. The current debate also exemplifies the tension between the terms self-employment and entrepreneurism. Since they are not synonymous, policy makers should not assume policies which encourage self-employment necessarily promote entrepreneurship. In a report for the privately funded Centre for Policy Studies (CPS), Sanandaji and Sanandaji (2014) suggest that while many successful entrepreneurs started small companies, not all self-employed people are innovative entrepreneurs – which they define as developing successful new products and services. They also offer that countries such as Greece, Turkey, Spain, Portugal and Italy have high self-employment rates and correspondingly low rates of innovative entrepreneurship. As detailed below, it is a view in stark contrast to the literature from a variety of private groups associated with entrepreneurship in the UK.
5. Entrepreneurs in the UK

The Entrepreneurs' Alliance, a collective of bodies including the Forum of Private Business, the National Enterprise Network and the Federation of Small Businesses, published an open letter in response to the TUC (2014) report to "make the case for the self-employed" (Entrepreneurs' Alliance, 2014). As a new pressure group “which stands up for Britain’s wealth creators,” the Entrepreneurs Alliance answers both TUC claims that people are only choosing self-employment because they cannot get a full-time job as well as the Centre for Policy Studies’ assertions that the self-employed are not entrepreneurs because they are not driving innovation.

They are educating the next generation of entrepreneurs and making greater contributions to their local economy… They are generating wealth, without being a burden on the public purse …collaborating with fellow freelancers and professionals to grow the business through outsourcing and subcontracting, as opposed to hiring staff …This is, quite simply, the most entrepreneurial way to start and grow

Another group, the well-established Professional Contracting Group (PCG, renamed IPSE in 2014), has also entered the fray – declaring that the rise in self-employment is indicative of a structural change in the way that people now approach work (PCG, 2014). While much of this current debate is being carried out in the media, IPSE also does its own research and acts as a powerful lobby group with a recent report finding that those operating at the independent professional (often called freelancer), end of self-employment see themselves as having with greater control of their lives, in terms of working patterns and the projects taken on (Leighton, 2014). This offers an important corollary to the growth in self-employment as it explicitly acknowledges that the majority of growth is at the white collar, professional end. The CEO of IPSE, Mr Bryce, stated that this is part of a "long-term phenomenon" which has taken hold in both positive and negative economic periods. This is helping the UK economy recover and is creating more jobs (Roberts, 2014). It is a perspective which offers the view that this form of self-employment may be more about what it enables in creativity and innovation, rather than what such individuals may directly produce. There is also wider support from the EU for such a contention where research by a Brussels-registered think-tank, the Lisbon Council, says the micro-multinational is taking over – as technology and social trends enable individuals to compete with big companies globally (Mettler & Williams, 2011). These authors suggest some radical changes are occurring and that, over the long-term, prevailing labour market trends suggest that fostering entrepreneurialism is really the only job creation game in town.

It is a view which both contrasts and corresponds with the research noted above by Sanandaji and Sanandaji (2014) at the Centre for Policy Studies on what
they call “super entrepreneurs”, where they studied the backgrounds of 1,000 self-made men and women who have earned at least $1 billion through entrepreneurship. One important finding was that active government and supranational programmes to encourage entrepreneurship – such as the EU’s Lisbon Strategy – largely fail. They caution that policy makers should not assume policies which encourage self-employment necessarily promote entrepreneurship and that the difference is that entrepreneurship must be defined based on innovation.

Overall, the view from the UK is one of considerable contrast between the claimed support for self-employment and entrepreneurship by government, the realities in the labour market and the perceptions within wider society. It is clear that some still believe – and this is sometimes promoted by politicians and commentators, that self-employment is morally wrong and deviant, with its main driver being the avoidance of obligations, mainly of individuals to the taxation system but also from organisations avoiding the traditional costs of employment. Research by Urwin (2011) into the nature of entrepreneurship found that only a tiny proportion of today's small firms become tomorrow's large firms. More importantly, the nature of entrepreneurial discovery is such that we cannot predict those individuals or firms that will flourish in this way in advance. As such, any policy that involves picking winners or encouraging particular sectors is doomed to failure (Arshed, Carter & Mason, 2014; Bridges, 2010; Mazzarol, 2014; Mettler & Williams, 2011). Instead, it is seen as important to remove general impediments to the self-employed taking on employees and to small firms growing. What emerges most strongly is that these long held debates must move forward as the growing numbers of professionals in the UK present a compelling case for the urgent need to clarify attitudes towards the self-employed. These are attitudes that must be addressed within wider society through education systems and aspirations as well as by the government and in workplaces. This is made more difficult by the fact that the language of self-employment is also becoming increasingly complex. This is seen for instance in the studies and papers noted above which used a wide range of terms, including self-employment to micro-multinational and super-entrepreneur to freelancer and independent professional. The tension between self-employment and entrepreneurship provides a good place to start in terms of resolving some of the confusion in language at least and, as will be shown, Australia may provide an easier country to both make the distinction and begin to examine this interface.

