

# Neither one thing nor the other:

how reducing bogus self-employment could benefit workers, business and the Exchequer.



**citizens  
advice**

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# Executive Summary

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Self-employment is a work status that many people aspire to. It can offer freedom, flexibility and the chance to build a business from the ground up. It boosts the economy by helping people find work, many of whom go on to become employers as their businesses grow.

Self-employment has become an increasingly mainstream form of work - today 4.5 million people work in this way.<sup>1</sup> Our research shows that 75% of Citizens Advice clients who are self-employed are happy with their working status. We will be looking more closely at the life of self-employed people in upcoming reports.

As the labour market and the economy evolve, it is vital that the system for self-employed people adapts and modernises. The government has made positive progress with proposals to scrap Class 2 National Insurance and to move tax returns online. Alongside this, the government should address the lack of clarity around self-employment status as a priority.

Bogus self-employment occurs when workers are told they are self-employed when the legal tests would likely define them as employees. This phenomenon is made more common by the lack of consistency and clarity around the definition of self-employment: employment and tax law take different approaches. Tackling bogus self-employment will help the government by ensuring it receives the tax and National insurance it is due; it will help responsible businesses who are undercut by rivals; and it will ensure that workers get the basic protections they are legally entitled to, such as the National Minimum Wage and holiday pay.

At Citizens Advice, we help over 30,000 self-employed people per year in our local offices and many more online. We have seen a steady increase in the number of people visiting our advisers to determine whether or not they are self-employed. This appears to be a growing but mostly hidden problem.

This report addresses two key research gaps. First, it provides an estimate of how many people may be in bogus self-employment across the whole economy. Second, it shows the human impacts - in addition to effects on government and business - of bogus self-employment.

We surveyed nearly 500 of our clients to understand how they work and how they perceive their employment status. We then compared this to the law and to

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<sup>1</sup> ONS. [Self-employment Report](#). 2014

existing evidence that our network has gathered about incidences of bogus self-employment.

Our key findings are:

- We suspect that **one in ten of the people that we surveyed are bogusly self-employed**, with at least three markers suggesting that their self-employment is not genuine. If scaled up, this could translate into **as many as 460,000 people nationwide**.
- **Each of these people may be losing on average £1,288 a year in holiday pay<sup>2</sup>** and are paying an extra £61 per year in National Insurance that they would not pay were they classified as employed.
- **The Exchequer is losing, on average, over £300 per person who is wrongly categorised as self-employed**, because the national insurance system currently incentivises employers to categorise workers as self-employed, even when they are not. **If scaled up, this means the government could be losing as much as £314 million annually.**<sup>3</sup>
- **Responsible businesses, which do the right thing and want to employ their staff legitimately, face a competitive disadvantage** to other employers which hire bogusly self-employed staff. The current lack of clarity around the definition of self-employment also means that many responsible employers struggle to be certain that they are categorising their staff properly.

We make recommendations that can help to redress the balance. These include extending to self-employed people some of the rights have been previously reserved for employment, reviewing the tax and national insurance system with a view to ensuring that self-employed people are treated fairly and strongly enforcing the rights of those who suspect that they are in bogus self-employment.

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<sup>2</sup> Calculated as earning the median income for a self-employed person of £207 per week

<sup>3</sup> Office of Tax Simplification. [Employment Status Report](#). March 2015, using figures from HMRC Personal Income Statistics 2012-13

## What we know about our clients and their issues

Citizens Advice provides advice and information to clients from 2,500 locations across England and Wales. Last year we helped 2.5 million people<sup>4</sup>. Because of our wide reach, we are able to collect data on what people need advice about, spot emerging problems and propose policy changes that will work in practice.

## Acknowledgements

We would like to extend a particular thank you to the Local Citizens Advice who took part. They were: Bristol, Bury St. Edmunds, Cambridge, Denbighshire, Derby, Gateshead, Hackney, Leicestershire, Luton, Plymouth and York.

