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BRIEFING

Double take

Workers with multiple jobs and reforms to National Insurance

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Summary

The tax treatment of workers with multiple jobs may be reformed as part of proposals by the Office of Tax Simplification (OTS) to more closely align National Insurance (NI) and income tax. The current system of NI largely operates on a per job – rather than per person – basis, allowing a worker with two jobs to potentially earn twice as much as a person with one job before paying any NI. Proposed simplifications might address this yet would, when considered in isolation, inevitably raise the taxes of workers with multiple jobs.

In light of these possible changes, as well as interest in whether the nature of work is shifting towards one of multiple 'gigs', we present a wide range of findings about the number and characteristics of workers with multiple jobs. Using the latest household survey data we find that:

- Around 1.1 million people work multiple jobs, making up 3.6 per cent of the workforce;
- 590,000 of these have multiple employee roles, 120,000 have multiple self-employments, and 420,000 combine employment and self-employment;
- Accounting for seasonal differences, the proportion of workers doing multiple jobs is at a record low (using 24 years of data), having peaked at around 5 per cent in the mid-1990s; and
- The proportion of workers doing multiple employee jobs has fallen particularly far, and half of those with multiple jobs are now self-employed in one or all of their jobs.

With the proportion of workers reporting multiple jobs at a record low, claims of a rise in such modes of working seem wide of the mark. The data is not supportive of the concept of a growing 'gig economy', to the extent that this relates to people holding multiple jobs at once. But there has certainly been a broader shift towards self-employment, and this change extends to workers with multiple jobs too. There are now over five million workers who are self-employed if we account for those for whom it is a second job.

Our analysis also shows that:

- More women than men have multiple jobs, with 25-29 and 45-54 the most common ages;
- The most common sectors for workers with multiple jobs are not new, revolutionary industries but rather education, health and social care, arts and sports, hairdressing and bar work;
- A majority of second jobs involve 8 hours or fewer per week and are more likely to be considered temporary, but in total across both jobs a substantial and disproportionate number of those with multiple jobs work over 40 hours a week;
- Only a minority earn enough from their second jobs to be liable for NI on these earnings in the current system; and
- Looking at families rather than individuals, workers with multiple jobs are more likely to live in richer households.

It is easy to overstate the scale of changes that have taken place in the labour market, but there is a strong case that the NI system, already in need of reform, particularly needs to change to reflect the rise of self-employment and of those mixing employment and self-employment. As part of a broader set of preliminary proposals, the OTS has suggested aggregating NI across each individual's employments and self-employments with a single per-person allowance (though not for employer NI – which is not explored here). Looking at this proposal in isolation, we find that:

- It would mean a tax increase of up to £19 a week for a worker with two employee jobs (or almost £1,000 for a full year);
- Of the working-age families containing an individual with multiple jobs, 22 per cent earn too little from their employments to be affected by aggregation, a further half would lose up to £10 a week and the remaining 28 per cent could lose over £10 a week;

- Given the distribution of working-age families containing an individual with multiple jobs, and their levels of earnings, the poorest two fifths would be least affected in aggregate both in absolute and proportional terms;
- There would nonetheless be some significant individual losers among low and middle families, though in small part this would be mitigated by Universal Credit (if in place), as any loss would be reduced by 65 per cent due to its system of post-tax means-testing; and
- This change in how NI works could by itself raise £380 million in extra NI (based on 2014-15 data), with an overall net effect on the Exchequer of £360 million when taking into account the resultant increase in Universal Credit entitlement (assuming this system is in place).

However, moving NI to an aggregated basis is only one of the OTS's proposals and would very likely be part of a package of NI reforms. In particular, it would probably go hand in hand with making NI annual rather than weekly – which would cost the Exchequer money. HMRC figures show that the combination of these reforms would generally help individuals with low incomes, as an annual NI allowance can reduce the NI paid by those who earn money in only part of a year (whether due to the temporary nature of their work or periods of unemployment) or who have volatile income.

There is a clear case for a level playing field between workers with one job and those with multiple smaller jobs, and for simplification of the NI system, but aggregating NI would mean significant tax increases for some people, including some on low and middle incomes. It is particularly important therefore that the package of NI reforms as a whole, as well as the broader economic environment in which they are introduced, including the generosity of Universal Credit for working families, is supportive of these groups.

The Office of Tax Simplification's preliminary proposals

The UK effectively has two parallel forms of income taxation. One is income tax, the other is National Insurance (NI). Although they have quite different historical origins, they are now both very similar in principle – raising money for public spending by taxing (some) income[1] – but very different in application. Calls for a complete merger are frequent but this change would not be without its challenges, including a perceived increase in income tax rates. However, smaller steps to more closely align the two systems would also deliver welcome simplification and are perhaps more feasible in the short term.

This is one of the areas the Office of Tax Simplification (OTS) – independent advisors to the government – are working on, with a further publication expected in November 2016.[2] The government's choices are likely to be of real consequence for millions of people, for the public finances and for the suitability of the UK's tax system for the 21st century.

[1] The OTS have said that "An individual's (or a corporate employer's) understanding of tax is not helped by maintaining that NICs are not a tax. NICs are a tax in all practical and common sense use of the word and the fiction that they are not should be avoided." OTS, *The closer alignment of income tax and national insurance*, March 2016, p63

[2] https://www.gov.uk/government/publications/ots-review-of-income-tax-and-national-insurance-alignment-phase-2-tor

Box 1: The different forms of National Insurance

This paper does not require a detailed knowledge of NI, but it may be useful to know the various classes, rates and thresholds (using 2016-17 values):

- Employee NI (Class 1 primary) is a tax of 12 per cent on pay above a threshold of £155 per week per job. This rate falls to 2 per cent on any pay above a level equivalent to the income tax higher rate threshold.
- Employers pay a flat rate (Class 1 secondary) of 13.8 per cent on pay above a threshold of £156 per week (with a few exceptions). For certain expenses and benefits, employers pay Class 1A or 1B instead.
- The self-employed pay a rate of 9 per cent (Class 4), above an equivalent threshold to that used for employees (around £8,100 per year), again falling to 2 per cent for higher earners. A separate flat payment of £2.80 per week (Class 2) is being abolished from April 2018.
- Employee and self-employed NI are used to build up a contribution record for the purpose of state pension entitlement and certain working age benefits, but workers can be below the threshold for paying NI yet still build up entitlements. And credits are also available for those who are out of work such as jobseekers and carers, or can be acquired via voluntary contributions (Class 3).

Box 1 gives a quick primer on NI as it stands. But it should be clear that NI is both complex and in many ways different from income tax. The OTS has set out some preliminary proposals for reforming NI, and will shortly be expanding on the detail of some of these,[3] but in the earlier work it asked the government to consider a number of fundamental reforms:

1. Moving employee NI from a per-job to a per-person basis, like income tax;
2. Moving employee NI from a weekly to an annual basis, like income tax;
3. Narrowing differences between employees and the self-employed (and those who mix both), in terms of tax contributions and benefits received;
4. Simplifying the NI taxation of benefits in kind and aligning the scope of NI with that of income tax in terms of reliefs and definitions of employment income;
5. Reforming employer NI into a 'payroll levy';[4]
6. Further alignment and transparency by renaming the different forms of NI (e.g. "Employees' NI" instead of "Class 1 primary NI"), being transparent about NI in digital personal tax accounts and linking income tax and NI thresholds where possible.

Beyond these there remain some substantial questions the OTS has not been asked to look at, including whether pensioners should pay NI on employment income; the NI treatment of private pensions (either contributions or income); the treatment of other forms of income; and the potential for a full merger of NI and income tax. But, even so, the OTS's recommendations are substantial and will require the government to respond and years of implementation if they are taken forward.

All of these issues require further exploration, but it is largely the first proposal above that is the focus of this briefing note: on moving employee NI (and self-employed NI where people combine both modes of working) from a per-job basis to a per-person basis.

