

WORKING TOGETHER THE FACTS

SELF-EMPLOYMENT

SELF-EMPLOYMENT ARRANGEMENTS PROVIDE VITAL FLEXIBILITY

Many people prefer to work as an independent contractor, rather than as an employee. Also, many existing employees aspire to one day become an independent contractor and run their own business.

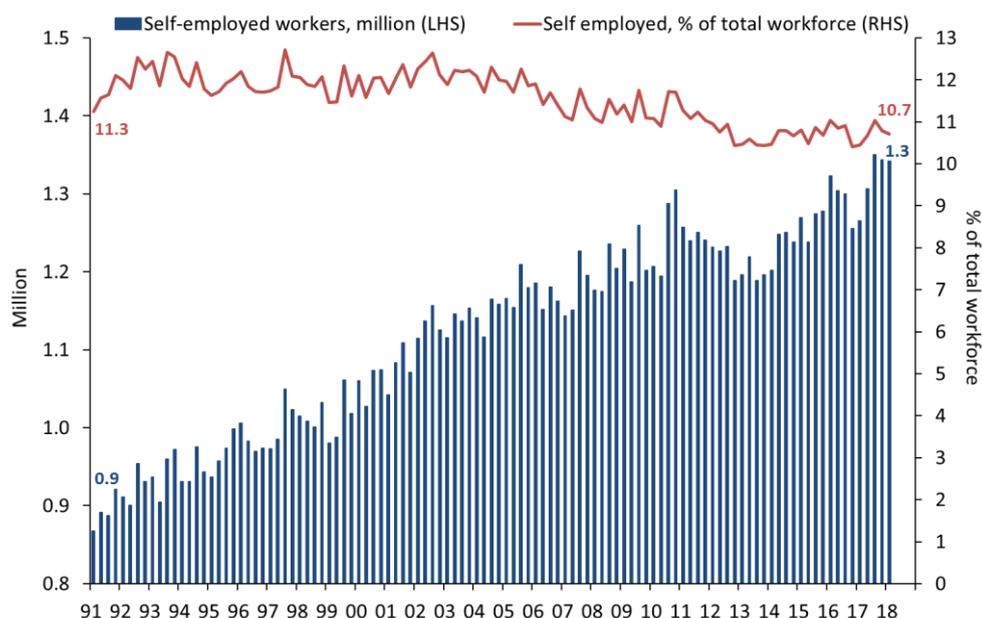
There are common law tests developed by the Courts to distinguish between independent contracting arrangements and employment arrangements. These tests provide essential flexibility because there are so many different types of legitimate independent contracting arrangements.

Hefty penalties are included in the Fair Work Act for those who engage people under ‘sham contracts’ where employment arrangements are misrepresented as contracting arrangements.

THE SELF-EMPLOYED, AS A PROPORTION OF THE WORKFORCE, HAS DECLINED

ABS statistics on self-employment are available on a consistent basis for the period since 1991. The data indicates that the number of ‘owner/managers of an enterprise’ (incorporated or unincorporated) with no employees of their own has declined as a proportion of the workforce over the past 25 years. (chart 1).

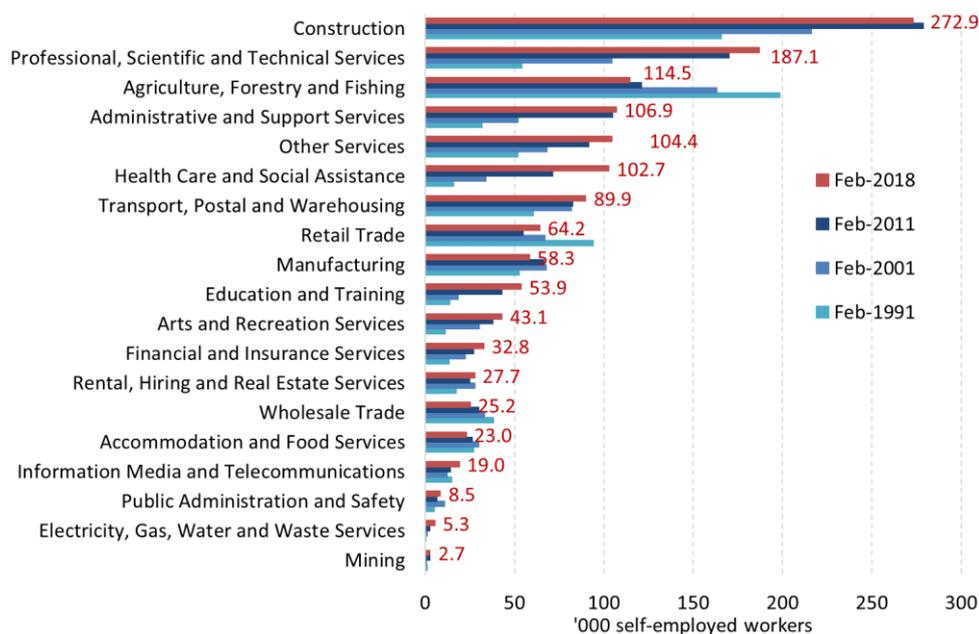
Chart 1: Number and proportion of ‘self-employed’ workers, 1991 to 2018



Source: ABS characteristics of employment; Labour Force Australia, Detailed Quarterly.

The construction industry has long dominated the number of self-employed workers due to the prevalence of this type of work arrangement in the licensed construction trades (including electricians, plumbers and carpenters) (chart 2). Other industries with large numbers of self-employed workers include professional services (legal, accounting, engineering and design services), agriculture and administrative services.

Chart 2: Number of self-employed workers* by industry, 1991 to 2018



RESTRICTING SELF-EMPLOYMENT ARRANGEMENTS WOULD DESTROY JOBS

Restricting self-employment would destroy jobs.

The demographic profile of Australia’s self-employed workers tells a life-cycle story, with high rates of self-employment for older workers. The proportion who are self-employed increases with each age group, peaking at 29.1% for workers aged 65 and over, from less than 1% for workers aged 15-19.

Self-employment is a popular ‘aspirational’ career choice among many Australians, rather than an insecure or sub-optimal form of work. Research published by NAB economics in 2016 indicates that up to one in three Australians aspire to self-employment or want to set up their own business.¹

Footnotes and data

1. NAB 2016, “The lure of entrepreneurship: Australia’s start-up culture”.

ABS, *Characteristics of Employment*, various years.

ABS, *Forms of Employment*, various years.

ABS, *Labour force Australia, quarterly detail*, Feb 2018.

ABS, *Labour force Australia*, April 2018.