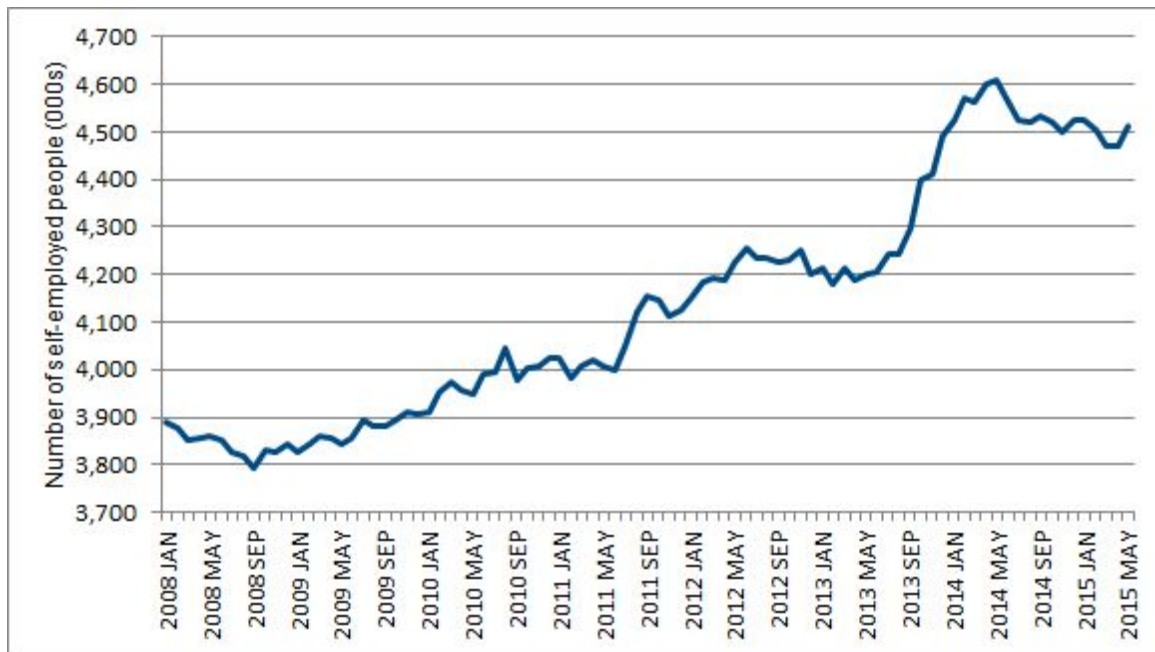
We would also like to thank New Forest and Copeland Citizens Advice for their help with case studies and insight.

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<sup>4</sup> Citizens Advice. [\*The value of the Citizens Advice service: our impact in 2014/15\*](#)

# Introduction

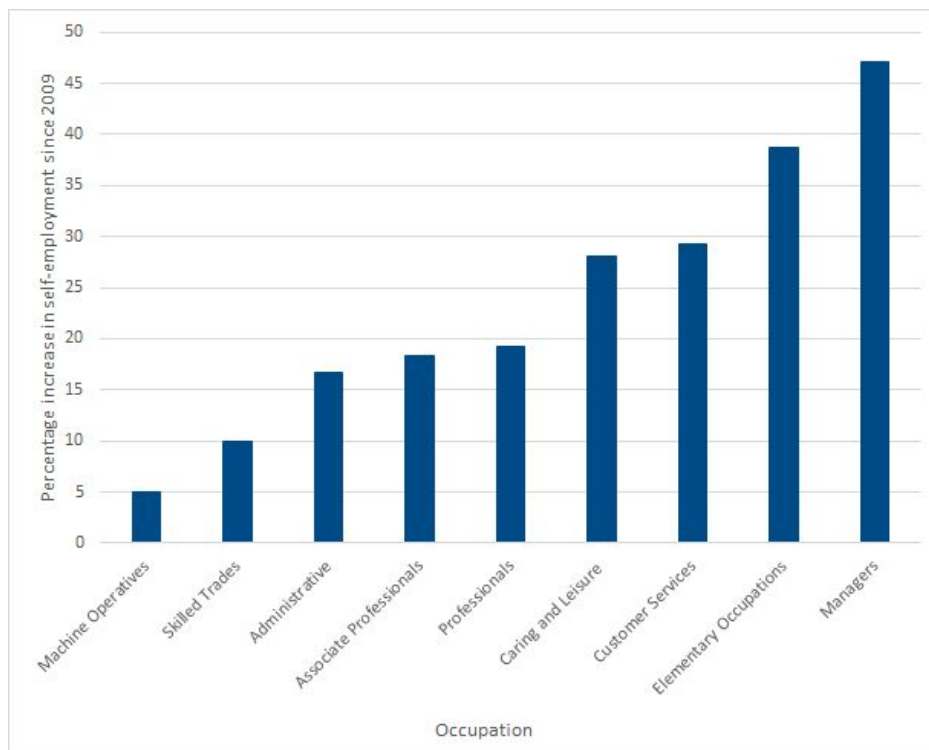
The growth in self-employment has been a key theme in the labour market following the recession in 2008. Self-employment has grown in quantity but also in terms of the sectors involved.



