



PART FOUR STARTING WORK

MODULE 17

SELF-EMPLOYMENT AND ENTREPRENEURSHIP



JOB SEEKING SKILLS



MODULE 17

Self-employment and entrepreneurship

Have you ever thought about being a young entrepreneur and starting your own business?

More and more young people are doing this and there are some fantastic resources and support to help. Maybe it's something you will think about in the future after gaining some work experience first. Having your own business is hard work but exciting and rewarding – read on for lots of useful information!

What is self-employment?



Self-employment is where you have your own business and generate your own income, rather than being paid a salary by an employer.

You might just work by yourself, or you might have employees – factors such as the type of business and the size of business you want will determine this.

You might even have the option of working for an employer part time and being self-employed part time.

IS THIS DIFFERENT TO ENTREPRENEURSHIP?

Entrepreneurship is a form of self-employment, but there are generally some differences compared to being a self-employed small business owner.

An entrepreneur usually:

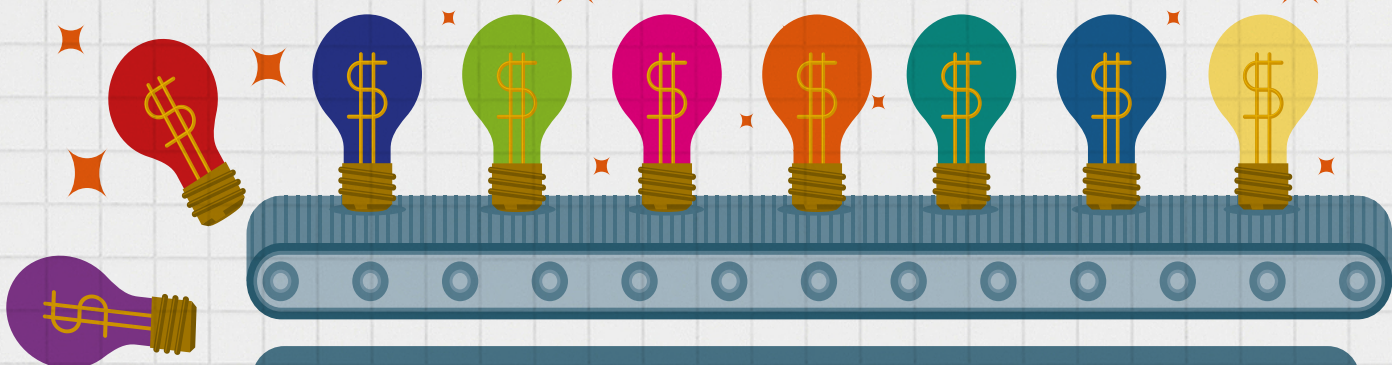
- ★ comes up with new, innovative business ideas, products or services that may not have been created before
- ★ takes higher risks, such as financially, that can have bigger impact
- ★ aims to get someone to buy into the business (not like a normal business loan from a bank).

If you've ever watched Dragon's Den, that will give you an idea.

However, regardless of the size and type of business, all self-employed people have entrepreneurial skills – more on that later!

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Different ways to be self-employed

There are several types of self-employment that you could consider.



Business owner

This is where you set up your own business from scratch and aim to make a profit. It is the type of self-employment that you are probably most familiar with. Think of all the independent small businesses in your area – this could be anything from cafés and gift shops, to plumbing or electrical businesses.



Franchisee

This is where you buy a licence to run a branch of a business that someone else has set up. Examples of this are McDonalds or Domino's Pizza. Licence costs depend on the business, but it provides the option of starting up with the backing and support of an established brand.



Freelancing

This involves working for a number of clients on a flexible basis. For example, taking on a number of copywriting or web development projects. This is usually more common for people who have some expertise in a particular area, often gained through employment, but wish to have more flexibility.



Contracting

This is similar to freelancing, but usually you work for one client at a time for a fixed period. Again, it is usually more common for people who have gained experience through employment. It is very common in the IT sector.



Social Enterprises







These types of businesses have social or environmental objectives and any profit made is reinvested into the business, rather than paid to shareholders. Examples of this include The Big Issue and Social Bite. You would still make an income for yourself from this type of business.



WHY BE SELF-EMPLOYED?

Have you ever wondered what drives people to be self-employed?

We'll look at the pros and cons of self-employment next, but firstly let's have a look at those initial sparks of inspiration.

