

Starting Points: Self-employment

What is self-employment?

Do you like the idea of being your own boss? Being self-employed can be an attractive option offering the opportunity to make a living doing something you really enjoy and are good at. Perhaps you have spotted a gap in the market and want to develop a new product or provide a service to fill that gap. Perhaps you have specialist skills and knowledge that you would like to promote/offer to potential clients. Whatever your reason there is no doubt that the number of 18 - 24 year olds choosing to be self-employed has increased by more than 50% since 2000 (RSA 2014).

The advantages and disadvantages of being self-employed

Advantages:

When a group of students at Sheffield Hallam University were asked what the advantages would be of being self-employed they cited the following reasons:

- being recognised for their work
- being in control of their own destiny / working patterns
- increased job satisfaction
- freedom to try out new ideas and make mistakes

These reasons are very much reflected by a recent RSA survey (2014) which reported that the overriding motives for becoming self-employed were:

- to have more freedom
- to be creative and make the most of a good idea

Disadvantages:

There will always be disadvantages to whatever type of employment you choose, and those specific to self-employment are:

- long working hours with no paid sick or annual leave
- responsibility for paying your taxes, NI contributions and all your private pension contributions
- no - low income whilst creating your business idea/vision
- you will probably need to support yourself with employed part-time work in the early stages
- the need to be constantly searching for new clients / contracts / commissions

Have I got what it takes to be self-employed?

You will need a wide range of skills and qualities, these include:

- self-discipline and motivation
- a real passion / belief in your idea or vision
- organisation and decision making skills
- good negotiating skills
- be innovative, imaginative and creative
- ability to network (in person/social media)
- ability to work under pressure
- know your client base (market research)
- prepared to take calculated risks
- commit to project: conception to completion

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Self-employment: What are the options?

Freelancers work independently and are not committed to any particular employer so that they are free to offer their skills and/or knowledge to a company / individual client who is prepared to pay for their services: you are your business! Some freelancers are represented by agencies who will find work for them on a commission fee basis. Those working in the creative media and arts sector make up a high proportion of this particular self-employed group but certain health professional and consultancy groups may also work as freelancers. All profits (after expenses, tax NI contributions etc.) made from the work are for the freelancer but liability for any debts is also their responsibility.

Sole Traders are similar to freelancers in that they generally work alone but they can employ when required. Trades and crafts people tend to make up the bulk of this particular group of the self-employed but those working in the consultancy and IT sector also use this structure. You will need to register with HMRC for annual tax self-assessment. All profits (after expenses, tax NI contributions etc.) made from the work are for the sole trader but liability for any debts is also their responsibility.

Partnerships are when a business is owned by two or more individuals. The partnership does not necessarily require an equal share or division of the work and /or investment. In some companies the share of responsibility may vary considerably and this would be reflected in the share of profits/revenue. The type of businesses that use this model is very varied. All profits (after expenses, tax NI contributions etc.) made from the work are for the partners but liability for any debts is also their responsibility.

Limited companies separate the business from the individual(s) who have set up and are running it. Profits made are owned by the company after it pays Corporation Tax, salaries etc. Profits can be shared amongst interested parties (shareholders) or reinvested into the business. Companies can sell shares in the company to external parties such as investors, families or friends. One of the benefits of being a limited company is that you are not personally liable for the company debts if things should go wrong, the business is. **Please Note:** It is recommended that you get advice specific to your circumstances before registering as a Ltd company.

Not for profit businesses including **Social Enterprises** and **Cooperatives** are businesses that help people, communities or charity-based organisations and are run by people sharing similar values (particularly true of Cooperatives). Essentially these will be run in exactly the same way as the previous options already mentioned whether you are self-employed as an individual, in a partnership or as a limited company. The key difference is that all profits are re-invested into the business in order to meet its clearly defined and legally binding social objectives.

Want to talk it through?

Did you know that here at Sheffield Hallam University **The Enterprise Team** can provide **free** specialised advice, support and resources on all aspects of self-employment, to students and graduates **for a lifetime** For more information and/or to make an appointment to discuss your plans or simply to find out more about what they do, please contact them directly:

Email: enterprise@shu.ac.uk / **Telephone:** 0114 225 3131

This information is available in alternative formats on request.

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