▲ Figure 1. Number of self-employed people in the UK since January 2008. Source: ONS

Figure 2 shows how the composition of self-employed jobs has changed. There have been increases in every occupation, but some of the largest increases have been in occupations where, historically, there have been few self-employed people. Carers, cleaners and cooks are among the self-employed occupations that have been expanding since 2009.<sup>5</sup> While skilled trade remains the largest self-employed group, the increase in self-employment has been modest (10%) compared to elementary occupations (40%) and customer services (30%). As the profile of self-employed people is changing, the ways in which they are working are changing to match.

<sup>5</sup> Carers are in the Caring and Leisure occupation, cleaners and cooks are both elementary occupations



▲ Figure 2. Percentage increase in self-employment by occupation. Source ONS<sup>6</sup>

As self-employment becomes more mainstream, it is important that the tax and legal frameworks are modernised to enable people to take advantage of this way of working. The government is already taking steps to do this: whereas the flat rate system of national insurance was abolished for employees in 1975, today the self-employed pay flat rate Class 2 contributions which are not linked to their earnings.<sup>7</sup> The government is now addressing this<sup>8</sup>, but should go further and ensure that the self-employment status definition is clear and relevant to today's economy.

The government has also recently announced a new review of self-employment support<sup>9</sup>, in addition to extending the purview of the OTS<sup>10</sup>. This is to be welcomed and we urge the government to take these opportunities to tackle the problems that the new ways of being self employed are causing.

For many, defining self-employment status is straightforward. For example, a freelance journalist is self-employed because they can work for whomever they like and whenever they like, they often have multiple companies that they work for,

<sup>6</sup> ONS. [Self-Employment Statistics](#). 2014

<sup>7</sup> HMRC. [National Insurance credits and the single-tier pension](#). 2014

<sup>8</sup> HM Treasury. [March Budget](#). 2015

<sup>9</sup> BIS. [Press Release -Government examines support for self-employed](#). 2015

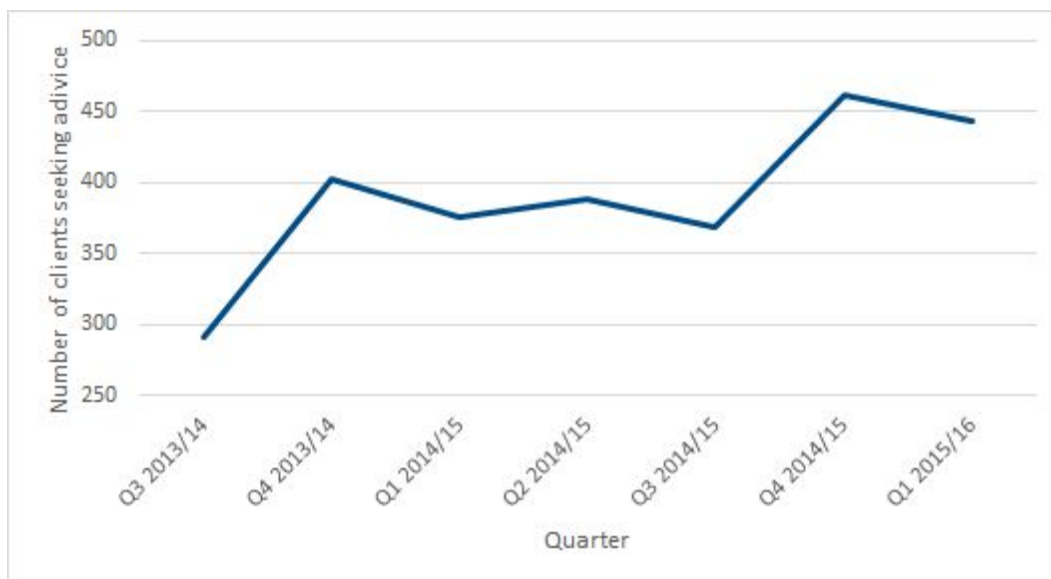
<sup>10</sup> [Letter from David Gauke MP to Office of Tax Simplification](#). 2015