[3] OTS, *The closer alignment of income tax and national insurance*, March 2016

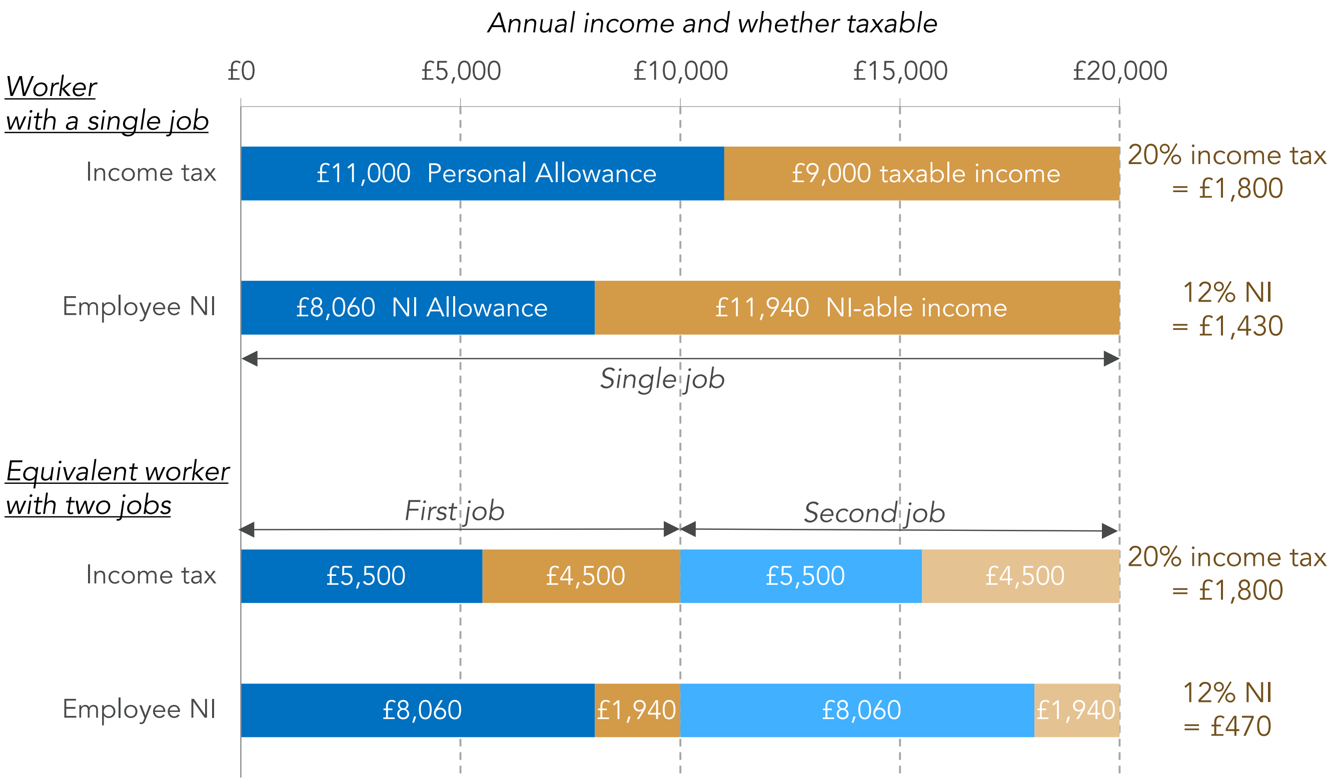
[4] See A Corlett, *Will the Chancellor replace employer National Insurance with a payroll levy?*, Resolution Foundation, October 2016 for discussion of the preliminary ideas put forward

Aggregating NI across jobs

This potential 'aggregation' of NI across a person's employments is important for how much tax they may pay. At present, NI is calculated separately for each job a person does. This means individuals receive a separate NI 'allowance' for each job. An employee with two jobs may therefore potentially earn up to twice as much before paying any NI as an employee with only one job.

Figure 1 provides an illustration of this concept, comparing the income tax and NI treatment of one employee with a single job and another earning the same amount spread across two jobs. Because income tax is done on a per-person basis, both individuals would pay the same income tax. But the worker with multiple jobs currently pays much less NI. An employee with two jobs each paying £10,000 – therefore receiving two full NI allowances – would pay about £470 in NI, while an employee earning £20,000 from a single job would pay about £1,430.

Figure 1: Example of income tax and NI paid by an employee with a single job and another with two jobs, 2016-17



There is therefore currently a large tax advantage to having multiple jobs over a single job of equivalent overall pay. The same is true for people who have both employment and self-employment income: they receive a separate allowance for each.

The current NI system does also mean that some people may work multiple jobs yet – due to low earnings in each – not build up the NI contribution record that they would if they had a single job. In this way they might lose out on state pension receipt, for example, but the numbers of people not building up a sufficient record for this reason are believed to be very small.[5]

Aggregation across jobs, perhaps requiring a per-person 'NI code' to go with one's income tax code, would mean a single NI-free allowance. (Note that these proposals do not apply to employer

[5] DWP, *State Pension coverage: lower earnings limit and multiple jobs*, July 2014

NI, where aggregation across employers is considered too difficult to do fairly. Separate proposals are being put forward for reforming employer NI.) This would increase horizontal equity, creating a level playing field between workers with single jobs and those with multiple jobs, and reduce any economic distortion towards split employment. But as illustrated above it could (in isolation) mean a tax increase for many workers with multiple employments or a combination of employment and self-employment.[6]

It should be noted that the example in Figure 1 assumes two jobs are run concurrently for a whole year – which may not be typical. The loss per week would be around £19. And for people who earn money in only part of a year – whether due to the temporary nature of their work or periods of unemployment – or who have volatile income, accompanying OTS proposals may represent a cut in NI, as explored briefly later in this report. But in isolation aggregating NI across jobs would have a big impact on some individuals. The worker with multiple jobs in the above example would face an NI increase of almost £1,000 a year in the event of such reform.

To explore the potential real-world impact of this particular change (largely in isolation from the other proposed NI reforms), we explore how many people have multiple jobs, their individual and household characteristics, and the fiscal and distributional impacts of reform.

How many people have multiple jobs, and who are they?

It is sometimes asserted that the nature of 21st century work in the UK is shifting towards combining multiple jobs, either out of choice or necessity. And this is a part of a broader narrative about the rise of the 'gig economy'. To explore the facts behind these suggestions, and to help understand the impacts of proposed NI reform, we have looked at the number and make-up of workers with multiple concurrent jobs, using data from the household Labour Force Survey (which is used for calculating the official unemployment rate and much more).

There are over a million workers with multiple jobs

The latest year of data shows that around 1.1 million people in the UK have multiple jobs (meaning either employment or self-employment here, and only including concurrent jobs).[7] This is equal to 3.6 per cent of workforce (or 1 in every 28 workers).

As shown in Table 1, over half of these – 590,000 – are employees in their main job and also employees in their second job. 320,000 are employees in their main job but self-employed on the side, and there are another 100,000 who also mix employment and self-employment but for whom the latter is their main job. Finally there are those with multiple sources of self-employment income who number 120,000 (though the existing NI system already works on a per-person basis in these cases).

[6] Where workers have combined earnings sufficient to make them higher rate income tax payers, it is also possible for those with multiple jobs to pay more NI initially than those with a single source of earnings. This is because ordinarily only a certain portion of income is taxed at the full NI rate (12 per cent for employees, 9 per cent for the self-employed) before the rate falls to 2 per cent. The current per-job NI system cannot automatically deal with this. However, there are rules in place to allow high earning workers with multiple jobs to get a rebate though the process has been described as "lengthy and difficult for ordinary taxpayers" (see OTS, *The closer alignment of income tax and national insurance*, March 2016).

[7] This is a four-quarter average of a snapshot of people's self-described circumstances and therefore tells us the typical number with multiple jobs at a given point in time rather than the total number who held more than one job at any point in this year.

Table 1: Around 1.1 million people have multiple jobs, or 3.6 per cent of the workforce

Number of workers with multiple jobs

		Second job		
		Employee	Self-employed	Total
Main job	Employee	590,000	320,000	910,000
	Self-employed	100,000	120,000	220,000
	Total	690,000	440,000	1,130,000

Workers with multiple jobs as a proportion of all workers

		Second job		
		Employee	Self-employed	Total
Main job	Employee	1.9%	1.0%	2.9%
	Self-employed	0.3%	0.4%	0.7%
	Total	2.2%	1.4%	3.6%

Source: RF analysis of LFS Q3 2015 – Q2 2016

These figures do not include those who have two jobs in the same week due to a change of jobs, but these are very few in number. And, in trying to gauge the size of the 'gig economy', household surveys may not be perfect in what they do and do not capture, but given that they provide those surveyed with the opportunity to list any "paid work" as they see fit, it is not obvious that they are missing significant output.

The Labour Force Survey only asks about people's main two jobs, but other data (the Family Resources Survey 2014-15), while providing a broadly similar overall estimate, suggests that around 60,000 workers report having three concurrent jobs.

Clearly the number of workers combining multiple jobs is significant, though at any one time they are a relatively small fraction of the workforce. But are the current levels high by historical standards?

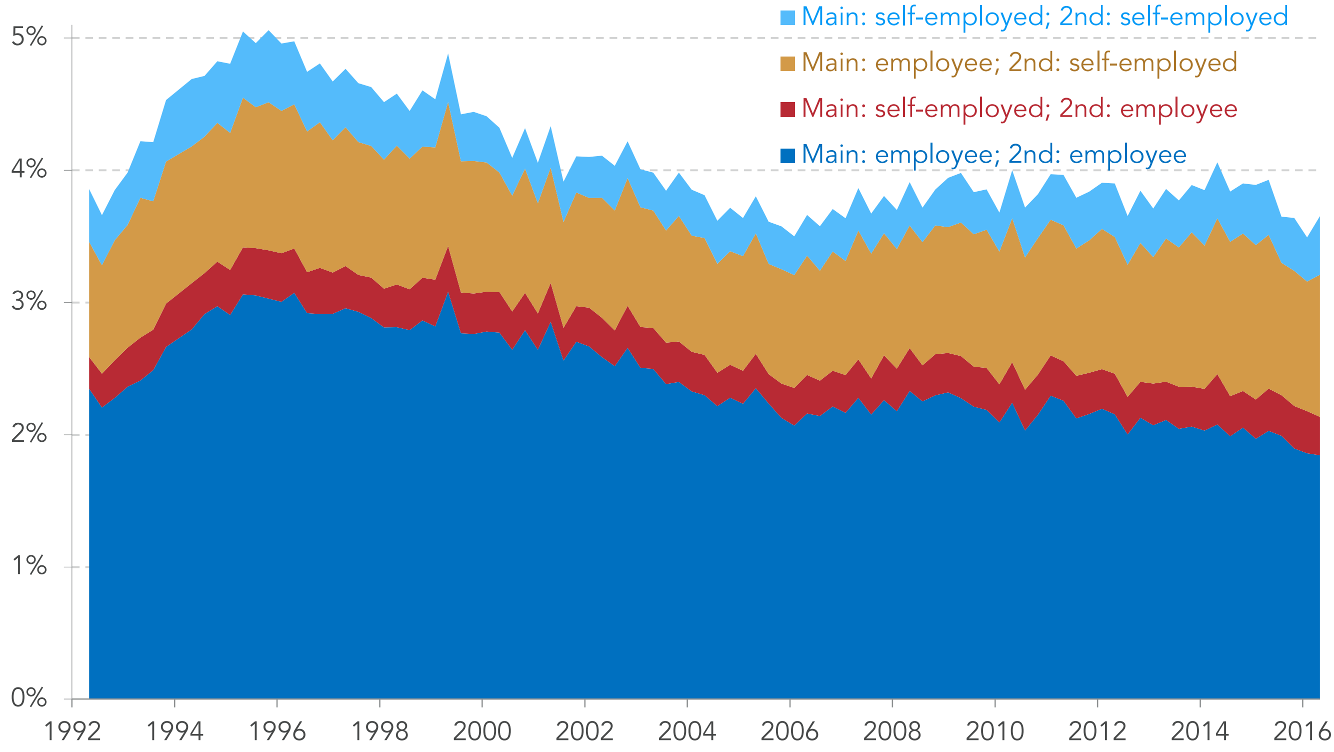
The proportion of workers doing multiple jobs is at a record low

