

# Graduates in self-employment and microbusinesses

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This report examines the demographics of UK-domiciled university graduates at all levels who went on to work either in self-employment or for microbusinesses (defined here as businesses with fewer than ten employees). The aim is to get a picture of how destination data maps the early stages of graduate entrepreneurship in the UK.

The report uses data from the most recent (and final) Destinations of Leavers from Higher Education (DLHE) survey from the Higher Education Statistics Agency (HESA). This means the data is now a year old and examines a context that is likely to be less relevant in the second half of 2019 and with the warning lights on the national and global economies flashing. With that in mind, this report focuses on patterns among those engaged in activity that could be entrepreneurial with the intention of identifying groups of students and graduates who may benefit from support in fulfilling their goals.

## Context

Self-employment has become more common in the UK in recent years and more attention is being paid to its nature and demographics. The ONS found that the number of self-employed workers increased from 3.3 million people (12.0% of the labour force) in 2001 to 4.8 million (15.1% of the labour force) in 2017, but detailed examination of the workforce is difficult because of gaps in the coverage of the large national surveys that investigate the labour force.<sup>1</sup>

This has gone hand-in-hand with an increased focus on graduate entrepreneurship both as a career path for students and as an economic driver in its own right. HECSU supported a project by Claire Toogood at Harper Adams on the factors affecting drivers towards entrepreneurship among graduates, which itself looks in some detail at the available literature and readers are encouraged to turn to this report for a more complete treatment, particularly of the theoretical background behind the choice to pursue entrepreneurship.<sup>2</sup>

With this increased focus on self-employment and entrepreneurship among graduates, this document aims to examine who engages in this activity, what they do, and where they do it.

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<sup>1</sup> Office of National Statistics, [Trends in Self-Employment in the UK](#), 2018.

<sup>2</sup> Toogood, C, [Factors influencing the choice of self-employment or starting a business as an initial graduate destination](#), Luminate, 2017.

## Approach

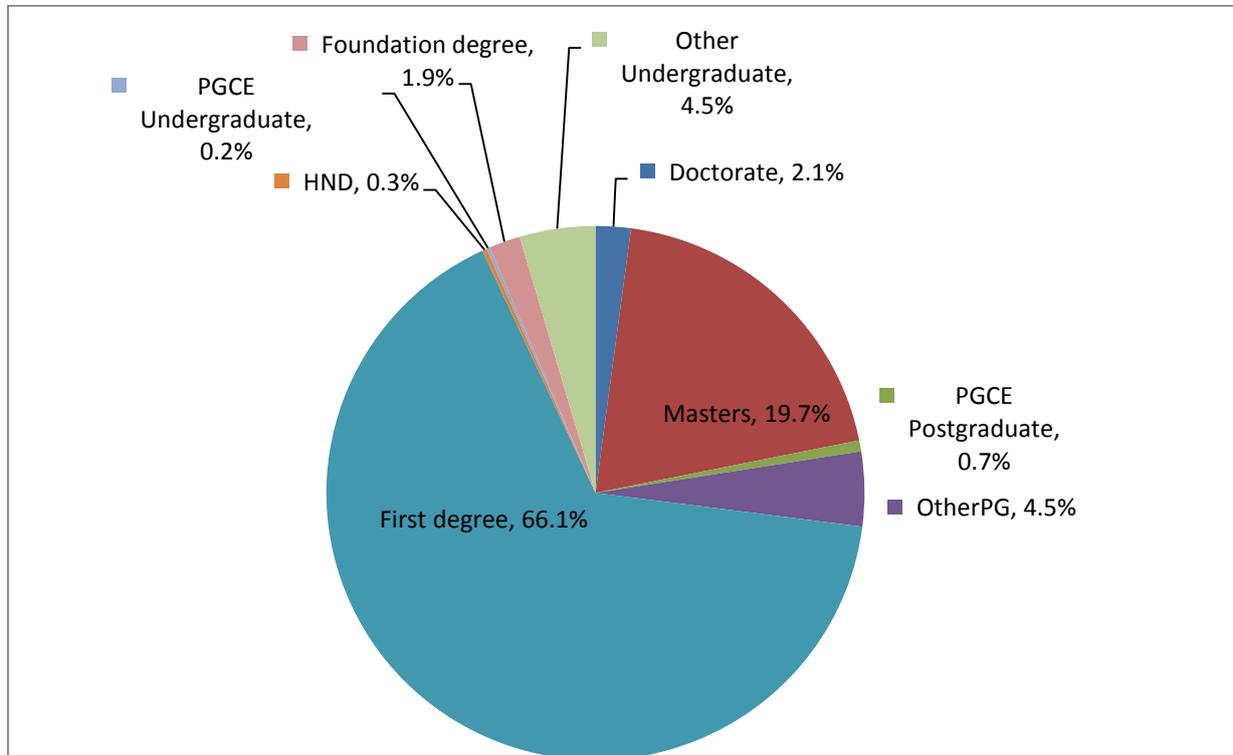
The data used is the Destinations of Leavers from Higher Education (DLHE) survey from 2016/17. This is a national survey of all leavers from UK higher education institutions, which was, until this iteration, conducted on an annual basis for more than 50 years. Graduates were surveyed six months after graduation, and the response rate for first-degree graduates, the main (but not sole) focus of this document, was 80%.

