

COVID-19, lockdown and IR35 prove detrimental to contractor wellbeing, survey shows



COVID-19 and the resulting lockdown have had a detrimental effect on the wellbeing of many UK contractors, for whom concerns have been compounded by exclusion from Government support and the impending April 2021 extension of Off-Payroll Tax to the private sector.

This is according to a survey of 1,036 contractors by ContractorCalculator, which found that the Government's response to the pandemic has done little to endear itself to the UK's self-employed:

- 50% of contractors have suffered financial hardship as a result of COVID-19
- The pandemic has created new stressors for 70% of contractors
- 55% say Government's response to COVID-19 has exacerbated their stress levels
- Only 6% believe the support available to the self-employed has been adequate
- 68% are less trustful of Government following its handling of COVID-19

"Contractors have been heavily affected by COVID-19, and many are worried about their future," comments ContractorCalculator CEO Dave Chaplin. "As indicated by our survey, matters are heightened by the impending private sector rollout of the ill-conceived Off-Payroll Tax and Government's support offering to the self-employed, of which many legitimate contractors have fallen through the cracks."

Half of UK contractors suffer hardship at hands of COVID-19

COVID-19 and the resulting lockdown have had a crippling impact on the economy, and our survey indicates that the UK's self-employed have felt the effects more than most:

- 33% of contractors noted that they haven't worked at all following lockdown
- A further 28% claim to have lost 'some or most' of their work
- 48% have serious concerns about sourcing new work

- An additional 38% describe themselves as 'somewhat concerned' about finding future work

Half of contractors believe they have been adversely impacted financially by COVID-19, with 16% and 34% having suffered 'significant' and 'some' financial hardship respectively. Notably, amongst those who claim to have been largely unaffected by COVID-19, many observed that IR35 had already resulted in a lack of opportunities prior to lockdown.

Fortunately, the majority of contractors were prepared for the worst. 88% had financial savings prior to the pandemic, with 53% using some of their cash reserves to support them during lockdown.

COVID-19 and IR35 could threaten contractor exodus

Engagements between contractors and clients have also been subject to disruption. For 41% of respondents, work has slowed down during lockdown. Worse still, 40% claim clients have frozen work activity altogether and 7% reported being subject to late payments.

Consequently, 24% of respondents are considering going into permanent employment, whereas 37% are determined to continue contracting. When asked specifically why they are contemplating permanent employment:

- 88% cited changes to IR35/Off-Payroll as a key factor
- 76% of respondents stressed concerns about sourcing freelance work
- 63% cited poor Government support for the self-employed
- 31% stated that they cannot afford another similar scenario

"Confidence amongst the flexible workforce appears to be at an all-time low, at a time when the economy will be relying heavily on crucial contingent workers to underpin its recovery," says Chaplin. "This is extremely worrying and due in no small part to recent controversial measures imposed by Government."

Government shunned by self-employed following SEISS exclusion

For most contractors, support from Government throughout the pandemic hasn't been forthcoming. 91% of survey respondents reported trading via a limited company, a model that was explicitly and controversially [excluded from relief under the Self-Employed Income Support Scheme \(SEISS\)](#).

It is, therefore, unsurprising that 77% of contractors believe the coronavirus support available to the UK's self-employed to be inadequate, with just 6% arguing the contrary.

In an attempt to vindicate the exclusion of limited companies from the SEISS, a Cabinet Office spokesperson recently told ContractorCalculator that limited company contractors affected by COVID-19 are instead eligible for a business loan. Of the 62% of survey respondents who deemed this an unhelpful form of relief, most cited the obvious reason that a loan creates further debt during already uncertain times.

For many, exclusion from the SEISS has reaffirmed the notion that Government has scant regard for the self-employed, particularly following its handling of the extension of the Off-Payroll Tax to the private sector.

Indeed, when asked whether they agree that Government has the interests of the self-employed at heart, 69% of respondents said they 'strongly disagree', while a further 19% claimed to 'somewhat disagree'. Comparatively, fewer than 1% strongly agree that Government is sympathetic to the plight of the self-employed.

Government and childcare amongst key COVID stressors

Government's wider response to COVID-19 has also been a contentious topic and one which yielded negative sentiment amongst many contractors. When asked whether they trust Government more or less as a result of its handling of COVID-19, 68% indicated less compared to just 5% who said more.

Indeed, of the 70% of contractors who said the pandemic and resulting lockdown have created new stressors for them, the Government's response was the greatest concern, with 55% of respondents citing this as a source of stress. Other prominent stressors include:

- Periods without work, cited by 49% of respondents
- Financial difficulties, highlighted by 37% of contractors
- Problems juggling work and childcare/home schooling, cited by 20%

Sadly, a significant portion of contractors (30%) say stress or anxiety has impaired their ability to work. Despite this, only 31% claim to have attempted to deal with stress or its causes during lockdown, with meditation and exercise cited amongst the most common measures taken to manage these issues.

Of those with children aged 18 or under, 58% have been personally required to home school their children during lockdown, half of whom indicate that this has negatively affected their ability to work.

Despite the evident burden, only 5% claim to have received an effective means of support to help juggle work and childcare, which have typically been provided by partners and accommodating clients, and in some cases the provision of online lessons and tutorials by schools.

Exercise proves key to healthy, happy contractors

It's not all doom and gloom for contractors, however, with many reporting to have benefitted from the lockdown in various ways. 58% say lockdown has enabled them to spend more time with family and friends, while 37% believe it has contributed to an improved work/life balance and 35% have been able to indulge more in hobbies.

46% of respondents claim to be exercising more frequently since lockdown, which appears to be yielding its own benefits, with many of those reporting feeling healthier (73%), happier (49%) and less stressed (44%) as a result.

Increased exercise appears consistent with a general improvement in physical wellbeing. Of those who answered, 31% of respondents report having lost weight during lockdown, compared with 21% who report having gained weight.

Meanwhile, whereas relatively few (20%) have taken up any new hobbies since lockdown began, most contractors appear to be using any newfound time wisely, with 43% claiming to have undergone some form of professional development during the pandemic.

"The current climate is difficult for all and the omens for contractors haven't been helped by recent decisions made by Government, but the ultimate recovery of the economy will rely heavily on the flexible workforce," notes Chaplin. "Until then, staying active and busy seems like a sound tactic to help contractors navigate this difficult period."

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