To explore whether there have been large shifts in the nature of work, Figure 2 shows how the proportion of workers with multiple jobs has changed over the past 24 years, including the different mixes of employment and self-employment. The proportion rose rapidly in the mid 1990s to reach a peak of around 5 per cent of the workforce (equivalent to around 1.3 million workers) in 1995. There was then a decade-long decline until 2006. In the past decade the proportion has been relatively flat, but compared to the same quarters in previous years,[8] the proportion of the workforce with multiple jobs in Q1 and Q2 of 2016 was at a record low over the 24 years of available data.

[8] There is some seasonality, with a greater proportion of the workforce reporting multiple jobs in Q2 and Q4 of each year, and the fewest in Q3 (perhaps reflecting schools' summer holidays).

Figure 2: The proportion of workers with multiple jobs over the past 24 years

% of workers with multiple jobs

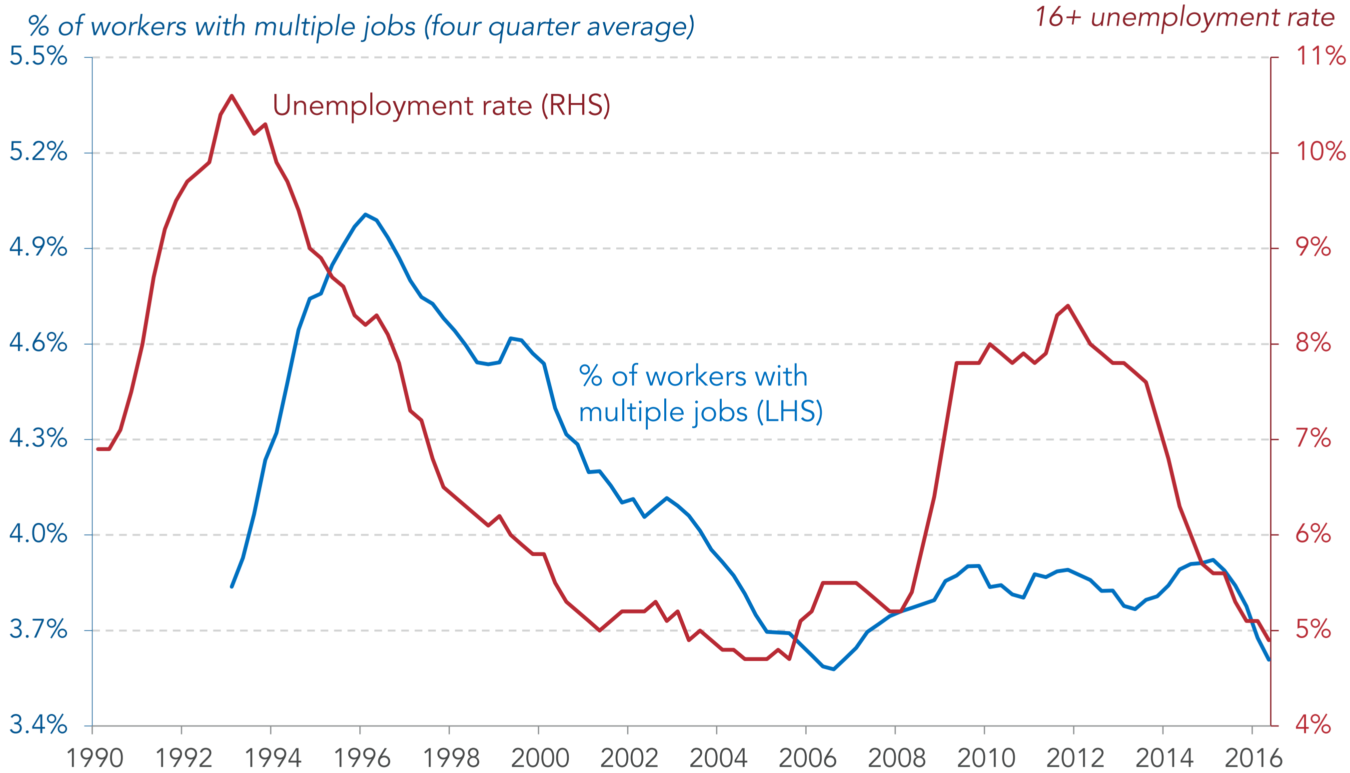


Source: RF analysis of LFS

This is clearly not in keeping with claims about the rise of the 'gig economy', to the extent that this relates to people holding multiple jobs at once.

But it should also be noted that the spike in the mid-1990s, and rise and fall after 2006, correspond well to the state of the economy. Figure 3 demonstrates this, showing the proportion with multiple jobs alongside the headline unemployment rate (used as a rough indicator of labour market health). It may not be unemployment that directly influences this, and the reaction to the recent recession was notably smaller than in the 1990s, but this provides some evidence that the proportion of workers doing multiple jobs is an indicator of labour market slack, with at least some workers doing so out of cyclical necessity. The recent fall in the proportion of workers doing multiple jobs therefore likely relates to the fall in unemployment to pre-crisis lows. This suggests that the future likelihood of combining multiple jobs may also depend on the overall state of the economy.

Figure 3: The proportion of workers with multiple jobs may reflect the tightness of the labour market



Source: RF analysis of LFS and ONS

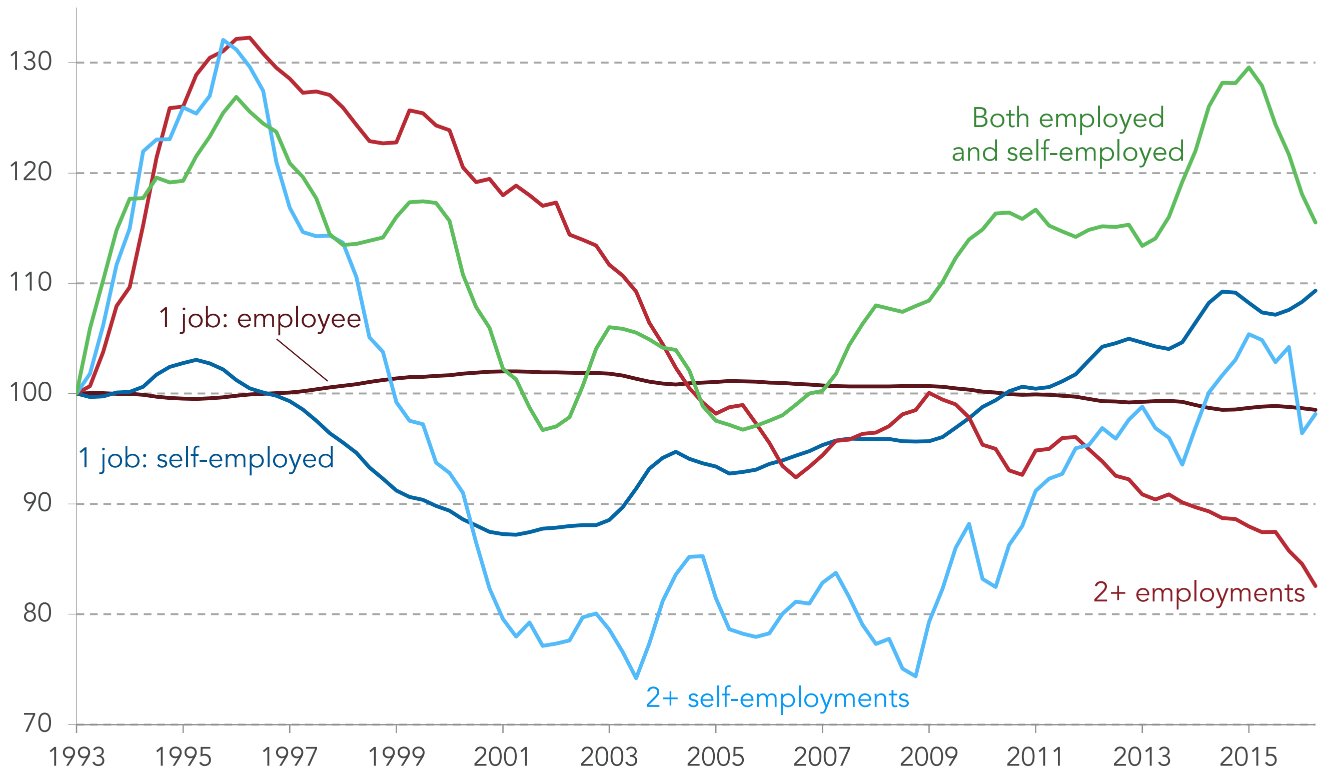
But self-employment and the mixing of self-employment with employment have risen

While there has been a stagnation or even decline in the overall share of workers doing multiple jobs, changes within this are perhaps more in keeping with the gig economy narrative, and also have implications for the tax system.