Examining the data, three separate populations were analysed in further detail.

1. First-degree graduates reporting self-employment (or those in the process of starting a business) who were working as sole traders - reporting the number of employees in their business as 'one'. For the sake of convenience this group have been termed 'self-employed'. 9,210 first-degree graduates from 2016/17 fell into this category.
2. First-degree graduates reporting themselves as self-employed, but who reported the size of the business for which they were mainly working as 'greater than one'. This group are not normally examined separately to the first group, but some key differences emerged between the two groups. For convenience's sake this group are termed 'proprietors and freelancers' although it must be stated immediately that both terms are likely to be applicable to many in both groups. This group includes both business owners or managers employing others, and those working on a freelance basis for larger organisations. 6,790 first-degree graduates from 2016/17 fell into this category.
3. Graduates reporting themselves as *not* being self-employed, but who were working at businesses with fewer than ten employees. This group are not normally examined in the context of entrepreneurial activity and self-employment, but there is overlap between true self-employment and microbusinesses in the entrepreneurial context and it was felt an examination of this group might be useful. 7,625 first-degree graduates from 2016/17 fell into this category.

## The data

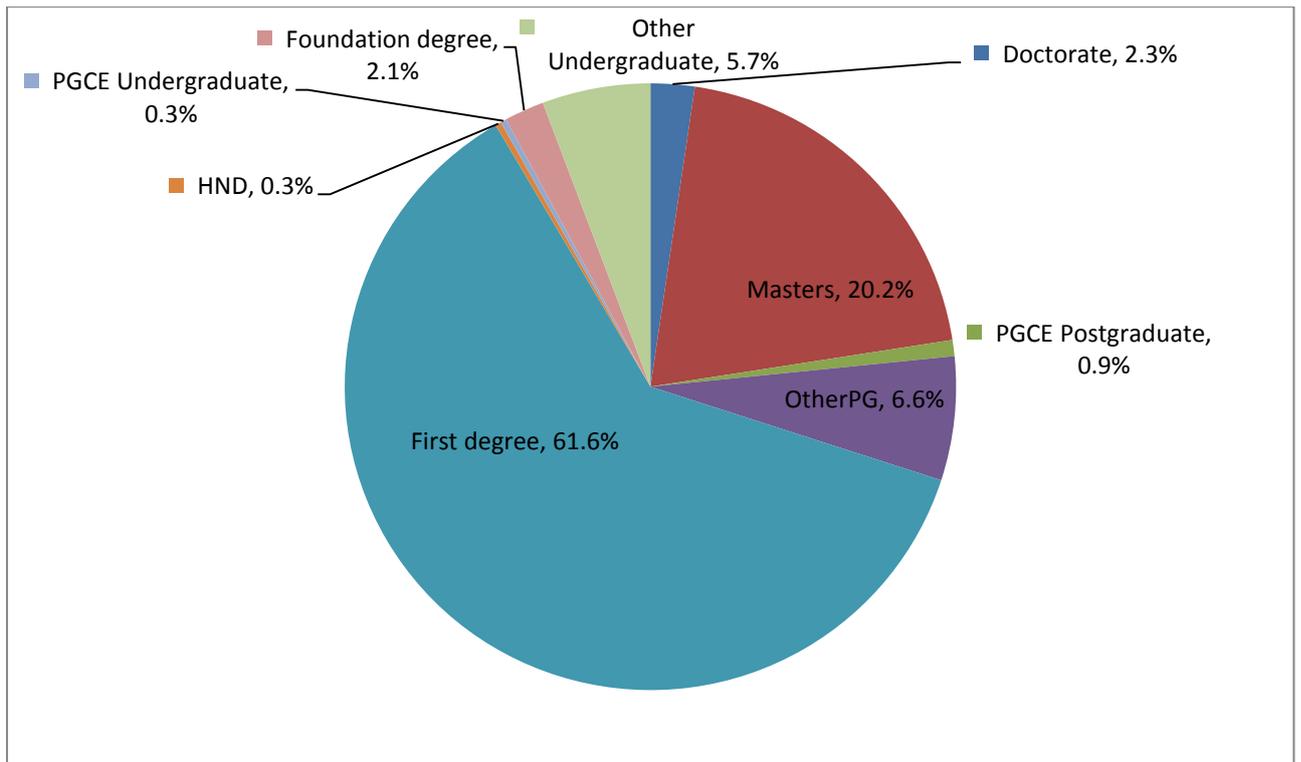
9,210 UK-domiciled graduates at all levels went to work for themselves on a self-employed basis. They break down as follows.