they invoice them and pay their own taxes, they provide their own materials (such as a laptop), work from wherever they choose and take on all of the financial risk of determining their income.

But a group has emerged whose satisfaction has decreased because it is unclear whether they are genuinely self-employed or if they should, in fact, be classed as employees. Meg, who sought help from Citizens Advice, falls into this category. She worked as a childminder's assistant but was concerned about her employment status. She worked regular hours every day, did not need to provide her own equipment and did not have the option to send someone else to do her work if she was unable to come. However, the childminder had presented her with a "contract of self-employment" on the day she began the job and, not knowing the implications, Meg signed it.

By law, determining whether Meg was self-employed or not is very difficult. Her Majesty's Revenue and Customs' (HMRC) Employment Status Indicator (ESI) suggests that she was an employee, but without taking the matter to a tribunal, she would be unable to conclusively find out. After seven months of working in this way, Meg had been off sick once and had taken one holiday (and wasn't paid during either period). She couldn't take any more time off as she could not afford it and she had become confused after being told that she would need to register for self-assessment, something she had never done before.

Citizens Advice sees the consequences of this confusion on a daily basis as clients come in and ask for help to determine their employment status. As Figure 3 shows, we have seen an increase in these cases since October 2013.



▲ Figure 3. Number of clients seeking advice relating to their employment status



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“It is only a judge, in 21st Century Britain, where we have sent people to space, Jeeps to Mars and all sorts, it is only a judge that can decide for anyone if they are an employee or a self-employed person. I find that absolutely unbelievable because they have made this legislation so complicated that unless you are a lawyer or a judge, you cannot tell.”

**Peter, Construction worker**

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This situation also creates uncertainty for businesses. The Office of Tax Simplification (OTS) highlights the fact that businesses worry about miscategorising people as they generally dislike uncertainty and want to know that they are doing the right thing. The OTS points out that several of the factors that businesses think about when considering whether to offer recruits employment or self-employment contracts relate to compliance, tax implications and the worst case scenario of having a group of workers reclassified as employees after they have been working as self-employed for some time. These types of cases can take years and cost many thousands of pounds in legal fees.<sup>11</sup> So it is in everyone’s best interest that the determination of whether an individual is employed or self-employed is made smoothly and without legal complication.

However, there is also increasing evidence of “rogue employers”; these are business owners who intentionally exploit the vagueness of the rules in order to take people on as self-employed when they should be employed.

They may do this to exploit the tax advantage of not having to pay employer’s National Insurance, to give themselves the easiest route to dismissing a worker if they want to or because there are savings in not having to pay workers leave or, indeed, the National Minimum Wage. Although the reasons for giving an individual a self-employment contract instead of a contract of employment are complex, a recent Union of Construction, Allied Trades and Technicians (UCATT) report found a number of building contractors who were using specialist payroll companies for the express purpose of avoiding an employer’s tax and National Insurance duties.<sup>12</sup>

Unscrupulous employers skew the labour market: they drive costs down and law-abiding businesses cannot compete without potentially falling foul of tax law. Such businesses may find it increasingly difficult to attract clients, due to their higher labour costs and may ultimately find it unviable for them to continue trading.

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<sup>11</sup> OTS. [Employment Status Report](#). 2015

<sup>12</sup> UCATT. [The Great Payroll Scandal](#). 2014

This report has two key objectives. First it seeks to fill a research gap and improve understanding of how many people are likely to be bogusly self-employed across the whole economy. Second it seeks to understand the human impacts of bogus self-employment. We present these alongside broader implications for government and businesses, which have been discussed in other research.