Breaking down the overall figures, the proportion of workers who have multiple employments (without any self-employment) has declined markedly and is now at a record low. But the proportion mixing employment and self-employment has grown over the past decade, as has the number with multiple self-employments. These trends are shown in Figure 4.

Figure 4: Self-employment and mixing employment with self-employment have grown in popularity

Proportion of workforce in last 12 months, indexed to 1992-93



Source: RF analysis of LFS

The increase in these modes of working since 2001 is very much in line with the rise in single-job self-employment (shown in dark blue): the proportion of the workforce in single-job self-employment has risen by 24 per cent since a low in 2001, while the proportion mixing employment and self-employment has risen by 20 per cent and the share with multiple self-employments has risen by 28 per cent.

But this does mean that the make-up of those combining multiple jobs has changed. As demonstrated in Figure 2, of the total number of workers combining multiple jobs, around 50 per cent now are now self-employed in one or all of their jobs, up from 40 per cent in the early 1990s and a low of just over a third in 2001. Of these, over 400,000 people now combine employment with self-employment.

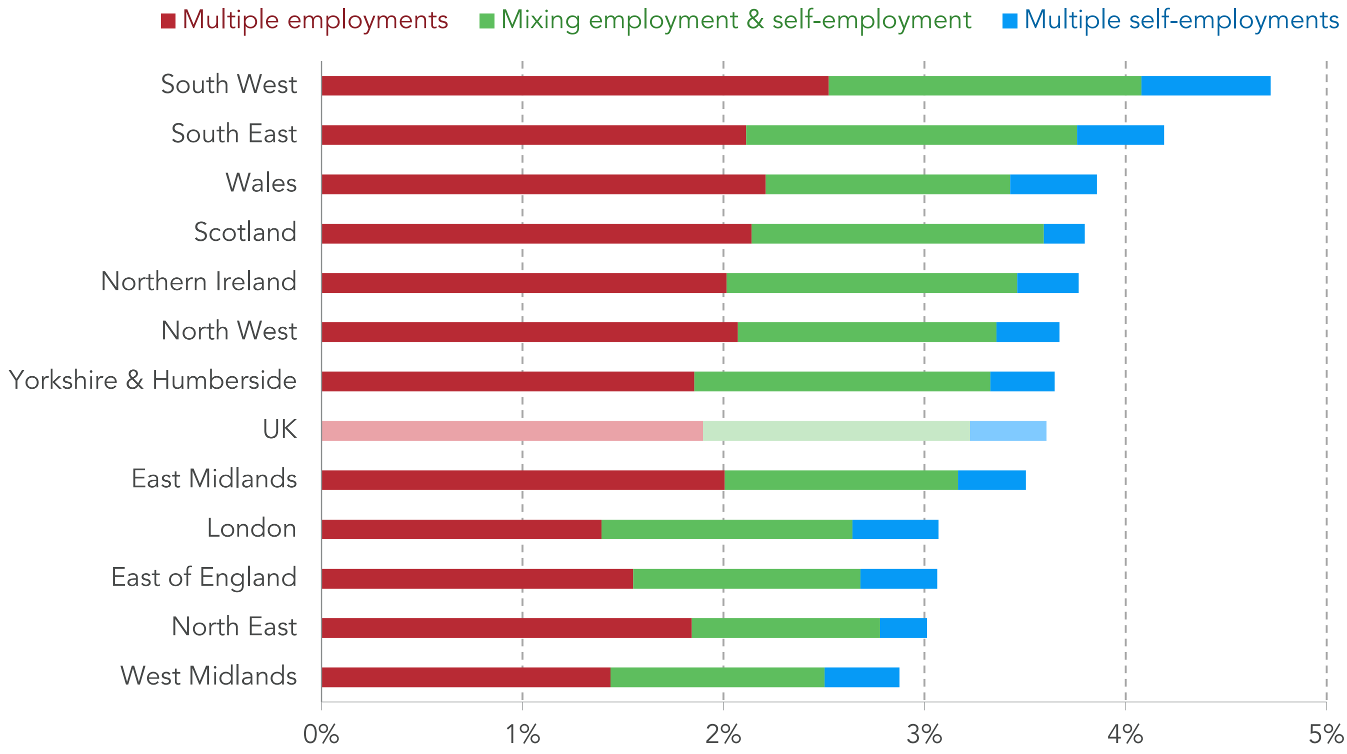
Indeed, if the 320,000 employees who are self-employed in their second job are added on to the more than 4.7 million who are self-employed in their main job (the most commonly reported statistic), we find that there are now, for the first time, over 5 million workers with some self-employment. While the evidence for a gig economy may be otherwise weak, the rise of self-employment is not disputable. Alongside the many other implications this may have for public policy, there is also a strong case that the tax system must be made to better reflect this shift towards self-employment and mixing employment with self-employment.

The proportion of workers doing multiple jobs varies across the country

As ever, there are some notable differences across the UK. Again breaking the statistics down into those with multiple employments, those mixing employment and self-employment and those reporting multiple self-employments, Figure 5 shows these differences. Overall, the South West has the highest proportion of its workforce combining multiple jobs (almost 5 per cent), while the West Midlands, North East, East and London have the lowest. Despite the visibility in Central London of firms that are often considered synonymous with the gig economy, such as Uber and Deliveroo, London has a lower proportion of workers combining multiple jobs than the country as a whole.

Figure 5: Regional variation in the share of workers with multiple jobs

Proportion of workers with multiple jobs



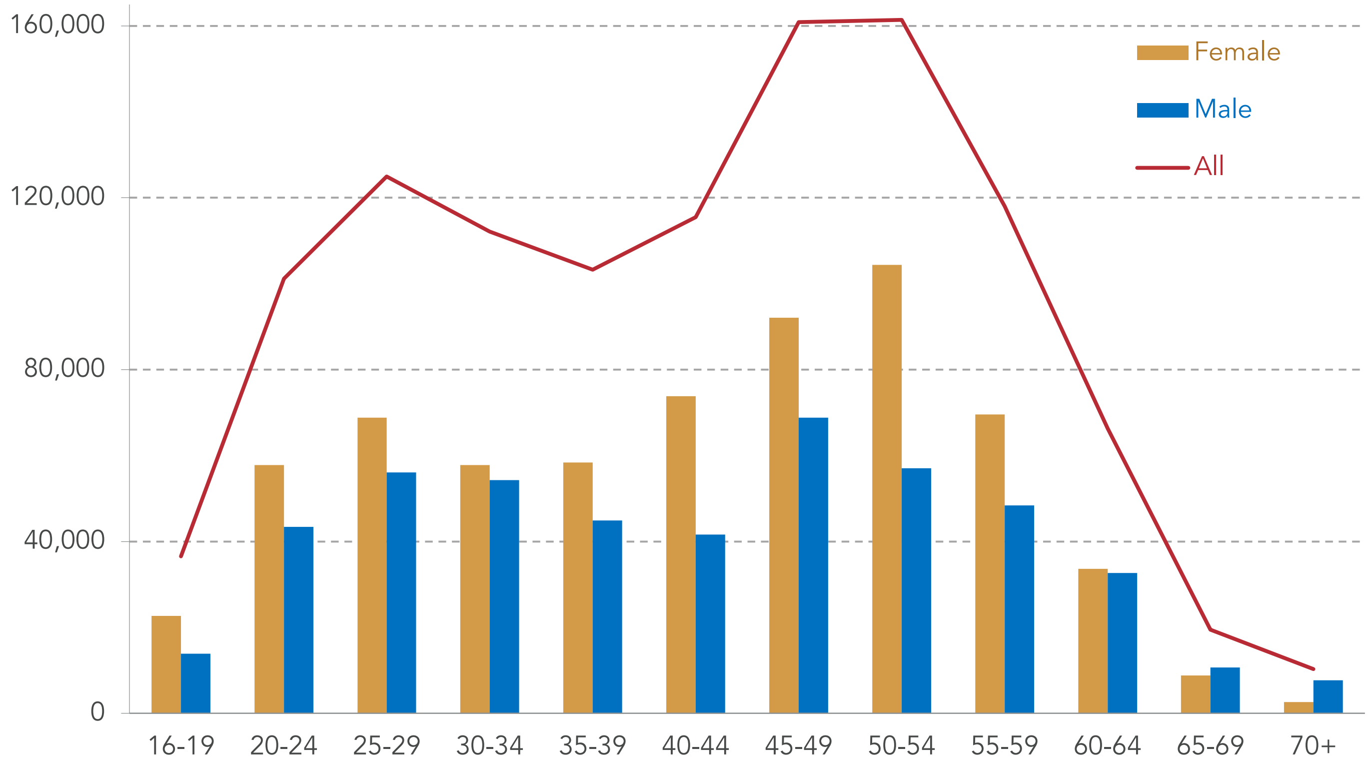
Source: RF analysis of LFS Q3 2015 – Q2 2016

More women than men have multiple jobs

What are the characteristics of people working multiple jobs? The same data shows that women in the workforce are more likely to have multiple jobs than men, and that 25-29 and 45-54 are the most common ages to be working multiple jobs. This is shown in Figure 6, and likely reflects that parents of young children (such as women in their 30s) and older workers are more likely to be working part-time and therefore work only one job.