*Figure One: UK-domiciled graduates from 2016/17 reporting self-employment at an employer size of 1 as their outcome.*

This matches the proportion of qualifications awarded closely, with one exception - 12% of qualifications awarded were Masters, but 20% of the self-employed were at this level. Two thirds of the self-employed were first-degree graduates compared with 68% of all graduates.

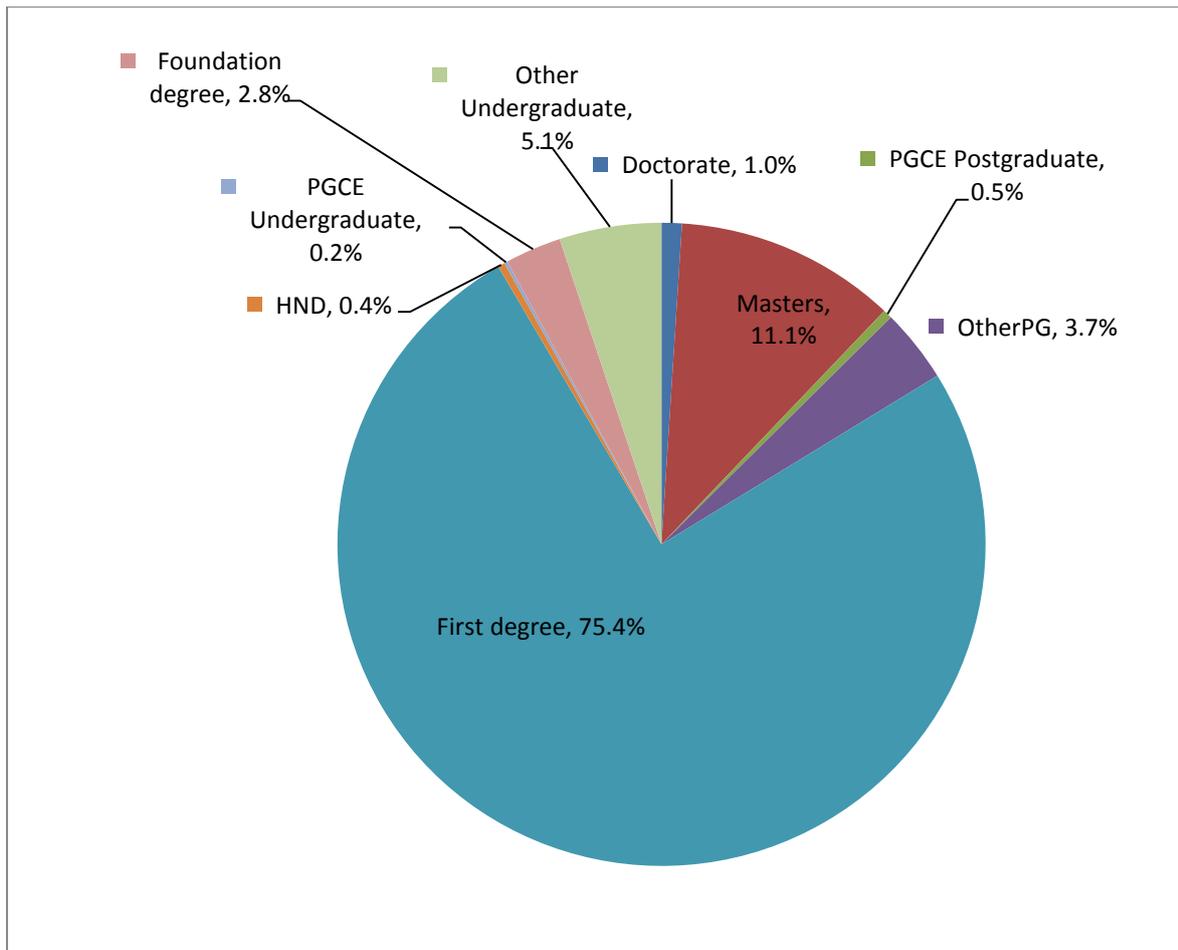
Proprietors and freelancers, reporting self-employment but working for larger companies, show a slightly different pattern as seen below.