# Methodology

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This report uses qualitative and quantitative research and relies on the support of local Citizens Advice, which operate across 2,500 locations in England and Wales. Our case studies come from evidence forms submitted by staff and volunteers and from 19 qualitative interviews with self-employed people which we conducted in May 2015. The interview participants were recruited from the people who completed the surveys. They resided across England and were selected to provide a variety of income, hours worked and occupations.

Most quantitative findings in this report come from two parallel surveys we ran - one through 11 local offices across England and Wales and the other through the Citizens Advice website<sup>13</sup>. In total we surveyed 491 people and this process is explained in more detail below. We also draw on data from our management information system, which records issues from 2.5 million clients each year.

## The Surveys

Both surveys asked people if they were employed or self-employed, followed by a series of questions to establish whether they were in genuine self-employment (see Appendix for details of survey questions). The questions mirrored those used by HMRC's Employment Status Indicator Tool (ESI). Whilst this is an imperfect measure and relates to tax status rather than legal employment status, using a variety of indicators gives us a good idea of whether a respondent is self-employed or not. The challenge of defining self-employment for our survey also reflects the challenge facing individuals and employers determining employment status.

The only difference between the surveys was that the online survey had two additional questions: one asking respondents to state if they thought their job could be done on an employed basis and the second open question asking why.

The data from the two surveys were combined and form the basis of much of the quantitative analysis of this report. The collected 491 responses, the scale of which provides a statistically-valid representation of the UK self-employment market (at a 95% confidence level, with a plus or minus 4% margin of error). Our sample was taken from a pool of Citizens Advice clients, meaning that low earners and people working fewer hours are over represented compared to national data.

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<sup>13</sup> The online survey was promoted on the '[employment rights at work](#)' section of the Citizens Advice website.

# What we found

Self-employed people as a whole express high levels of work satisfaction. In our surveys, three quarters of respondents stated that they either “prefer being self-employed” or they “don’t mind”. However, this drops to two in five (41%) for those who are likely to be bogusly self-employed. This is likely to reflect the fact that while self-employment affords many freedoms, bogusly self-employed people do not have access to them.

We found that 10.4% of people who believe that they are self-employed could be classified as employees, based on what they told us about the way they work. This is based on them meeting at least three of our employment indicators. These people don’t enjoy the full benefits of self-employment but are also told that they are not entitled to holiday pay, sick pay and other employment rights. If applied at the national level, this could mean that as many as 460,000 people are bogusly self-employed.

A person on the median self-employed income of £207/week<sup>14</sup>, if bogusly self-employed, loses out on an average of £1,288 every year in holiday pay alone.<sup>15</sup> It is notable that self-employed people take half as much sick leave<sup>16</sup> and less holiday than employees, potentially due to the fact that they cannot afford to do so as they lose income for every hour they do not work.

## What does this mean for government and national insurance contributions?

Estimates from the Office of Tax Simplification show that, if 10% of people are bogusly self-employed, the government could lose as much as £314 million each year<sup>17</sup>. Our finding that 10.4% of respondents seem likely to be bogusly self-employed suggests that the government could be losing significant revenue.

From the perspective of a self-employed person earning the median weekly wage of £207, there is no difference in tax (assuming that their only work is their self-employed job). The big difference to both the worker and the Exchequer would be in National Insurance. As Table 2 shows, if two individuals are placed side by side with no difference between them other than employment status, there is a

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<sup>14</sup> ONS. [Self-employment Report](#). 2014

<sup>15</sup> Calculated on the basis of a full-time worker when the equivalent employee would be entitled to 5.6 weeks of annual leave.

<sup>16</sup> The ONS estimates that self-employed people take 1.2% of their working hours off sick, compared to 2.4% taken by employees.

<sup>17</sup> Office of Tax Simplification. [Employment Status Report](#). 2015, using figures from [HMRC Personal Income Statistics 2012-13](#)

loss of over £300 to the Exchequer for each individual who is bogusly self-employed.