6. Self-Employment and Entrepreneurship in Australia

The tension between self-employment and entrepreneurship is less marked and certainly less vocal in terms of media attention in Australia. While the language of entrepreneurship has recently emerged, with the suggestion of a new
government funded ‘Entrepreneurs’ Infrastructure Program’ (Mazzarol, 2014a), the focus has generally been on self-employment rather than on ‘picking winners’ (Mazzarol, 2014). With the passage of the Independent Contractors Act (2006), the term ‘self-employment’ within Australia became more detailed than in the UK and captures all working people who are not employees. This is split into two major sub-categories:

- Independent contractors - work entirely on their own without employing anyone.
- Other business operators - own and operate their business which has grown to a size where they employ other people.

The Independent Contractors Act (2006) provides a definition which not only ensures that independent contractors are subject to commercial rather than industrial relations law but also provides the basis for official statistics on this population (Phillips & McKeown, 2012). It should also be noted that parallel legislation was introduced which made illegal the practice of ‘sham contracting’ – that is, treating employees as if they were independent contractors. There have been long held concerns in many countries with sham contracting, typically in industries such as construction and transport (see for example Deakin, 2010; Roles & Stewart, 2012). IPros are therefore professionals who operate as independent contractors, which are defined as:

those who operate their own business and who contract to perform services for others without having the legal status of an employee, that is, they are engaged by a client under a commercial contract, rather than an employee under an employment contract (ABS, 2009 p.6).

The Australian Bureau of Statistics is the equivalent of the ONS in the UK and recent data on independent contracting from the 2013 Forms of Employment survey reveals that of the 11.57m employed people in Australia in 2013, 8.5% (986,400) were independent contractors; and a further 8.8% (1.01m) were "other business operators". A key point in the availability of such data is that it allows us to track the trends and reveal insights into the IPro workforce.

7. The IPro - A Midpoint in the Self-Employment/Entrepreneur Debate?

While the data captured by most national governments through labour force surveys generally provides data on the self-employed (which is then often also the basis for international comparisons by the ILO and OECD), it does so in ways where IPros are often impossible to separate out. A common problem which results is that this group is “neglected by researchers as a form of small business
activity” (Kitching & Smallbone, 2012, p.74) where “...the distinct lack of empirical data on freelancers explains the lack of government support” (Mould, Voley and Liu, 2013, p.8). However, in Australia, we know that independent contractors make up nearly 10% of the total workforce, accounting for 13% of employed males and 6% of employed females (ABS, 2013). Further, adding the definition of professionals as a further filter allows us to isolate the nearly 30% of individuals within this population who make up the Australian IPro workforce. Another important aspect of IPPros that we can draw out from ABS data is that IPPros are highly educated, skilled and creative individuals in sectors such as the media, ICT, engineering, and design operating across a wide range of regulated and unregulated professions. It is a segment that accords with the work on freelancing in the UK, briefly referred to above, as well as with a number of international studies. Synthesising these studies consistently identifies IPPros as characterised by high levels of motivation, self-reliance, durability, job satisfaction, flexibility and mobility and capable of achieving high levels of income, and employing organisation’s report very favourably on their contribution to the organizations own effectiveness and development - see for example recent work on IPPros in the EU by Leighton & Brown (2014), Finland and Germany by Bogenhold et al. (2013), America by Horowitz (2012) and Osnowitz (2010); Australia by McKeown (2010); McKeown & Cochrane (2014); Germany by Dullroy & Cashman (2013; Witlivet & Brantz (2013) and the United Kingdom by Burke (2012); Kitching & Smallbone (2012); Mould et al. (2013) and Storey (2012).

There are a number of aspects about the growth of the IPro workforce which must be noted. Once seen as very much the domain of manual occupations, the growing organizational practice of engaging contractors in professional and managerial positions, sees the impact of changing working relationships impacting across all levels within an organization (Bidwell and Briscoe, 2009; Parker, 2010). Mention must also be made of the large body of academic literature devoted to IT, construction, engineering and architecture where IPPros have long been an industry and professional norm (see for example Ang and Slaughter 2003; Burke 2011; Evans, Kunda & Barley 2004; Kivrak et al, 2008).