*Figure Two: UK-domiciled graduates from 2016/17 reporting self-employment at an employer size of greater than 1 as their outcome.*

Masters qualifications are even more important for this group, while the majority, 62%, of this cohort had a first degree as opposed to 68% of all graduates.

Finally, we examine microbusinesses, where graduates are reporting themselves as working for employers with fewer than ten employees, and *not* on a self-employed basis.



*Figure Three: UK-domiciled graduates from 2016/17 reporting employment at an employer size of 2-9 as their outcome.*

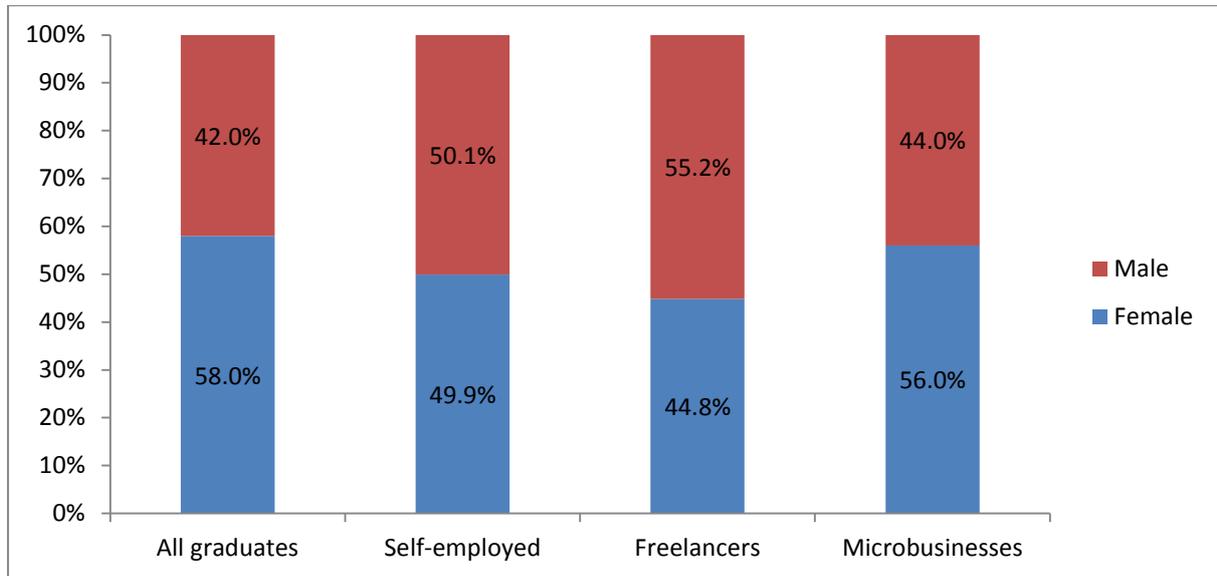
This group appear different to the self-employed. They are more likely than average to have a first degree - fully 75% of the cohort - and conversely are much less likely to have postgraduate qualifications.

### **First degree demographics**

Although the Masters cohort here is clearly interesting, numbers are a little too small to do detailed analysis, so the rest of the report concentrates on the first-degree contingent. In total, 6,085 UK-domiciled first-degree graduates were self-employed and working as sole traders, 4,180 were self-employed but at companies with more than one employee, and 5,745 graduates were contracted to businesses with fewer than ten employees, but not reporting self-employment.

