



The voice of freelancing

Consultation on the future "EU 2020 strategy"

PCG Response: January 2010

PCG "EU 2020 Strategy"

Please note that the term "freelancer" is used here to refer to highly skilled self-employed professionals who provide services on a commercial basis. It thus excludes other self-employed workers without employees in the agriculture and retail sectors, as well as temporary members of staff who work through employment contracts. Terms such as freelancer, nano-business, contractor or independent consultant are used interchangeably.¹

About PCG

1. PCG is the cross-sector representative body for freelance contractors and consultants in the UK. With around 20,000 members, PCG is the largest association of independent professionals in the EU.
2. PCG represents freelancers who run their own limited companies, unincorporated sole traders and those who operate via umbrella structures: it therefore represents the very smallest enterprises in the UK, and considers the needs of its members both as enterprises and as workers.

Response to EU 2020

3. All freelancers across Europe take on business risk and supply their services to a range or succession of clients. As a result, they form the flexible, skilled, knowledge-based workforce on which Europe's future prosperity depends. They provide design, IT, engineering, project management, marketing and other functions in sectors including financial services, telecoms, energy, healthcare and creative industries.

Economic Dependency

4. Because they operate on a commercial basis (i.e. they stipulate commercial contracts with their clients as opposed to employment contracts), PCG members consider themselves as nano-enterprises, the smaller end of micro-enterprises. They do not seek employment status and they are neither vulnerable nor "economically dependent". **Freelancing is an active choice mainly motivated by the desire to run own businesses and secure a better work-life balance.² This could represent an excellent source of growth to replace the jobs lost in the crisis.**
5. Some commentators have suggested that when workers have only one source of income, and work under commercial contracts, they are "economically dependent" on their sole client. The duration of the contract and the number of clients are therefore directly associated with employment status and the longer the engagement with one particular client, the more likely the relationship is employment. On the contrary, PCG has evidence that it is entirely feasible and legitimate for professionals who are in business on their own account to have only one client at a time for a number of years. This model is widespread in sectors such as oil & gas and engineering. Freelance

¹ For more details see the PCG Freelance Model paper (incoming publication).

² PCG membership survey 2008.



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contractors are often hired to manage projects lasting several years but the fact of having one client as opposed to a range of clients does not imply “dependency”. If the relationship with that client ends, the worker will either find a new client or go out of business – this is straightforward. The notion that there is a separate phenomenon known as a “dependent worker” attributable to freelance workers is misleading. There is nothing wrong with having one client at the time: freelancers are, after all, businesses of one or two persons only, so it is quite conceivable that one client might be enough at any one time. **The idea that in order to be “legitimately in business” the freelancer must have more than one client at once or only for short periods is therefore unfounded and it causes further confusion rather than clarity.** Different is the case of ‘disguised employment’, which PCG firmly condemns.³

Flexicurity

6. A study commissioned by PCG in 2008 found that **freelancing has increased by 14% over the past decade and there are now an estimated 1.4m freelancers in the UK.**⁴ This model provides individuals and businesses with the flexibility they desire. Others will prefer the security and stability of a permanent job, but those skilled individuals who are prepared to work flexibly will get higher rewards.
7. The term “flexicurity” seems to ignore the possibility that businesses might seek flexibility by engaging workers on a commercial basis. The omission of this option (or at least, the fact that it is not clearly stated in the EU policy discourse) assumes that the individuals themselves seek only security of employment - either permanent or temporary - and does not consider that they might desire flexibility, a better work-life balance or simply fulfil an ambition to run their own business. Generally freelancers trade the security of an income for higher fees, when compared to the salaries earned if they were in employment. The “flexicurity” debate still sits within a nineteenth-century concept of employment, which is fundamentally a construct of the industrial revolution. The notion of “service” existed before that, but it was with the industrial revolution that the contract of employment became the standard mode of working – previously urban workers had been fewer in number and usually self-employed. It is in the context of the traditional “European Social Model” that permanent employment remains the “best” mode of work – again, this thinking seems rather outdated with the advent of the internet and the rise of a knowledge-based economy. Indeed, when the Commission’s Green Paper on Labour Law of 2006 tried to explore these issues, it could not escape the rather derogatory terminology that traditionally attaches to non-employees. Despite finding that 40% of the European workforce sits outside full-time employment, it continued to refer to this very significant chunk of the workforce with

³ Some companies attempt to hire workers to work as employees, but using commercial contracts: this creates a “disguised employment” relationship in which the end-user can both control and dismiss the worker easily, while the worker has no protections or freedoms. PCG opposes the use of disguised employment relationships: it urges companies not to use them and would like the law to be clarified so that they are not possible.