-  You have an idea which is new and you want create a business around it.
-  You have a hobby which you think could make money.
-  You have a specific talent/skill that you think you could sell.
-  You want to help people, communities or the environment.
-  You want the freedom of being your own boss.
-  You want to make money for yourself.



Do any of those appeal to you?

Have you already had any of those thoughts?

Self-employment – pros and cons

If you're considering self-employment as an option, it's important to understand the benefits and disadvantages.

Take a look at some of the pros and cons.



PROS

- ✓ **Independence** – you get to choose where you work and when you work, the decisions are all yours.
- ✓ **Financial potential** – although there is a financial risk attached to starting your own business, it is possible that you could end up making more money than being employed, obviously depending on your hard work.
- ✓ **Being self-made** – if you build a successful business, it is incredibly rewarding.
- ✓ **Workload variety** – you're in charge, so can choose what projects you want to work on, products you want to sell or services you offer.

CONS

- ✗ **Financial risk** – you are responsible for making your own income, which will vary, rather than knowing you have a reliable income each week or month.
- ✗ **Lack of employee benefits** – you don't get things like employee sick pay or holiday pay.
- ✗ **Responsibility** – you will need to take care of all the financial and legal aspects of the business, such as tax returns, national insurance and pension.
- ✗ **Long hours** – you might end up working longer, more irregular hours than if in an employed position, so you may not be able to spend as much time with family and friends.





Skills required for self-employment

There are certain skills that will help you to thrive in the world of self-employment / entrepreneurship.



Creative thinking – being able to think of different ideas, finding a new way of doing something or solving a problem, for example, a supplier could let you down and you need to find a suitable alternative.



Decision making – being able to decide on the best course of action or best solution after evaluating a range of options, for example deciding on the best marketing options for your business.



Organisation – being able to effectively manage your time, resources and workload in order to achieve a goal or complete a task, such as getting products ready on time or meeting the deadline for a tax return.



Proactivity – being able to think, plan ahead and having the motivation to achieve a goal, such as putting the effort into making a business a success.



Resilience – being able to overcome obstacles or setbacks while staying positive, for example, you may go through a period of not earning much income, but need to do your best to overcome this.

Does that sound like you, or could you develop those skills?

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HOW DO YOU BECOME SELF-EMPLOYED?

There are a number of things you need to do and consider if you want to be self-employed.



You need a **clear idea** of what you want to do.



Do your **market research** on how viable your business idea is, such as looking at your competitors, pricing of similar products and services and considering who your customers will be and how you can reach them.



How much **money** you will need to set up the business (start-up costs) and where this will come from, such as a bank loan, small business loan or funding through a support organisation such as Prince's Trust.



Create a **business plan**, which helps you to focus, shows your commitment and can help to secure finance.



On the **legal side of things**, you would need to register as self-employed with the HMRC. As a young person starting a business for the first time, you would most likely be registering as a sole trader, but there are also the options of a limited company or business partnership. You can see more information at [GOV.UK](https://www.gov.uk)

This might all sound like a lot, but there is lots of advice and support available to help you.

Success stories

Many young people have successfully started their own business – take a look at these case studies!

- [Five young entrepreneurs from Scotland win national award](#)
- [Flynn Blackie: Running a web design business at 16 years old](#)





HELP FOR YOUNG PEOPLE ON STARTING A BUSINESS



There is a lot of help and support out there for young people looking to start a business. This can range from skills development, training courses, funding and mentoring. Take a look at the websites below.

- [Young Enterprise Scotland](#) - offers a wide variety of enterprise and financial education programmes and development opportunities for young people across all of Scotland.
- [Prince's Trust](#) - offers help for 16-30 year olds with the Enterprise programme, which involves training, mentoring, support for funding and other resources.
- [Business Gateway](#) - offers a wide range of support and training.
- [NatWest Dream Bigger](#) - a programme that focusses on developing transferable entrepreneurial skills in females aged 16-18.
- [Launch it](#) - a group of UK youth enterprise charities dedicated to supporting young creatives and innovators wanting to start or grow a business.



Activity 1: Your business idea

Now that you have learned more about self-employment, have a go at developing your own business idea in the [Activity 1 worksheet](#).

Now you have learned about self-employment and entrepreneurship,
you can move on to

Part 5: [Module 18 - Basic employment rights](#)

Or [click here](#) to return to the main screen.

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