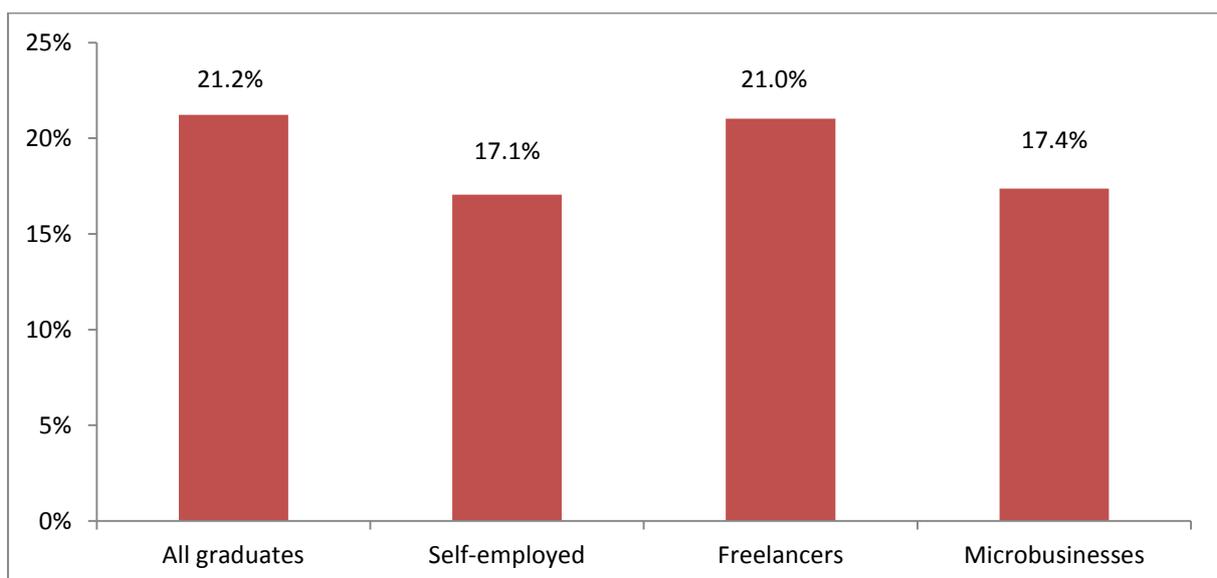
19% of self-employed sole traders and 17% of proprietors and freelancers reported having more than one job. 9% of graduates also reported having more than one job. The figure for graduates overall is 4%.

58% of self-employed sole traders and 56% of proprietors and freelancers reported their university experience had prepared them well for self-employment.



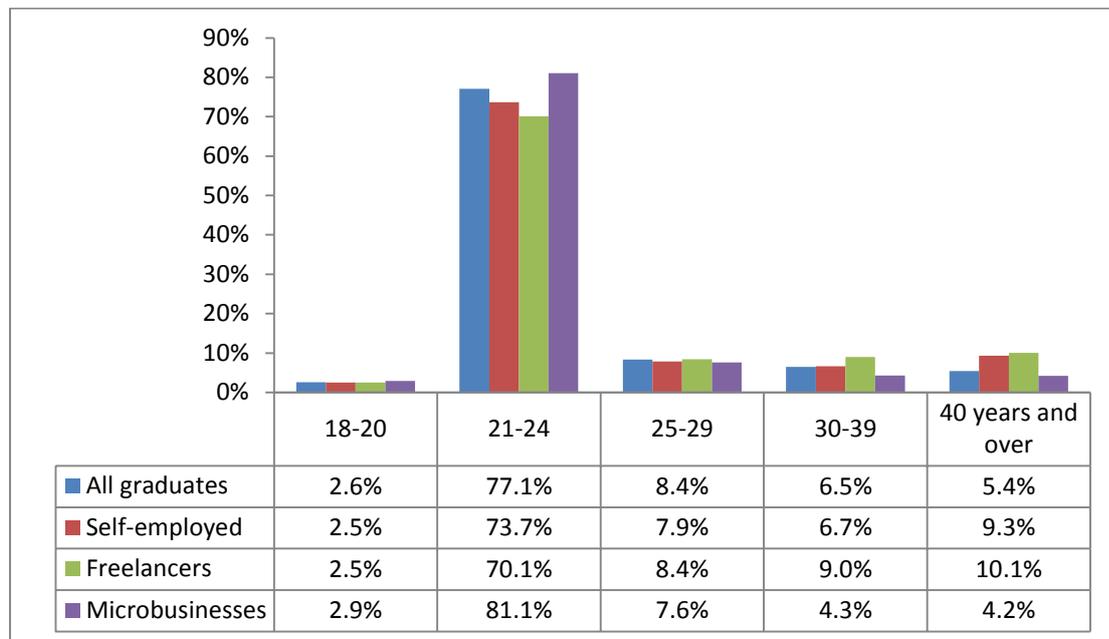
*Figure Four: UK-domiciled first-degree graduates in self-employment and at microbusinesses - male/female split*

58% of all graduates were women, but the majority of the self-employed were men - including 55% of proprietors and freelancers working for larger employers. The split of employees at microbusinesses looks much more typical of the general graduate workforce.



