

# Article: Self-Employment

## Summary

This article looks at:

- the skills you need to become self-employed
- the types of business you could run
- the planning you would need to do before becoming self-employed
- what makes a successful business.

## What is self-employment?

Self-employment means working for yourself rather than for an employer. This may include owning and running your own business, or you may work freelance.

## Why do people become self-employed?

Some people choose to become self-employed because they have a good product or service that they want to market themselves. Others become self-employed because some companies only offer contracts to those prepared to work on a self-employed basis.

Generally, people are attracted to self-employment by the idea of being their own boss and having greater flexibility over how, where and when they work. Being self-employed can be a highly rewarding, life-changing experience.

However, being self-employed can also be very tough. You'll need to be very dedicated, as you:

- will not receive holiday or sick pay, and so you might not be able to afford to take time off
- will not have the security of a work-based pension
- might have to take financial risks, particularly in the early days (e.g. re-mortgaging your house, selling your car, taking out a bank loan)

## Types of business

Here is a list of some different types of business:

- Sole trading is probably the simplest way of going into business. Sole traders set up on their own and trade under their own name.
- business partnership involves setting up a business in partnership with someone else
- Co-operatives vary in their organisation. Typical examples include workers' co-operatives and community co-operatives. A co-operative is owned and controlled by the whole workforce.
- Franchising is when a company gives an individual (or group of individuals) the right to trade and market the company's own products. Famous examples of franchises include The Body Shop, Subway and the ITV companies.

## Skills for self-employment

Self-employment isn't for everyone. You'll need to look at yourself and decide whether you have the skills you'll need to succeed. You'll need to:

- be enterprising
- have belief in your ability to make a success of the business
- be highly motivated
- not mind working long hours
- be independent
- be prepared to work hard!

Running a business can be very stressful, so self-employed people need to be strong enough to cope when things do not go according to plan.

## What makes a successful business?

For a business to be successful, it needs to offer a product or service that people want or need and that is competitively priced. Just as important, the business needs to 'market' itself well, so people are aware of the product or service and are encouraged to buy it.

## What you need to think about

You need to research your market, to get an idea of how many people would be interested in the product or service you'd provide.

You also need to work out how much customers would be willing to pay. You need to calculate the cost of things like:

- making your product or running the service
- renting, heating and lighting somewhere to run the business from
- equipment, stock and other on-going expenses

## Raising capital

Capital is the name for the money you'll need to set up a business and to keep it running. Most banks will lend money for a business if they think it will be profitable. For large amounts of money, you may need to borrow from a merchant bank or agency that specialises in venture or risk capital.

## The Prince's Trust

The Prince's Trust offers advice, grants and low interest loans to young people who have good ideas for starting their own business.

It considers people who are:

- aged 18-30
- unemployed, or who work less than 16 hours a week
- living in England, Wales or Northern Ireland

## Who to inform

When you set up your own business, you need to tell various people. You will need to inform some or all of the below, depending on the nature of your business. You should get some advice on which of the following you have to inform and why.

- HM Revenue and Customs for income tax, National Insurance and VAT registration
- your local authority environmental health department
- the Fire Service

## Further Information

### Contacts

- **HM Revenue & Customs (HMRC)**  
Website: [www.gov.uk/government/organisations/hm-revenue-customs](http://www.gov.uk/government/organisations/hm-revenue-customs)
- **Shell LiveWIRE**  
Email: [enquiries@shell-livewire.org](mailto:enquiries@shell-livewire.org)

Website: [www.shell-livewire.org](http://www.shell-livewire.org)

- **Businesses and Self-Employed**

UK government services and information

Website: [www.gov.uk/browse/business](http://www.gov.uk/browse/business)

- **The Mix**

Support and information services 25 year-olds and under

Website: [www.thesite.org](http://www.thesite.org)

- **Prince's Trust**

Address: 18 Park Square East, London NW1 4LH

Tel: 0800 842842

Email: [webinfops@princes-trust.org.uk](mailto:webinfops@princes-trust.org.uk)

Website: [www.princes-trust.org.uk](http://www.princes-trust.org.uk)

- **Business Wales**

Welsh enquiries

Tel: 0300 0603000

Website: [business.wales.gov.uk](http://business.wales.gov.uk)

- **SFEDI Awards**

Address: Enterprise House, 18 Parsons Court, Welbury Way, Aycliffe Business Park, Durham DL5 6ZE

Tel: 0845 2245928

Email: [customerservice@sfedwards.com](mailto:customerservice@sfedwards.com)

Website: [www.sfedwards.com](http://www.sfedwards.com)

- **Enterprise Nation**

Email: [hello@enterprisenation.com](mailto:hello@enterprisenation.com)

Website: [www.enterprisenation.com](http://www.enterprisenation.com)