Figure 6: More women than men have multiple jobs, and 25-29 and 45-54 are the most common ages

Number of workers with multiple jobs

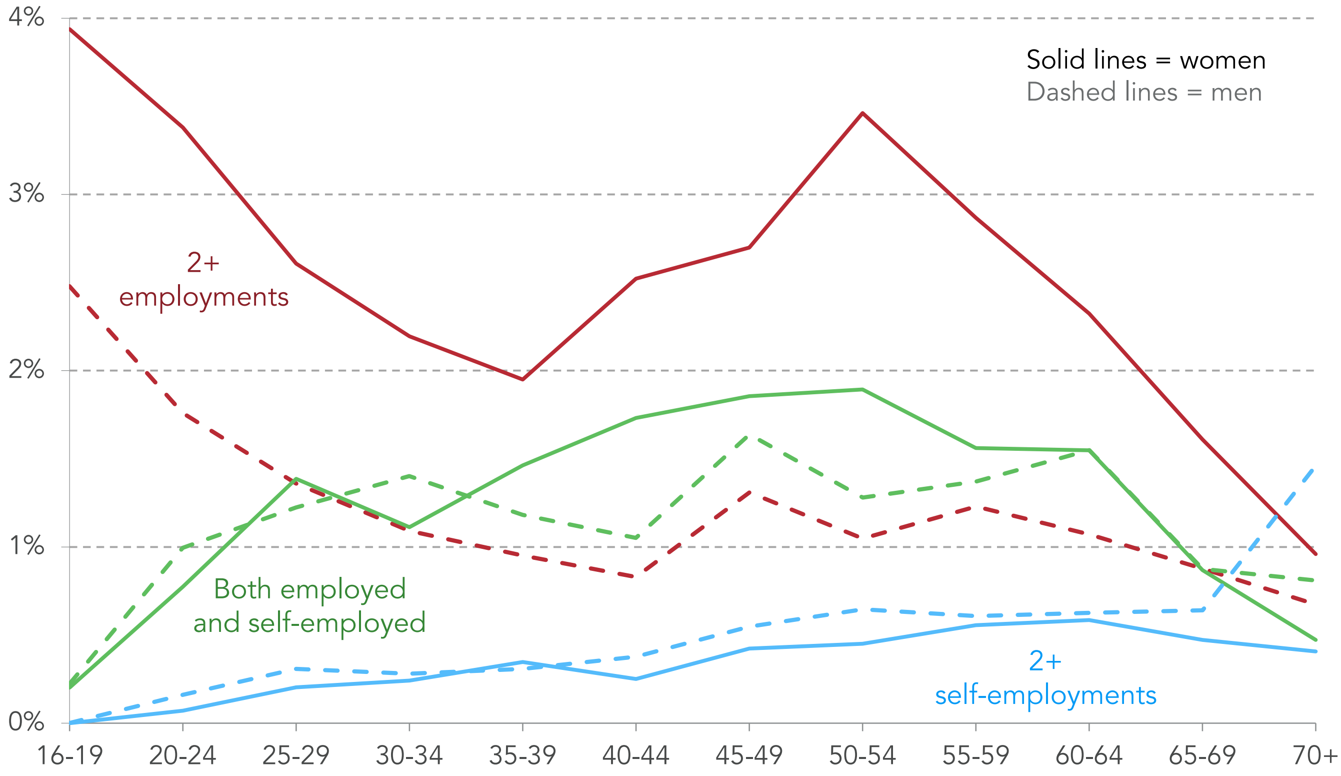


Source: RF analysis of LFS Q3 2015 – Q2 2016

It is also interesting to again separate out those with multiple employments, those with multiple self-employments, and those mixing the two. The gender divide is particularly stark for those combining multiple employee roles, with young women and women aged around 50-54 being the most likely to do this. Combining multiple self-employments, in contrast, grows more popular with age and is slightly more common among men than women (both in keeping with self-employment overall). And among men over 30, mixing employment and self-employment is in fact more common than having multiple employments.

Figure 7: A much greater proportion of women have multiple employments, whereas men are slightly more likely to have multiple self-employments

% of workers of that age and gender



Source: RF analysis of LFS Q3 2015 – Q2 2016

Looking at the same age distributions in previous years, there do not appear to be strong cohort effects. So the fact that the likelihood of working multiple jobs varies significantly across the lifecycle has tentative implications for the impacts of relevant tax changes, with a tax increase over a few years of one's life (e.g. with people working multiple jobs only temporarily) being less significant than one that continues to be impactful over decades of working. Nonetheless, it is clear that aggregating NI across jobs would (like any tax change) affect some groups of workers more than others.

Workers in education and health are particularly likely to have a second job

Workers in some sectors are also much more likely than those in others to have multiple jobs. Table 2 lists (in its top half) the most common industries for employees' main jobs – i.e. the sectors that have the most employees with a second job – as well as the most popular second employee jobs. The lower half then does the same for self-employed roles.

Table 2: The most common first and second industries of workers with multiple jobs

Top industries for main jobs (where employee)	Number	Proportion	Top industries for second jobs (where employee)	Number
Primary education	70,000	6%	Sports activities	40,000
Hospital activities	64,000	5%	Primary education	36,000
Secondary education	54,000	6%	Beverage serving activities	35,000
Higher education	40,000	7%	Social work without accommodation	33,000
State administration and policy	39,000	4%	Hospital activities	31,000
Social work without accommodation	36,000	5%	Secondary education	29,000
Retail sale in non-specialised stores	36,000	3%	Restaurants & mobile food service activities	28,000
Other human health activities	25,000	6%	Higher education	28,000
Sports activities	22,000	7%	Retail sale in non-specialised stores	28,000
Other retail sale in specialised stores	21,000	3%	Provision of services to the community	26,000
All main jobs where employee	*914,000*	*3%*	*All second jobs where employee*	*691,000*

Top industries for main jobs (where self-employed)	Number	Proportion	Top industries for second jobs (where self-employed)	Number
Other education	12,000	7%	Other education	34,000
Creative, arts & entertainment activities	12,000	9%	Creative, arts & entertainment activities	25,000
Medical and dental practice activities	10,000	12%	Other personal service activities	15,000
Other human health activities	9,000	13%	Other retail sale in specialised stores	14,000
Other personal service activities	9,000	4%	Renting/operating of own/leased real estate	14,000
Social work without accommodation	7,000	6%	Secondary education	14,000
Computer programming & consultancy	6,000	5%	Sports activities	12,000
Cleaning activities	6,000	4%	Computer programming & consultancy	12,000
Secondary education	5,000	8%	Animal production	12,000
Construction of buildings	5,000	2%	Other human health activities	11,000
All main jobs where self-employed	*216,000*	*5%*	*All second jobs where self-employed*	*439,000*

Source: RF analysis of LFS Q3 2015 – Q2 2016

Notes: See the UK Standard Industrial Classification (SIC) 2007 Hierarchy for details of these industrial definitions

Education and health make up a particularly large proportion of the 914,000 employees with second jobs – partly because of the large size of these sectors but also because workers in these sectors are more likely to have second jobs. For example, over 6 per cent of employees in the primary education sector (not necessarily teachers) have a second job, compared to the 3.4 per cent average for employees. Education is also a popular second employee job, but alongside 'sports activities' (e.g. working in a fitness centre) and bar work.

Among self-employed roles (the lower half of Table 2), 'other education' (e.g. piano lessons or academic tutoring) and 'creative, arts and entertainment activities' are the most common among those with multiple jobs, both as first and second jobs. 'Other personal service activities' (often hairdressing) is also common. Despite all the talk about Uber, the relevant sector ('other passenger land transport', including taxi operation more broadly) does not make it into any of these top 10s.

Separate analysis shows that it is common for people's second job to be in a different sector to their first, but around one in three work in the same broad sector in both.

A large number of second jobs are temporary, involve few hours and low weekly pay

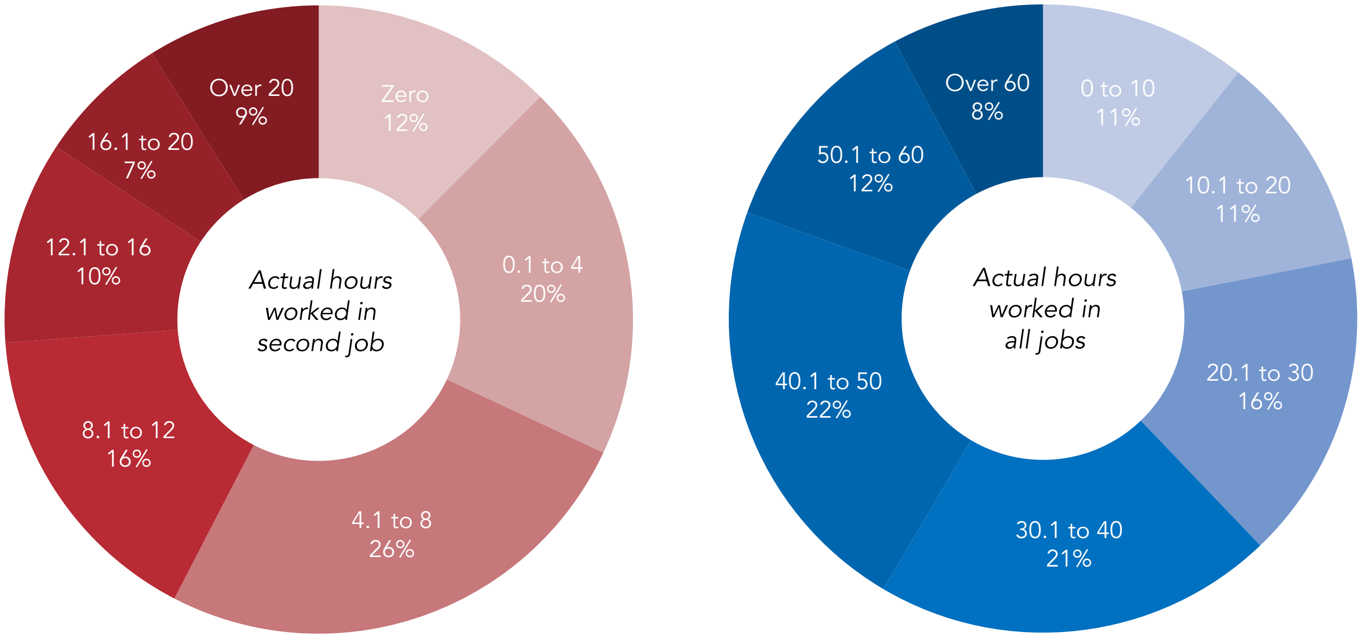
Second jobs are disproportionately likely to be self-reported as temporary. While 94 per cent of main jobs (for all workers) are permanent, only 70 per cent of second jobs are self-reported as permanent. Among the other 30 per cent, the most common explanations for why the work is not permanent are that their job is "casual" or "under contract for a fixed period or task".