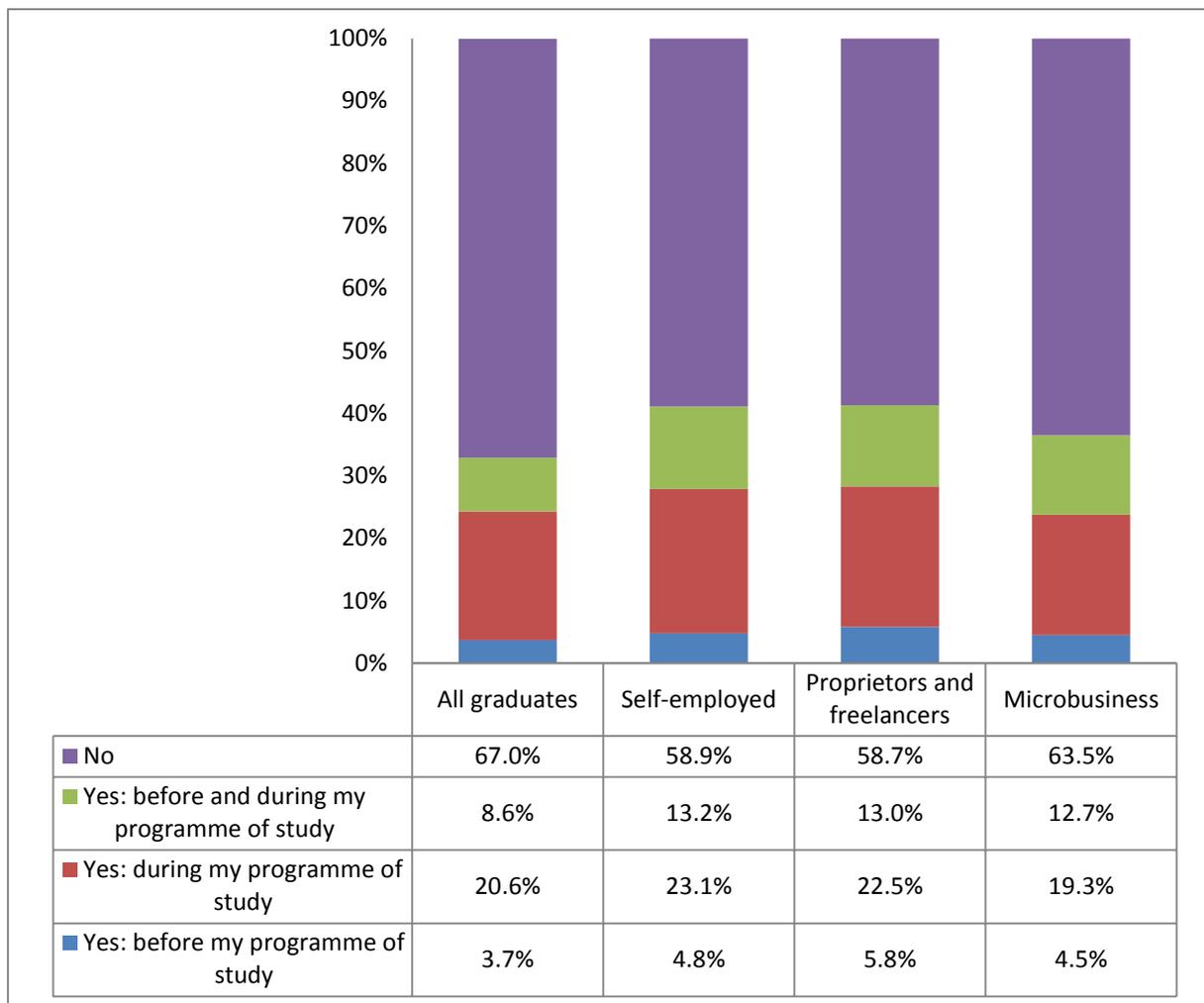
*Figure Five: Proportions of UK-domiciled first-degree graduates who were from BME backgrounds.*

There is not a great deal of variation between ethnic groups across each cohort here, although graduates from Black African backgrounds are particularly well represented amongst proprietors and freelancers, and Indian and Pakistani graduates seem slightly underrepresented in self-employment, but it is likely that multiple factors contribute to this. In general, graduates in self-employment and microbusinesses are slightly more likely to be white than the average.



