Self-employment and entrepreneurship: lessons from tax records and challenges for policy
A picture of business owners in administrative data

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Business owners make up a greater share of the workforce than before the financial crisis.

Source: Authors’ calculations using Labour Force Survey.
Today

Use administrative data to shed more light on these populations

Focus on businesses with one owner and one manager

Self-employed: sole traders
  - Excludes partners

Owner-managers: 1 director 1 shareholder companies
  - Excludes multiple-director companies

Answer:
  - How many are there?
  - Who are they?
  - What are they doing?
How many are there?
How many people operate in these legal forms?

- **~4 million sole traders**
- **~300,000 sole owner-managed companies**

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
How many people operate in these legal forms?

![Graph showing the number of self-employed and owner-managers over years from 2005-06 to 2015-16.]

- **Self-employed:**
  - ~4 million sole traders

- **Owner-managers:**
  - ~300,000 sole owner-managed companies

**Note:**
Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
Both populations are growing quickly

- **Self-employed**: 25% increase in self-employed since 2007–08
- **Owner-managers**: 600% increase in owner-managers since 2007–08

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
Who are they?
Both groups are male dominated

Both groups older than employees on average.

- **Self-employed**: 74% Over 35, 26% Under 35
- **Owner-manager**: 84% Over 35, 16% Under 35
- **Employees**: 62% Over 35, 38% Under 35

Owner-managers based in business services, self-employed in construction

What are they doing?
Self-employed aggregate turnover higher than owner-managers

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
On average owner-managers have much higher turnover

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Owner-managers have higher profits

Average business profits are lower than before the crisis

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Less than half of business owners invest

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
The share investing in capital in both populations is falling sharply

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
An even more dramatic fall in the share of self-employed employing others

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns. A sole-trader is registered as employing others if wage or salary costs are greater than zero.
A large share of the self-employed have some employment activity

Note: Based on HMRC administrative data sources. Includes sole traders
But these trends are not explained by more ‘double-jobbers’

Note: Based on HMRC administrative data sources. Includes sole traders
Aggregate self-employed turnover is declining

Note: Based on HMRC administrative data sources. Includes sole traders and 1 director 1 shareholder companies filing tax returns.
Summary

4 million sole traders and 300,000 single director and shareholder companies in administrative data

Despite growing by 25%, the self-employed population accounts for less turnover now than in 2007–08

Share of self-employed with some employment income – almost 25% – has been stable over the last decade

The share investing or employing others has fallen dramatically

Average profits have also fallen substantially since the crisis