	Employed	Self-employed
Earnings (annual)	£10,764	£10,764
National Insurance class 1 payable (at 12%)	£324.48	£0
Employers contribution (13.8%)	£373.15	£0
Class 2 Contributions (£2.80 per week)	£0	£145.6
Class 4 contributions (9%)	£0	£243.36
<b>Total NI paid by worker</b>	<b>£324.48</b>	<b>£388.96</b>
<b>Total NI Paid by employer</b>	<b>£373.15</b>	<b>£0</b>
<b>Total NI paid</b>	<b>£697.63</b>	<b>£388.96</b>

▲Table 1. National Insurance calculation for an employed and self-employed person on median self-employed income<sup>18</sup>.

Table 1 also illustrates two key financial disadvantages to individuals who are bogusly self-employed rather than employed.

The first is that they are paying a higher rate of National Insurance personally. The second is that they lose the employer's contribution, which more than doubles the NI contribution of an employed person paying Class 1. In practical terms, £64 or 16% of their total National Insurance liability is being transferred from the employer's side of the equation to the self-employed person. Thus the self-employed person is worse off being self-employed in monetary terms, as well as not benefiting from employer's contributions.<sup>19</sup>

Class 2 and Class 4 contributions do not give an individual rights to contribution-based Jobseeker's Allowance. This means that if the business fails, the self-employed person may not be able to get jobseeker's allowance. In the case of Meg, the bogusly self-employed childminder's assistant, this meant that she was reluctant to leave her job, despite the poor conditions, as she was advised that she may not be eligible for Jobseeker's Allowance. The entitlements under Class 2 may

<sup>18</sup> Our calculations for NIC differ from the OTS as they have not included anyone under the income tax threshold. This raises the median income used as the basis of their calculation. We have included these people as they comprise a significant number of self-employed people.

<sup>19</sup> For an additional calculation for a high income earner, see Appendix 2

be reasonable for people who are genuinely self-employed but become nonsensical in cases such as these.

## What does this mean for employers?

The vast majority of employers work hard to comply with the law and want to ensure that they are doing the right thing. But the evidence from our survey suggests that a minority of employers are either deliberately or accidentally reducing costs by falsely engaging staff as self-employed.

Because these employers are saving money - at the expense of their workers and the government - they can offer savings to their clients, thus undercutting employers who employ correctly. Therefore, the incentive to transfer people onto self-employment contracts is strong, with firms that try to do the right thing finding themselves at a substantial disadvantage.

## What effect does unclear employment status have on individuals?

At Citizens Advice we have seen a steady increase in the numbers of people who are seeking advice because they have tried to take holiday, apply for benefits or vary their hours of work only to be told that they are not entitled to do any of these things as they are self-employed.

People who are in bogus self-employment are not entitled to many of the benefits that employees often take for granted. These include holiday pay, sick pay, parental leave and pay during this leave, rights to benefits associated with making Class 1 National Insurance contributions, the right to a notice period if dismissed or made redundant, redundancy pay, automatic pension enrollment and the right to ask for flexible working. This means that their work is unstable and the terms of their contract can be varied much more easily than an employment contract.

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“I work in a pub where I used to be employed but then was told I must be paid as self-employed because there was not enough work. The pub owner can now employ me when he wants for whatever hours he wants and can also decide how much I get paid per hour”

**Survey Respondent**

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Some people see no choice but to accept the terms that they are given, as they worry that their contract will be terminated if they do not and the option of taking the matter to a tribunal is not always open to them.

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“I have been doing the same job every day, on the same location, for the last 5 years. I am a plant driver and I know that de facto I am an employee, but I have to accept the self-employed terms because the management requires me to do so. It is quite frustrating, as I do not have any protection from being sacked any time my boss decides so; I do not get any holiday pay, and I cannot ask for my rights, as I will immediately get sacked.”

#### Survey Respondent

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People who are in bogus self-employment can have their hours, the nature of their work and even the amount that they are paid changed at a moment's notice (see Table 2).

Often Citizens Advice clients seek our help when something goes wrong. A client may have been working under the impression that they have employment rights until they try to take holiday or have to take time off work for another reason.