Another aspect revealed by research in both Australia and now the EU and UK (Entity Solutions, 2009-2013: EFIP, 2014), reveals that in a time of increasing unemployment among employees, major macro-economic concerns, and mounting concerns about job creation and competitiveness, IPPros are not ‘failed employees’ pushed into working for themselves as they have no other choice: IPPros have made a conscious choice and each year more and more are making it. They tend to be high earners, they are also high spenders and do take steps to protect their income, including for retirement. They are not ‘burdens on the state’ and actively take responsibility for the development of their working lives. This research has also however identified that this workforce does face a range of practical problems that politicians, organisations and others have
generally, as yet, not responded to. One of the first Australian reports was titled ‘The Forgotten Workforce’ (McKeown, Connelly & Gallagher, 2008) and although this theme of neglect and oversight continues today, we contend that there is simply too much to lose in not fully recognising, utilising and supporting this workforce.

The emerging body of work which has begun to establish the features, both personal and professional, of the IPros themselves has provided considerable insights into their working lives but relatively little research has been undertaken into the practicalities. Topics such as fiscal matters and ground level issues such as access to finance, business advice, training and development and regulation or otherwise by professional or trade bodies are all important areas for future research. Survey evidence suggests these are key factors in the success or otherwise of IPros, along with a key question of the attitude and policies of central and local/community governments (EFIP, 2014; Leighton & Brown, 2014; McKeown, 2005).

Another matter which stands out in much of the current research data is the critical tension over how the self-employed see themselves. Exploring this issue of self-definition will be vital to explore during the research as it is a fundamental issue, which underpins policy development and lobbying, strategies at the individual, organisation and government levels. With this context in mind, the role of the IPro within the SME/ self-employment space is threefold:

1. The first is to provide robust, authoritative evidence, which is especially important for any initiatives in policy development. Clearly, evidence is also vital so as to assess the role that IPros play in supporting productive, competitive workplace outputs by others. While research data on the self-employed generally is increasing, IPros still remain marginal, atypical or even an anathema in many people’s eyes. The small business SME area is far better developed. It is important to note that, those less aware of IPros include governments, and one consequence is that they appear more comfortable to speak of ‘entrepreneurs’ than to deal directly with the nature and needs of the nano-end of the self-employed spectrum.

2. The second is to begin the process of identifying those issues and barriers that impact on the effectiveness of self-employment. Many speak of the ‘creativity’, and ‘innovation’ of freelancers/IPros, contractors and other groups. While this is an important outcome, it also highlights the vital need to identify barriers and problems which many face, such as in setting up their business, working outside their own state and coping with bureaucracies. The role of IPros as enablers of creativity and innovation, as well as creators of it, provides a broad area for investigation. This also entails investigation of the context and regulatory framework within which IPros operate, noting here that the
fiscal and legal issues in these areas are especially fraught and controversial. Work in this area is difficult yet vital. With a clearer understanding of this, later research can then move to an evaluation of IPro efficiency and effectiveness, and what would improve it.

3. The third is to identify those factors which provide positive support for IPros. A rarely researched topic is the role of professional bodies, support networks, social networks, not just digital but in terms of clubs and societies. We know these are very important for people who, essentially, operate as a nano-business and often work alone.

8. Conclusion

A key theme of this paper is that, regardless of the term applied, for the individual working for themselves, they are a business. As Bridge (2010) notes, there is an important corollary to this which, contrary to government's often-held view, small business people are not “little” big businesses. This is something that government (particularly on the taxation side), employees in big businesses, most economists and society in general, have difficulty in understanding and accepting. They hold to the commonly accepted idea of a ‘business’ as a command-and-control type pyramid of owners, managers and employees. Application of the label “entrepreneur” to the self-employed business seems to provide a way out of this misperception – but here too there are problems. There was a sense that permeates the literature and research that the terms entrepreneurism is really a label and one that needs review and re-energising, not least because it is recognised that industry/jobs/productivity benefits from research but that much of the research is insufficiently practical for ‘consumers’. As Sarah Horowitz, founder of the Freelancers Union, a non-profit organization that represents America’s independent workforce says, “we are dealing with an outdated employment system – it was built for a workforce from the 1930s, and it no longer works for us today” (Horowitz, 2010).
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Trade Union Congress (TUC) (2014), *More than two in five new jobs created since mid-2010 have been self-employed* Accessed 15th April 2014.


Both self-employed ministers and employee ministers may participate in their church's or denomination's tax-sheltered annuity plan. I hear former steelworkers are now being offered low-skilled jobs such as leaflet distributors, self-employed salespersons, even paper boys. She said the self-employed panel beater had been going so fast the standard guidelines for sentencing him did not even stretch that far. The fine was incurred in relation to the PAYE deductions for a number of self-employed tutors who support the delivery of our children, young people and learning services. This study examined the differences between self-employed and organizationally employed individuals in Canada and Pakistan with regard to quality of work and nonwork life.