



**Self-Employed
SentiMeter**
Statistical Summary



MAY 2018

Kensington
Lending for Real Life

The backbone of the UK economy: the self-employed market

The rise of self-employment has become a key trend for Britain's economy and workforce in recent years. Data from the Office of National Statistics shows that the number of self-employed workers increased from 3.3 million people (12.0% of the labour force) in 2001 to 4.8 million (15.1% of the labour force) in 2017.

The trend of rising self-employment has been evident across all regions of the UK. As a share of all in employment, the largest increases have been in London (rising from 13% to 17.4% of the labour force – an increase of 4.4 percentage points), Yorkshire and The Humber (an increase of 3.9 percentage points) and the South East (an increase of 3.7 percentage points) between 2001 and 2016. In absolute terms, around half of self-employed workers are located within London, the South East and the South West, although the mix of part- and full-time self-employment varies by region.*

Continued growth is evident, however - in a time of lingering economic uncertainty for the UK as a whole - how much of an influence is Brexit on the self-employed population, how might it affect their trading futures and what are their business prospects and plans for the year ahead?

To better understand this mindset, Kensington Mortgages commissioned the 'Self-Employed SentiMeter' – a survey of over 1,000 self-employed UK adults, gathering their opinions and sentiments in the face of the impending Brexit deadline.

As expected, there was a wide spectrum of views, whether over the impact of Brexit on their business, the UK economy, or their own personal finances.



* Trends in self-employment in the UK, ONS February 2018

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/trendsinselfemploymentintheuk/2018-02-07>

Independent business

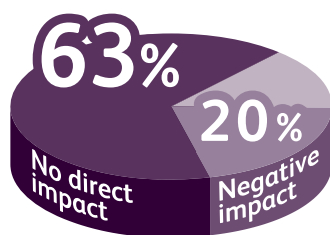
Brexit will no doubt continue to capture the headlines and dominate forecasts about the UK economy and businesses in the coming weeks, months and years, but how do self-employed workers feel about their opportunities and challenges in the here and now?

The findings show that the UK's self-employed workers appear undaunted by the potential impact of Brexit on their businesses. Nearly two-thirds (63%) of those surveyed thought leaving the EU would have no direct impact on their business, which was over three times as many (20%) as those who viewed it in negative terms.

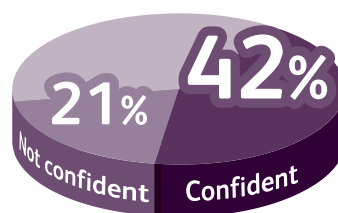
When asked the question: how confident or unconfident do you feel that you will take on more work in 2018, almost half (47%) said they were confident of doing so, with only 13% feeling unconfident. Optimism about business prospects in the face of Brexit was especially high in the West Midlands, with a quarter of those surveyed (25%) very confident about taking on more work this year.

Responses were similar when respondents were asked if they expected to make more money in 2018 than they did in 2017. More than four in ten (42%) said they were confident, compared to just 21% who were sceptical. However, contrary to the assumptions often made about younger people and Brexit, the greatest levels of positivity emerged within the 25-34 age group, where almost two thirds (65%) said they felt confident. Within the same age range, a mere 5% expressed a lack of confidence.

Impact of exiting the EU, Self-employed view



Impact on their business



Confident of making more money in 2018



Despite a seemingly optimistic attitude towards the impact of Brexit on their business, when it came to the impact on the UK economy as a whole, the majority (52%) expected a more difficult future ahead as a result of Brexit.

These results therefore offer a slightly mixed message – whilst self-employed workers realise the potential gravity of Brexit negotiations, they remained relatively confident about their individual prospects and/or didn't think that Brexit would significantly affect their business prospects.

Focusing on regions, the political fault lines of the European Union Referendum in 2016 appear to retain their potency two years on. Mirroring the Brexit vote, the majority of self-employed workers in Scotland (67%), London (60%) and Northern Ireland (58%) felt that Brexit would have a negative impact on the economy.

However, despite having the strongest leave camps in 2016, over a third of self-employed workers in the East of England (37%) and more than a quarter in Yorkshire and the Humber (28%) believed Brexit would have a positive impact on UK PLC. Again, these mixed figures may be indicative of a change in mentality towards Brexit within some of these regions and genuine optimism amongst the self-employed.

