

[The self-employment option](#) [1]

Written by [Blog Editor](#) [2] | Monday 9 January 2012

The ASI has today published as a paper a proposal first made on this site. The paper ("[The Growth Agenda ? the Self-Employment Option](#) [3]") suggests that the wider use of self-employed status can overcome much of the regulatory burden that stands in the way of enterprises, especially the small enterprises that create so many of the new jobs.

Although the Treasury has spent nearly three decades trying to shoehorn people out of self-employed and into employed status, the ASI claim this acts as a barrier to enterprise and growth. For its convenience HMRC prefers to have employers calculate and collect PAYE and National Insurance for them, but in doing so, says the ASI, it imposes burdens that thwart the creation of hundreds of thousands of new jobs.

The Treasury cites costs as well as convenience if it had to collect from directly from people newly classified as self-employed, but it fails to count the supply side effect of taking people from unemployed dependency on state funds into new jobs in which they earn money and pay taxes.

The ASI proposes that small firms should be encouraged and helped to be able to classify their workforce as people self-employed under contract. This sidesteps the burdens not only of PAYE and NI, but also of unfair dismissal, discrimination suits, maternity and paternity leave, statutory sick pay and holiday pay. All of these might be affordable to large firms, but to small and medium enterprises they act to prevent people being taken on in the first place.

The new report says that "allowing self-employed status for SME staff is the single most powerful tool that could unleash the private sector and boost growth."

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