Among the 440,000 people in self-employment as their second job (with 320,000 having employment as their first role), the Labour Force Survey also asks why they are self-employed in their second job. The most important reasons reported are "to maintain or increase income"

(34 per cent), the "nature of job or chosen career" (21 per cent), for "better work conditions or job satisfaction" (15 per cent), or because they "saw the demand or market" (6 per cent).[9]

Figure 8 shows that many also report low numbers of hours worked in their second job (left), with the majority of those with second jobs working 8 hours per week or fewer in those jobs and a third working 4 hours or fewer. And in total across both jobs (right), over a fifth work 20 hours or fewer in total. However, a substantial and disproportionate minority of those with multiple jobs work over 40 hours a week in total, and 8 per cent report working over 60 hours.

Figure 8: Actual hours worked in the last week among those with multiple jobs, in their second job and overall



Source: RF analysis of LFS Q3 2015 – Q2 2016

Average weekly earnings for second jobs are also low, with implications for the OTS's tax proposals. The data for employees suggests only around one fifth earned enough from their second jobs in the last week to pay any employee NI on it under the current system, with its £155 per week threshold per job (equivalent to 21.5 hours per week on the new National Living Wage). But this doesn't necessarily mean that all these workers have low incomes overall, or that they all live in low income families.

Richer households are more likely to contain workers with multiple jobs

It is important to look beyond individual characteristics to the *family* circumstances of worker with multiple jobs.

The Family Resources Survey (2014-15) suggests that 33 per cent of workers with multiple jobs (any combination of more than one employment or self-employment) live with a partner and children, 30 per cent are in couples without children and 29 per cent are singles without children, with the small remainder being single parents (5 per cent) or living in pensioner families (3 per

[9] Combining Q4 2015 and Q4 2014 due to small sample sizes. This question is only asked in Q4.

cent).[10] Only 3.5 per cent of families containing someone with multiple jobs have *more than one* such worker – which is important when considering how large the impact of the relevant tax changes could be. And in couple households it is the second earner (the individual with the lowest total earnings) who is most likely (in 90 per cent of cases) to hold multiple jobs.

The living standards of workers with multiple jobs – whether they live in richer or poorer families – can also be estimated using this data. We use net income after taxes, which has then been 'equivalised' – a process which allows a fair comparison across families of different sizes in terms of material well-being.[11]

We also model whether or not families would be entitled to Universal Credit (UC) were it fully in place (assuming full take-up of entitlements). This is of some significance when considering the impact of tax changes, as explored later in this note. UC is modelled, rather than the current tax credit system, to reflect that this is the system that is most likely to be in place given the timescale over which changes to the NI system are likely to happen.[12]

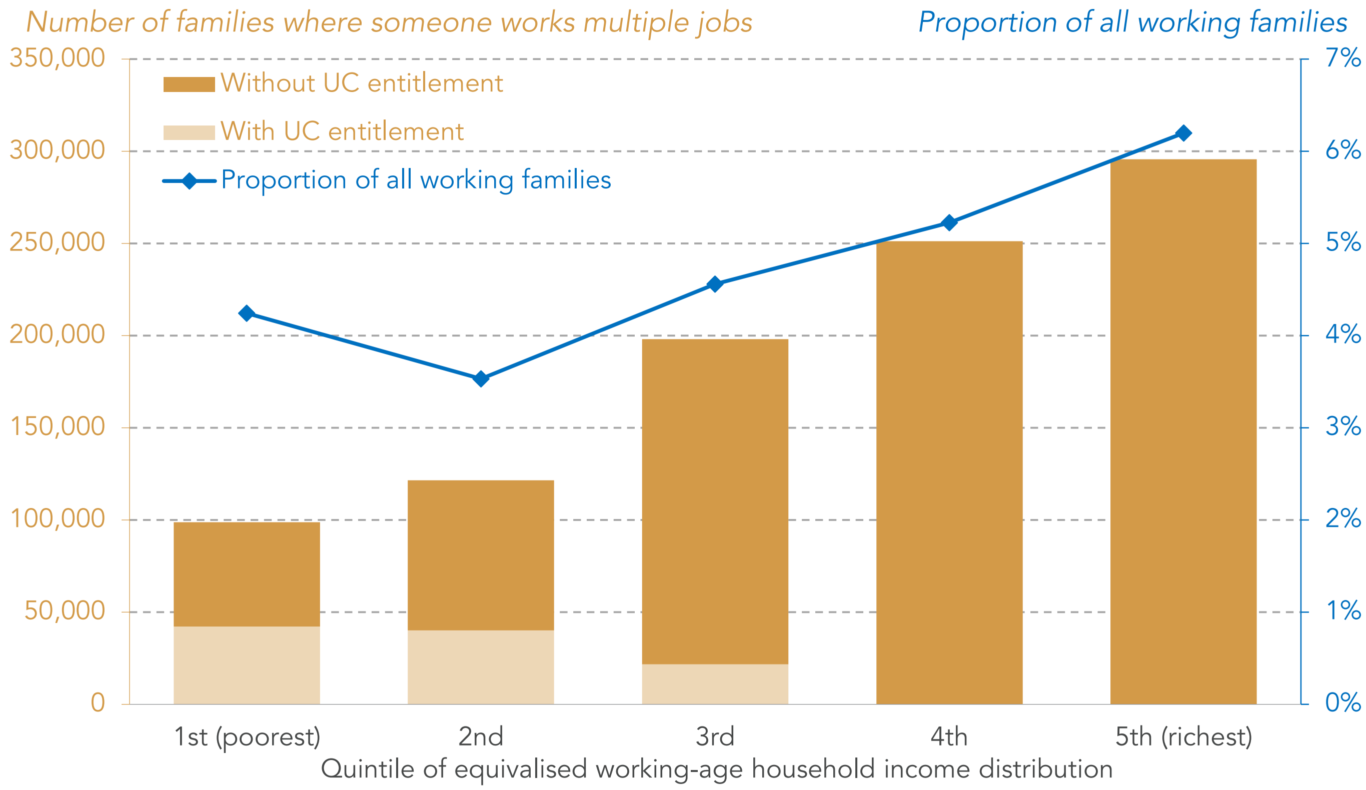
Overall, 4.9 per cent of families contain at least one person holding multiple jobs, excluding pensioner households and those where nobody is in work. However, Figure 9 shows that this share is greater for families in the top half of the working age household income distribution, increasing from around 4 per cent in the poorest two-fifths of households to over 6 per cent among the richest fifth. Over half of families containing someone working multiple jobs (57 per cent) are part of the richest 40 per cent of all working-age households, while under a quarter (23 per cent) are part of the poorest 40 per cent.

[10] We only include a person with multiple jobs who could be eligible for NI here, i.e. those who are below State Pension Age. But we include all households/families in which such people live, therefore this pensioner figure represents families in which one individual is below State Pension age but at least one individual is above.

[11] As usual, we use the modified-OECD equivalisation scale applied by the Department for Work and Pensions in the regular publication *Households Below Average Income*.

[12] UC entitlement is calculated by applying 2016-17 tax and benefit parameters to the 2014-15 population adjusting for inflation and earnings growth.

Figure 9: Number and proportion of in-work working age families with at least one person with multiple jobs, by equivalised working age net household income quintile



Source: RF analysis of FRS 2014-15, including use of the IPPR tax-benefit model

The fact that families in which someone works multiple jobs are more likely to have higher incomes is in some ways unsurprising, given that some working-age households have nobody in work. That they are also more common among higher income households when considering in-work working-age households only (as shown by the blue line), is likely to reflect the fact that workers with multiple jobs are less likely to be only in part-time work, are often older workers without young children, and a majority live with a partner who may have their own income.

But there are still significant numbers of low and middle income families with a worker holding multiple jobs – a large proportion of whom are families eligible for UC (as shown by the lighter gold bars) – and these lower income households should be given particular consideration when looking at the impacts of NI reform.

The impact in isolation of moving to a per-person basis for NI

Given the numbers and characteristics of workers with multiple jobs, what would be the impact of the aggregation proposal put forward by the OTS (before considering any other simultaneous NI reforms)?