*Figure Six: Proportions of UK-domiciled first degree graduates by age*

It is not a surprise to note that the self-employed - and particularly proprietors and freelancers - are more likely to be older than the average. In particular, fully 10% of new graduate proprietors and freelancers were over 40. But graduates going to work for microbusinesses were more likely to be young than the average.



*Figure Seven: Had graduates previously worked in the role they were doing six months after graduation?*

The minority of graduates examined had actually worked in their roles before graduation, but well over 40% of the self-employed and proprietors and freelancers had already embarked on their careers before graduation, mainly starting it during their degree. Interestingly, graduates in microbusinesses were more likely than graduates in general to have worked for their employer prior to graduation - although this is influenced by the number of this group who go back to term-time or weekend jobs in the service industry on graduation. This has strong implications for identifying and supporting student entrepreneurs and adds additional weight to the ideas behind student business and entrepreneurship societies and groups.

<b>Domicile (Region)</b>	<b>All graduates</b>	<b>Self-employed</b>	<b>Proprietors and freelancers</b>	<b>Microbusiness</b>
<b>North East</b>	3.6%	2.5%	2.7%	2.6%
<b>North West</b>	10.9%	9.6%	9.1%	9.7%
<b>Yorkshire and The Humber</b>	7.3%	5.7%	5.5%	6.9%
<b>East Midlands</b>	6.5%	5.8%	6.4%	6.1%
<b>West Midlands</b>	8.7%	7.7%	8.5%	9.2%
<b>East of England</b>	9.4%	9.6%	10.0%	9.9%
<b>London</b>	15.2%	18.0%	18.8%	13.8%
<b>South East</b>	14.4%	16.2%	17.0%	15.6%
<b>South West</b>	7.8%	10.6%	9.4%	9.6%
<b>Wales</b>	4.8%	6.3%	3.3%	4.9%
<b>Scotland</b>	7.3%	6.0%	6.2%	6.9%
<b>Northern Ireland</b>	3.7%	1.6%	2.9%	4.4%

*Table One: Where were graduates originally from?*

The self-employed were much more likely to be from the south of England, particularly London. There is less of a pattern for microbusinesses - the pattern of employment more closely mimics graduates as a whole (as does the general population of graduates employed by microbusinesses). Again there are likely to be a range of interacting factors in play but it is also notable that the less affluent parts of the country seem to produce fewer self-employed graduates.

## Data on jobs

This section looks in a little more detail at the work done by the graduates in our three categories and where we see more divergence. We look at industry, role and location data to map out who entrepreneurial graduates work with, what they do and where they do it - and the differences between each group.

We start with industry data.

Industry of employment	Self-employment	Proprietors and freelancers	Microbusinesses
Manufacturing	3.8%	5.7%	5.8%
Construct, engineering, R&D	19.6%	13.1%	12.2%
Retail	3.6%	7.7%	14.7%
Logistics	1.0%	2.7%	0.9%
Hospitality & tourism	1.6%	3.3%	15.4%
Media & publishing	11.1%	9.1%	3.3%
IT and telecoms	4.0%	5.3%	4.2%
Legal and accountancy	0.6%	1.0%	3.7%
Management consultancy	0.7%	1.1%	0.9%
Other business and finance	3.3%	6.5%	7.0%
Marketing & PR	1.6%	3.4%	2.0%
Education	10.4%	11.7%	4.8%
Health	3.7%	5.0%	6.2%
Social care	2.0%	3.2%	4.1%
Local and central govt	0.1%	0.5%	0.1%
Arts, sports and leisure	29.5%	17.1%	10.3%
Other industries	3.4%	3.5%	4.4%

*Table Two: The industries graduates from 2016/17 were employed in*

There are clear differences between these groups. Nearly half of all the self-employed were working in construction, engineering or the arts. The performing arts, artistic creation, design and TV and film industries are much the most important industries, with specialist education, photography, IT and therapy also important here. For proprietors and freelancers, construction, the arts and education were also important, but there was a greater spread of industries and more working directly in business and finance. The performing arts, specialist education, film, artistic creation, IT and design industries were also important for proprietors and freelancers but advertising and internet retail were also significant.

The data for microbusinesses is influenced strongly by graduates in non-graduate service jobs with small retailers and in the hospitality trade, but outside of those industries, small professional and technical businesses, such as dispensing chemists, architects, dental practises and law firms are prominent, alongside firms more common in self-employment in IT, design, the arts and the media, and also along with social work. This set of employers is also one that is currently reporting difficulty

accessing graduates and some thought could be given to supporting microbusinesses with recruitment and training as there are large reservoirs of graduate positions that could be available and which may be suitable for graduates with an entrepreneurial mindset needing a start in business.