⁴ *Defining and estimating the size of the UK freelance workforce*, Small Business Research Centre, Kingston University, UK.



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pejorative terms such as “non-standard” or “atypical” workers.⁵ Where, then, do freelancers fit into this discourse? The short answer is: nowhere very neatly. Freelancers, as we have seen, operate commercially and addressing them only in terms of employment security and protection is fundamentally inappropriate. The current “flexicurity” debate is heavily connected to the discourse around welfare provision, active labour market policies and other measures to protect workers from the consequences of economic volatility. On the other hand, it is necessary to consider holistically and creatively the notion of security, taking into account present and future dynamics so to equip the Union with a modern system that would ease those who choose to go beyond traditional employment. **A way to provide more jobs in exchange for greater adaptability, it is for the Commission to recognise, promote and champion freelancing as a valid and modern way of working.**

8. Flexible labour markets can facilitate economic growth and attract overseas investment, with the potential to reduce unemployment. Greater flexibility, to the extent that businesses will use a new employment model, also has implications for pension contributions and the ability of individuals to secure loans and services as earnings for many will be less stable. New products and new relationships will be required. The British CBI has foreseen that, as a result of the drive towards flexibility, **a significant number of businesses will move to a new employment model where the core of permanent staff is smaller and a greater number of freelancers, consultants and temporary workers are used.** These will be skilled professionals and undertake activities core to operations when needed.⁶

Education

9. As part of the current rethinking of education systems and labour markets, **the European Commission should consider freelancing as an innovative way to tackle unemployment and foster social inclusion, especially among the youngsters and the over 50s.** Many graduates in creative industries such as design are increasingly choosing to begin their careers as freelancers and many senior professionals in technical disciplines like engineering already work independently either because of choice or circumstances (e.g. unemployment).
10. If the EU wants to build a competitive industrial base and a modern service sector, ought to recognise ways of working that go beyond, or are outside, the traditional 9 to 5 employment model. At the same time, policymakers should realise that not all small businesses seek to grow by recruiting their first employee. Innovation is not only about new products but also about new processes and new approaches. Many professionals work on a freelance basis because they have an ambition to run their own business, but this does not mean that they have an ambition to grow their business in the sense of becoming an employer. However, they may seek to “grow” it by enhancing their value proposition to clients, for instance by developing their own skills. PCG members have indicated several times that, while in some cases they will sub-contract work or collaborate with other freelancers, growing their business by taking on permanent staff

⁵ *Modernising labour law to meet the challenges of the 21st century*, European Commission, 2006.

⁶ *The shape of business: the next 10 years*, Confederation of British Industries (CBI), November 2009.



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is simply not their business model. **Freelancing thus represents a truly innovative path as it empowers people, foster creativity and develops entrepreneurship.**

Innovation & Skills

11. The freelance model is rather unique among usual small and micro-businesses. Nano-businesses are not typically visible in local communities. They do not have premises on high streets or trading estates, or sustain local workforces. Some mainstream “business” issues such as business rates are therefore not very meaningful to them. Bearing these considerations in mind, it is perhaps not surprising that freelancing has endured a ghost-like lack of recognition in some historical business policy discourses. **There is therefore an urgent need to understand, recognise and promote freelancing within the EU as an entrepreneurial and innovative option.**
12. As private businesses are unlikely to fund training for contractors, we believe that is the role of the Commission to ensure access to training. The only way freelancers can grow their business is through continuously improving their skills. **Training should thus be encouraged in this fast moving environment to allow freelancers to compete in a globalised world.**

Further Information

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