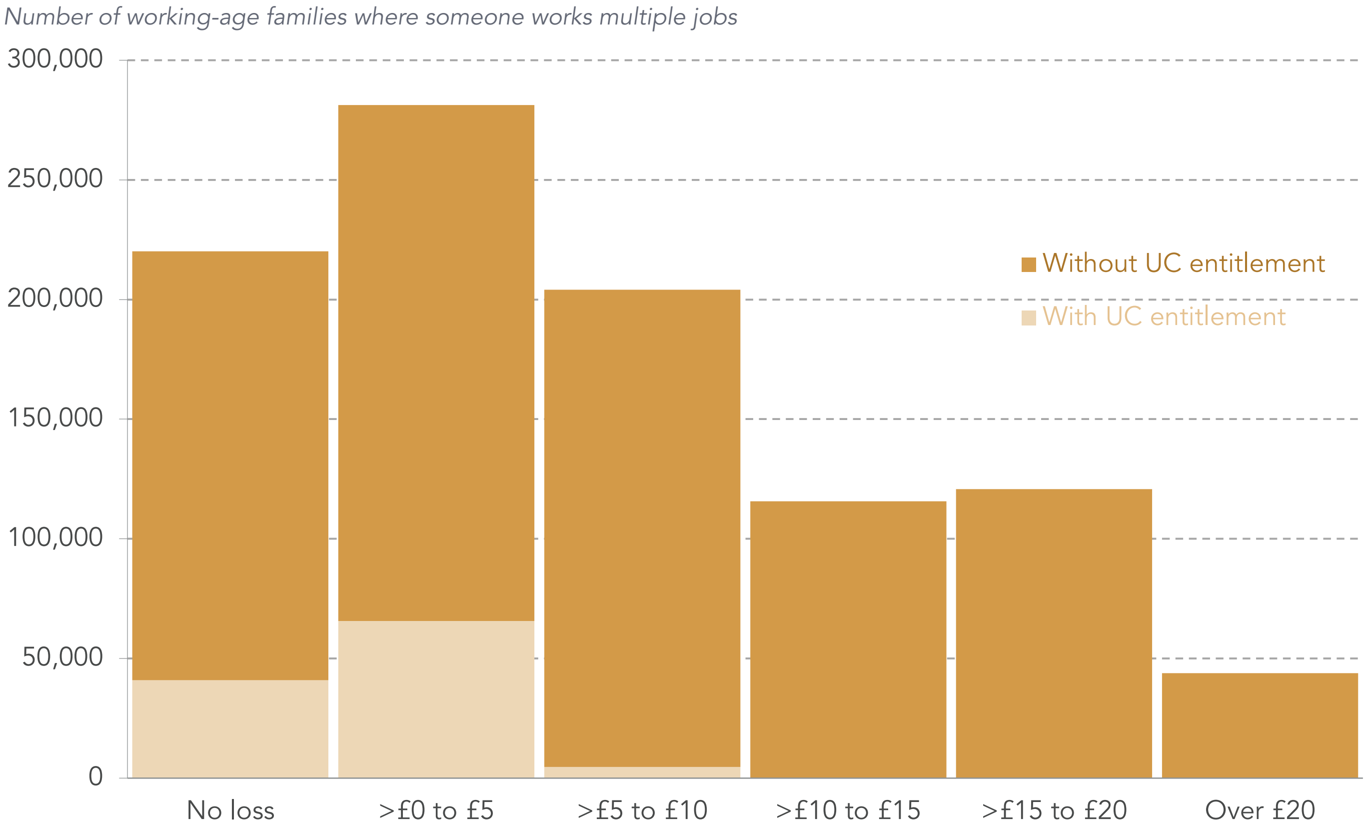
As set out earlier, this change would mean workers with multiple jobs only received one NI allowance rather than one per job. So whereas the majority of second jobs may currently not be liable for any NI due to this allowance, when aggregated with people's main jobs these earnings could become liable for NI at 12 per cent (for employees) or 9 per cent (for the self-employed).[13] If a second job worth £2,000 a year became subject to NI at 12 per cent for the first time (on top of income tax), that would mean a tax rise of £240 for that individual. Anyone earning more than £8,060 a year (the level of the current per-job allowance) in both of their jobs would see a NI increase of £970 a year (12 per cent of £8,060) or around £19 per week. For a limited few with three or more jobs with sufficient earnings, the increase could be greater.

Figure 10 shows that of the almost one million families containing an individual with multiple jobs, over 200,000 (22 per cent) earn too little from their employments to be affected by aggregation. That is, their total gross earnings were less than the Primary Threshold (£8,060 a year). This includes over a third (37 per cent) of those families who are also entitled to UC.

29 per cent of families with someone working multiple jobs would lose no more than £5 a week and a further 21 per cent over £5 up to £10 a week. However, the remaining 28 per cent could lose over £10 a week, with their annual loss dependent on how many weeks per year they have sufficient income from multiple jobs.

[13] This difference between employee and self-employment NI rates does raise questions about the administration of an aggregated system. In our modelling we have assumed that a combined NI allowance is shared proportionally between a person's employment and self-employment when they have both: thus allowing part of their combined taxable income to be taxed at 12 per cent and part at 9 per cent.

Figure 10: Number of working-age families where someone works multiple jobs, by size of net loss per week from aggregating NI in isolation



Source: RF analysis of FRS 2014-15, including use of the IPPR tax-benefit model

In total our modelling of this particular potential change in how NI works – without considering any accompanying NI changes which might cost money – suggests it would have raised £380 million in extra NI if it had been in place in 2014-15, with the overall net effect on the Exchequer of £360 million when taking into account an offsetting increase in UC entitlement.

Although the impact of UC is small relative to the overall increase in revenue it does have an important offsetting effect on the incomes of entitled families. UC is currently being slowly rolled out but should in theory be the dominant working-age benefits system by the time any reforms to NI could be implemented. And entitlements to UC are based on a household's income *net* of income tax and NI. The Resolution Foundation has previously pointed out how income tax cuts, for example, can therefore lead to poorer households receiving less in UC, reducing the overall positive impact for them.[14] Given its 'taper' rate, 65 per cent of any tax cut for families on UC may be cancelled out by this means-testing. But, conversely, this taper cushions households on UC (or just above) [15] from tax increases, as a £1 loss of income leads to them receiving up to 65p extra in UC – making them as little as 35p worse off overall.

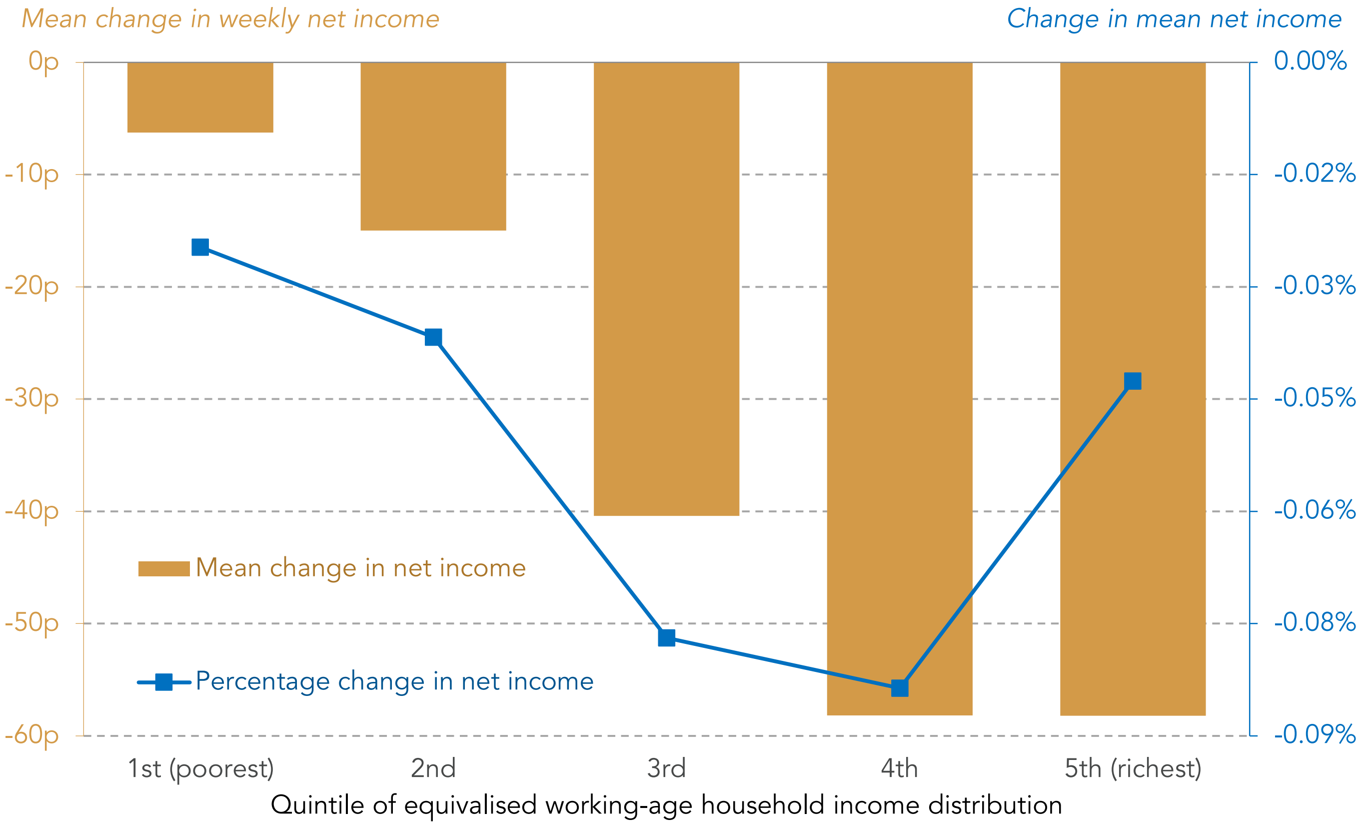
Given all this, Figure 11 shows the impact of aggregating NI (effectively a tax increase for some) across the whole working-age income distribution, giving the size of the average income fall both in cash terms and as a percentage of their net income. As shown in Figure 10, for the families affected, these losses may be significant. But given the relatively small proportion of people with

[14] D Finch, *Making the most of UC: Final report of the Resolution Foundation review of Universal Credit*, Resolution Foundation, June 2015

[15] In practice the number of those affected who might additionally become entitled to UC *because of* the tax increase is small (less than 10,000 – and caution should be taken with this estimate given low sample sizes).

second jobs, particularly among poorer households (as shown in Figure 9), the aggregate impacts are very small, both in absolute terms (averaging 60p a week for the richest 40 per cent) and as a proportion of total income (under 0.09 per cent).