**Case Study: A Citizens Advice client in the South East has worked for a builder for 15 years. The builder told him he was self employed, but for the entire period he has been treated as an employee, according to the legal definitions. His employer has paid his tax for him, but client has discovered that he has not paid his NI. Last year, he took three days off because of back pain and has not been offered any work since. The client would have to take a claim to an employment tribunal to get any compensation, and there is no guarantee that the tribunal will agree regarding his employment status. The client may need to pay in excess of £1000 in order to discover if he is self-employed or not.**

	Cleaner genuinely self employed for many clients	Cleaner employed for one employer	Cleaner bogusly self-employed for one "client"
Can choose working pattern	✓	✗	✗
Can choose when to take time off	✓	✗	✗
Can work for multiple clients	✓	✗	✗
Has a right to holiday and sick pay	✗	✓	✗
Has a right to maternity or paternity pay	✗	✓	✗
Is auto-enrolled into a pension scheme	✗	✓	✗
Employer pays national insurance contributions	✗	✓	✗
Protected under employment law and can take employer to tribunal	✗	✓	✗
Has a right to the National Minimum Wage	✗	✓	✗

▲Table 2. Rights at work depending on the type of work done

This is a particular problem with parental leave - an issue to which we will return in future research. Under the current system, employees have a right to maternity and paternity pay (and shared parental leave since April 2015). For self-employed people, there is no shared leave and no paternity pay, as self-employed mothers are only entitled to claim Maternity Allowance, a benefit that does not give entitlement to shared leave.



Thus self-employed people are at a disadvantage on three counts:

1. Maternity Allowance is less generous than Statutory Maternity Pay, so a self-employed woman would not be eligible for the first six weeks at 90% pay.
2. A self-employed woman would not be able to share her leave with her partner.
3. A self-employed partner would not be eligible for any parental pay at all and would need to take time off work on an unpaid basis as parental leave.

**Case Study: Farah has been working as a care assistant for a single company for the last two years. She was told when she started that she was self-employed. She earns £300 per week. She is expecting her first child and wants to take maternity leave. She wants to return to work as quickly as possible because her boss has told her that if she doesn't, she will be replaced. Therefore she would like her partner to take the time off to look after the baby instead. Farah seeks advice from Citizens Advice and is told that she may be bogus self-employed but that, under her self-employed terms, she does not have any right to shared parental leave and that her partner will not be able to stay at home. She will need to go back to work or risk losing her position.**

Parental leave is just one example of how employment benefits favour employment over self-employment. In many cases this may be justified - it would be perverse for a self-employed person to pay themselves for annual leave. However, bogusly self-employed people are stuck without the freedoms of genuine self-employment and without the benefits of full employment.

The difficulties in this area are compounded by the fact that bogusly self-employed people often lack awareness that how they work might actually entitle them to further employment rights. Not realising what they are missing out on by being miscategorised may mean that issues are being underreported.

# Recommendations

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**Recommendation 1: The government should ensure that the planned OTS review of employment status is conducted across departments so that definitions of employment status are simplified coherently.** We

wholeheartedly support the government and the OTS's work to simplify employment status rules for tax purposes. To be effective and address confusion created by the differences between tax and employment law, reforms must look beyond tax and national insurance to broader employment issues. It is vital that HM Courts and Tribunals Service, the Department for Business Innovation and Skills, the Department for Work and Pensions and any other department that has an interest in employment status is involved with this work.

**Recommendation 2: Employers, businesses and workers should be better supported to ensure that no one is ever wrongly categorised as self-employed or forced into self-employment.** Until definitions are made clearer for businesses and workers, both groups need straightforward advice to enable them to comply with their obligations. Digital support and advice should be available, including

accurate tools similar to the Employment Status Indicator that are easy to use for both businesses and staff. Workers who are offered a contract of self-employment should be able to access advice and support in a variety of ways.

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"I would like a place that is like your organisation, for people with problems... just for self-employed, like with the most basic advice"

Peter/ Construction worker

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**Recommendation 3: Any proposed changes to tax or National Insurance should ensure that current unintentional incentives towards bogus self-employment are reduced.** As shown above, there can be reasons for both

workers and business to want to categorise an individual as self-employed to save money. This should not be allowed to occur other than when a person fits the criteria for being genuinely self-employed. The Government should keep the bogus self-employment problem at the forefront of income tax and National Insurance policy development.