## Roles

Once more there is considerable divergence between groups. Over half of the self-employed work in jobs in the arts and media, particularly as photographers, artists, musicians, actors, authors, journalists, dancers and designers. Teaching jobs and roles in IT, sports and fitness are also important to the self-employed.

Nearly 30% of proprietors and freelancers are also in similar roles with directors, photographers, actors and artists important. But one in six of the proprietors and freelancers are in management jobs and these roles feature prominently, alongside jobs in marketing, teaching and graphic design.

Although not as important as graduate-level jobs, a small but significant group of both the self-employed and the proprietors appear to be running childminding businesses. This job is not considered 'graduate level', but there is perhaps a debate to be had on whether graduates running these business, or other skilled crafts and trades businesses where the job is not considered graduate level as such, should necessarily be counted as being in an unsatisfactory destination as they are now in university metrics.

	Self-employed	Proprietors and freelancers	Microbusiness
<b>Managers</b>	6.4%	16.4%	4.6%
<b>Health</b>	4.3%	6.1%	8.5%
<b>Education</b>	6.5%	7.0%	1.9%
<b>Legal, social and welfare</b>	0.8%	1.9%	3.8%
<b>Science</b>	0.2%	0.2%	0.6%
<b>Engineering and building</b>	1.1%	2.0%	4.2%
<b>IT</b>	3.6%	3.6%	4.1%
<b>Business and finance</b>	2.3%	4.2%	5.9%
<b>Marketing and sales</b>	3.1%	6.7%	8.8%
<b>Arts, design, media</b>	56.6%	29.5%	17.2%
<b>Other professionals</b>	4.9%	6.8%	4.7%
<b>Education and health support</b>	2.1%	2.6%	5.2%
<b>Clerical, secretarial</b>	1.0%	1.9%	6.7%
<b>Retail and service</b>	0.6%	1.4%	15.9%
<b>Other occupations</b>	6.3%	9.5%	7.8%

*Table Three: The jobs graduates from 2016/17 were doing*

Graduates in microbusinesses are, as previously mentioned, quite influenced by graduates continuing non-graduate term time jobs in retail and hospitality after graduation. But aside from

those jobs, microbusinesses employ hundreds of graduates in jobs in marketing, pharmacy, art, graphic design, photography, dentistry and IT. Many of these roles are considered in shortage and microbusinesses in particular report issues in recruiting graduates.

## Location of employment

Once more, London sees a larger proportion of self-employment and of the businesses of proprietors and freelancers than the usual - around 21% of graduates as a whole start their careers in the capital. Microbusinesses have a regional pattern more typical of graduates as a whole, although rather fewer work outside the UK than the average.

	Self-employed	Proprietors and freelancers	Microbusiness
North East	2.2%	2.4%	2.5%
North West	9.8%	8.9%	9.3%
Yorkshire and The Humber	5.3%	5.1%	6.8%
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London	27.3%	27.9%	19.4%
South East	12.1%	12.0%	13.0%
South West	9.6%	8.5%	9.5%
Wales	5.8%	3.0%	4.6%
Scotland	6.0%	6.0%	7.3%
Guernsey, Jersey and the Isle of Man	0.1%	0.0%	0.2%
Other EU	1.6%	1.6%	0.8%
Non-EU	1.3%	1.8%	0.7%

*Table Four Where were graduates from 2016/17 working?*

Although London was very important to the self-employed, the most common locations of self-employment were Kent, Surrey and Herts. Westminster was the next most common place, followed by Hampshire, Edinburgh and Glasgow, the latter being much the most likely places outside the Home Counties for self-employment. Other cities showing moderate levels of self-employment were Cardiff, Leeds, Birmingham and Manchester, but the data does suggest that cities outside London that are good graduate employment destinations may not be attracting the same proportion of the self-employed. However, Manchester, Birmingham and Bristol were much more important for proprietors and freelancers, alongside Camden, Westminster, Kent and Surrey.

Westminster, Kent, Herts and Birmingham are the most common locations for graduates working in microbusinesses. Bristol, Leeds, Lancashire, Suffolk and Devon are also important locations for graduates in microbusinesses and whilst some of this may represent graduates in non-graduate jobs in tourism and hospitality, it is an important reminder that smaller businesses are particularly important to the skilled jobs market outside London and the larger cities. Universities wishing to support local economies will do well to work closely with entrepreneurial microbusinesses as well as developing student and graduate entrepreneurs.