Figure 11: Distributional impact from aggregating NI in isolation over all working-age households



Source: RF analysis of FRS 2014-15, including use of the IPPR tax-benefit model

Overall, the absolute income fall is greater for higher income families – because they will have more earnings in their second (and first) jobs. In percentage terms, the average loss in the top quintile is more similar to that in the second quintile reflecting the much higher total income in the top quintile, but the overall impact is lowest for the poorest two quintiles, both in absolute and proportional terms.

On an economy-wide scale, therefore, the financial impact is small and it is a broadly progressive tax increase overall. But the individual impacts may be significant, as shown in Figure 10, and it is hard to imagine how the largest losses could be sensibly mitigated. It would therefore be particularly important that the reform be part of a progressive package of NI reforms – which this note has not yet explored – and indeed a broader agenda of helping low and middle income families.

Offsetting considerations and options for mitigation

The previous section outlined the potential losers from moving NI to an aggregated basis. However, this is only one of the OTS's proposals and would very likely be part of a package of NI reforms. In particular, another aspect of the proposal put forward by the OTS is to make NI annual rather than weekly (or monthly).

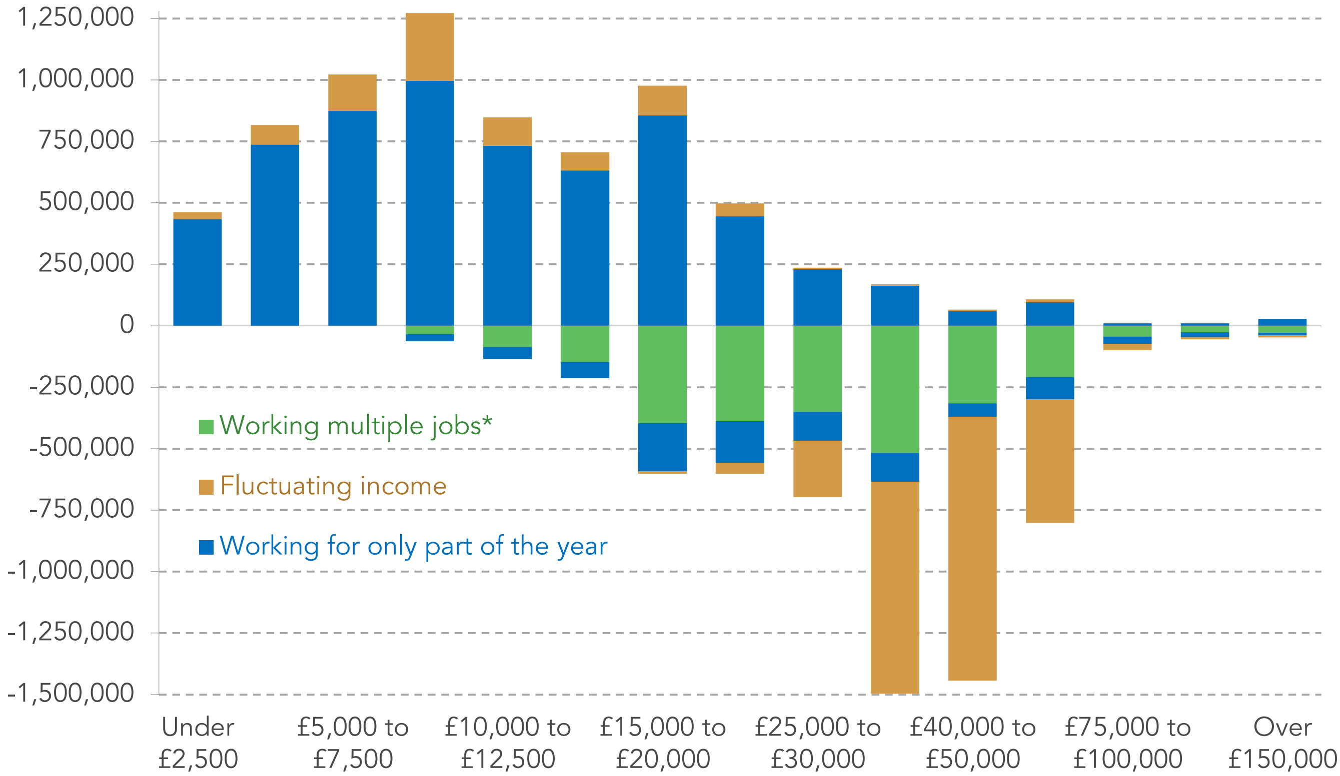
One of the effects of this would be to reduce NI (often to zero) for those who only work for part of the year or who lose their jobs. In such cases an annual allowance is more valuable than the current week-by-week (or month-by-month) allowance.

Another effect would be to change the amount of NI paid by those with particularly volatile incomes. Similarly to those only working part of the year, some low income workers with volatile incomes currently pay NI in some weeks and in other weeks fail to use their allowance. An annual system would therefore cut their NI bill. Conversely, for some higher earners with volatile incomes such as bonuses, an annual system could mean a tax increase – owing to the current weekly (or monthly) limit on the application of the main rate of NI (before it drops to only 2 per cent).

So, while this note largely focuses on the impact only of aggregating earnings from multiple jobs in isolation, Figure 12 presents some published HMRC modelling of the winners and losers from a combined implementation of annual, aggregated NI.[16] It should be noted that these are based on individual incomes rather than the impacts at a family level, and their definition of workers with multiple jobs is very different (based on tax records and referring roughly to anyone working more than one job over the course of a year). These results are described as "indicative only", and the *size* of gains and losses is not demonstrated here. But nonetheless the overall picture is clear:

Figure 12: Number of winners and losers from making NI annual and aggregated, by individual annual income and most significant cause of impact

Number of winners (positive) and losers (negative)



Source: Approximate values taken from Charts 9.B and 9.C in OTS, *The closer alignment of income tax and national insurance*, March 2016, based on HMRC data.

Notes: * Uses a different definition of workers with multiple jobs to that used elsewhere in this note. Individuals may be affected by more than one of the three causes but are categorised by the largest impact.

[16] OTS, *The closer alignment of income tax and national insurance*, March 2016, Charts 9.B and 9.C, based on sources set out in Box 9.D.

large numbers of workers could be affected by NI reforms; those working multiple jobs are only part of the picture; lower income workers are overall far more likely to be winners than losers; and higher income workers are more likely to be losers.

Modelling the full impact of these changes in combination (and their interactions at a household level with UC), is beyond the scope of this note – but will be explored further by the OTS. Yet, no matter what the aggregate impact, or the desirability of making the tax system simpler or fairer, it remains the case that some low income families with someone working multiple jobs would inevitably lose out (in the short-term at least). Is there anything that could be done to limit those losses?

In theory, individual income losses could also be reduced by offsetting tax cuts, such as raising the starting point at which NI is paid for all. (We should also bear in mind that Class 2 NI for the self-employed will be abolished in April 2018, boosting their incomes by around £150 a year.) The distributional impact of raising NI thresholds (which is largely similar to that of raising the income tax personal allowance) looks very much like the opposite of the overall impact of this NI aggregation proposal.[17] But given that it would give a tax cut to a much wider group of people (all workers paying NI) rather than just those with multiple jobs, either the per-person gain would be very small or the fiscal cost would be extremely high. It is possible that NI reform such as the measures in Figure 12 could raise some revenue overall,[18] and this could be used to offset some losses, but it is unlikely to come close to the multi-billion pound cost of such broad tax cuts.

As noted, UC would reduce any losses by 65 per cent for many lower income households – and so there is a case for waiting until UC is well in place before making such a reform (though this may happen naturally). But the level of generosity of UC at the time (alongside the broad strength of income growth) will also help determine the degree of losses. Targeting additional support at low and middle income families through the welfare system would have a more progressive impact than other giveaways, and increase the numbers who would be partially protected from any NI increase. To target workers this could mean an increase in the value of work allowances in UC (which have been both cut and frozen, alongside cuts to other aspects of the working age benefit system). Again any gains would be spread across a wider pool of working families, leaving individual losers (as with any tax reform), but it could be possible to ensure few people on very low incomes were substantial losers. Particularly when considered alongside making NI annual, it is not hard to imagine creating a tax and benefit reform package that was progressive overall.

Conclusion

The data on workers with multiple jobs should provide yet more caution about assuming the nature of work has fundamentally shifted towards a 'gig economy'. Secure, permanent, single jobs continue to dominate the labour market, and the traditional challenges of seeking full employment and strong pay growth have not diminished. But there is certainly a diversity of modes of working, and self-employment, new models of contracting, and individual mixing of employment and self-employment have grown.

Given this, as well as the unending need to ensure the tax system is fair, simple and technologically up-to-date, any proposals for updating parts of the undeniably antiquated NI system are welcome. The specific proposal to effectively tax workers equally based on their earnings, regardless of their number of jobs, also seems hard to dispute from the perspective of equitability. Were it coupled with making NI annual, the overall gains for low income families might also be significant.

Yet the individual losers from tax reforms must also be considered, and at a time when incomes have only partially recovered from a large squeeze, and face further pressures such as welfare cuts, great care should be taken to limit or offset any negative impacts from such proposals on the UK's low and middle income families.

[17] A Corlett, *Missing the target*, Resolution Foundation, December 2014

[18] OTS, *The closer alignment of income tax and national insurance*, March 2016

Acknowledgements

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Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged. We do this by:

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- *developing practical and effective policy proposals; and*
- *engaging with policy makers and stakeholders to influence decision-making and bring about change.*

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