Self-employed workers' dual view



Prospects of the people

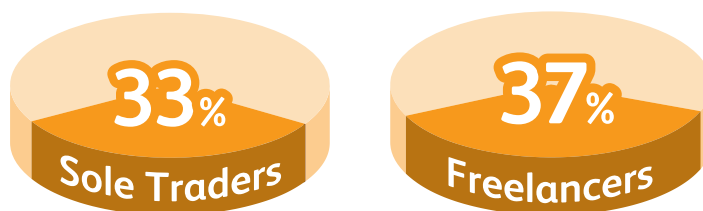
Drilling down into the personal finances of Britain's self-employed workers, independent workers clearly felt there were challenges for their finances ahead. Freelancers, small business owners and contractors all still hinted at the struggle to secure finance for their property ambitions, and a significant number believed Brexit wouldn't help their plight.

More than a third (35%) felt Britain leaving the EU would only make it harder to secure a loan, with freelancers (37%) and sole traders (33%) the most vocal. In terms of affecting finances of the self-employed workforce as a whole, 36% considered Brexit to have a negative effect, whilst only one-fifth (20%) viewed it as a good thing.

The findings mirror the experiences of many self-employed workers across the UK, who unfortunately continue to struggle when it comes to accessing financial products that many of us take for granted, such as a mortgage or loan. Whether it's how they draw their salary or the irregular nature of their income, Britain's self-employed workers often find their circumstances do not fit the lending criteria of High Street banks. Of those surveyed, 27% had a residential mortgage.

Specialist lenders, accessible through an adviser, remain key to supporting these underserved borrowers. But with less than 1 in 5 (19%) self-employed workers turning to a broker or adviser when seeking a financial services product, there clearly remains a need to drum up more awareness about the solutions that these lenders provide.

Brexit might affect the ability to takeout a loan



Planning ahead

Despite the difficulties self-employed individuals faced when it came to securing financial products, Kensington's research still found a trend of prudent financial planning amongst independent workers. More than four in ten (42%) respondents said that they would be able to sustain themselves for six months or more if they took on no new business, with nearly a quarter lasting for a period of nine months or longer (24%).

These findings contrast with the wider UK population, with insurer Legal & General's Deadline to the Breadline research recently finding that the average UK employee would last only 32 days on their current lifestyle, if their income stopped.**

Self-employed workers are careful with their savings



**Legal & General 'Deadline to Breadline' campaign, 2017
<https://www.legalandgeneral.com/adviser/protection/news-and-insight/deadline-to-breadline/>



Right here, right now

Here at Kensington, we commissioned this research to help generate a better understanding of the self-employed market, not just in terms of potential Brexit implications, but also in assessing levels of confidence within the sector. There are many positives to take away from the findings. There is a sense of optimism surrounding business levels in 2018 and a resolute attitude to the Brexit-based challenges ahead.

Looking to the future, despite this sense of optimism, more support for the self-employed is needed on many levels. This is especially apparent when it comes to the concerns surrounding their borrowing needs, though thankfully, help is at hand.

A report in October 2017 from the Intermediary Mortgage Lenders Association (IMLA) outlined the growth in specialist mortgage offerings, with gross lending figures suggested to be up threefold since 2009 – an increase of 19% per year^{***}. This pronounced increase in lending should help to offset some of the borrowing concerns raised by respondents within this study.

A greater variety of responsible mortgage solutions – based around strong underwriting standards and coupled with a flexible, one-size doesn't fit all attitude to lending – are now available for an array of self-employed people. However, this remains a work in progress and it's crucial that lenders continue to innovate and evolve.

There is no doubt that the role and influence of specialist lenders will only heighten in the coming months and years, and they will become even more integral in helping this vital backbone of the UK workforce to overcome a range of borrowing hurdles.

The number of 'non-standard' borrowing cases is anticipated to rise. And with mainstream lenders still demonstrating a lack of appetite for this type of lending, it is up to the specialist lending community, to continue to step up and service their evolving needs.

^{***}The rebirth of specialist mortgage lenders: gross lending grows threefold since 2009
<http://www.imla.org.uk/news/post.php?s=2017-10-04-the-rebirth-of-specialist-mortgage-lenders-gross-lending-grows-threefold-since-2009>

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