**Recommendation 4: Access to justice for people who suspect that they are bogusly self-employed should be made easier.** The only way for an individual to be sure whether they are self-employed or not is to go to an employment tribunal. As our recent research has shown<sup>20</sup>, current levels of tribunal fees are putting many people off taking claims to tribunals. The Ministry of Justice should improve access to employment tribunals or create a new mechanism whereby people can report their suspicions about their employment status to a government body who would have enforcement powers, similar to the way in which National Minimum Wage breaches are treated. HMRC and the Ministry of Justice should work together to find the most effective remedy for a worker in bogus self-employment.

**Recommendation 5: The Government should conduct its own research into the incidence of bogus self-employment to aid enforcement efforts.** The Government has already conducted its own research into suspect employment practices such as zero hours contracts. Now it should conduct national research to establish the full extent of the problem of bogus self-employment to ensure that enforcement action can be swift and targeted.

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<sup>20</sup> Citizens Advice. [Fairer Fees](#). 2015

# Conclusion

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Most people in genuine self-employment love the freedom it allows, but bogus self-employment rewards rogue employers, and harms working people, tax collection and businesses trying to do right by their workers. As well as immediate financial consequences, bogusly self-employed people are missing out on some key benefits which contribute to longer term economic growth: training, progression, a feeling of belonging and a sense that your employer cares about your development and your work. Of course, doing the job and getting paid are paramount, but many workers value these benefits almost as much as their wage.<sup>21</sup>

As the nature of the labour market changes, laws, rules and enforcement must adapt and evolve alongside. When they fail to do this, pockets of bad practice such as bogus self-employment begin to form. If left unchecked, the industries in which they operate become two-tiered, with responsible employers on one side and irresponsible employers on the other. As the irresponsible employers drive down prices at the expense of the workers, other businesses are left with the choice of either following their example or losing clients. This has adverse consequences for the labour market, for the Exchequer and for growth in the long run.

As the labour market evolves and self-employment becomes increasingly mainstream it is vital that definitions and regulation respond and adapt.

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<sup>21</sup> Survation. [Polling Low Paid Workers Living in Low Income Households](#). 2015

# Appendix 1: Questions asked in Survey

1. Are you currently saving into a pension for your retirement?
2. Would you prefer to be self-employed or employed?
3. Do you provide your own tools for your work?
4. Does your employer deduct tax from your payslip?
5. Do you pay your own tax through self-assessment?
6. Can you decide when you work and how you do your work?
7. Do you have to invest your own money in your daily work?
8. Do you get paid a fixed price for work (rather than an hourly rate)?
9. Do you have a second job?
10. Did you take your second job because you needed it to get enough income to pay essential costs?
11. In total (across all of your jobs), how many hours do you work on average per week?
12. How much do you as an individual earn from your job(s) each month before any tax and benefits?

Questions asked in the Online Survey that were not asked in the Local Citizens Advice Survey:

1. Do you think that the job you do could be an employed (rather than self-employed) position - e.g. with regular hours and holiday pay?
2. Please tell us more about why you think your job should or could be defined as an employee (free text box)

## Appendix 2: National Insurance Calculation for Top Earner

	Employed	Self-employed
Earnings (annual)	£240,000	£240,000
National Insurance class 1 payable	£8,914	0
Employers contribution (13.8%)	£32,270	0
Class 2 Contributions (£2.80 per week)	0	£145.6
Class 4 contributions	0	£6,880.35
<b>Total NI paid by worker</b>	<b>£8,914</b>	<b>£7,025.95</b>
<b>Total NI Paid by employer</b>	<b>£32,270</b>	<b>0</b>
<b>Total NI paid</b>	<b>£41,184</b>	<b>£7,025.95</b>

In cases of high earners, the loss, per self-employed person is £34,158, on earnings of £240,000 (the top decile of self-employed people). As we cannot estimate how many of these are bogusly self-employed, there is no way to ascertain the total cost. However, this is an indication of the level of discrepancy that can occur from simply re-classifying a worker's employment status.

**[www.citizensadvice.org.uk](http://www.citizensadvice.org.uk)**

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