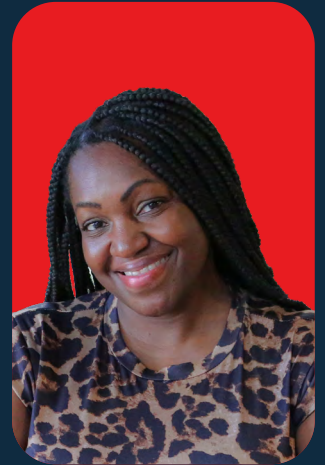


The Side Hustle Economy

Unlocking the UK's Next
Generation of Entrepreneurs





“ If you believe in it and you can see a real opportunity, **you have to go for it.** You can always go back to a job, but taking that leap and building something of your own is one of the most rewarding things you can do”

George Phillips *Phillips Hobbies*

“ Side hustles are often driven by passion, resilience, and creativity. With the right support, they can grow into businesses that not only create jobs and economic value, but also **meaningful social impact** within communities.”

Edua Effiom *Founder, Effi-HR Consulting*



CONTENTS

Forewords

Michelle Ovens CBE, Small Business Britain 4

Eve Williams, Vice President and General Manager, eBay UK 6

Recommendations

..... 7

Executive Summary

..... 12

CHAPTER ONE

Building Financial Confidence: The Missing Link Between Side Hustle and Full-Time Business

..... 17

CHAPTER TWO

Creating a Micro-Business Lane

..... 23

CHAPTER THREE

AI and the Side Hustle Revolution

..... 28

CHAPTER FOUR

From Side Hustle to Global Reach

..... 32

Conclusion

..... 37

Methodology

..... 38

The way we work is changing.



Michelle Ovens CBE

CEO and Founder, Small Business Britain

For generations, the expectation was that we would leave education, find a job and build a career, perhaps with one or two employers over a lifetime. Today, that picture looks very different. Careers are becoming more fluid, technology is transforming the workplace at an unprecedented pace, and more people are seeking flexibility, purpose and greater control over how they earn a living. Against this backdrop, entrepreneurship is becoming an increasingly important part of the UK's working landscape.

The UK has always been an entrepreneurial nation. There is something deeply embedded in our culture about having an idea, taking a chance and finding a way to make it happen. That entrepreneurial spirit is thriving today, with close to one million new businesses being started every year, a return to levels of business creation not seen since before the pandemic.

Yet starting a business remains one of the biggest decisions a person can make. Leaving a secure income, stepping away from education or moving beyond the safety net of employment or benefits is a significant leap, both financially and emotionally. It is therefore no surprise that the side hustle has become the UK's most common route into entrepreneurship.

For many people, a side hustle is exactly that first step. It is an opportunity to test an idea, build confidence and discover whether a business has the potential to grow before making the leap into full-time entrepreneurship. For others, it provides additional income at a time when household finances are under pressure. Increasingly, it is also becoming a creative outlet, a way of building a portfolio career, or a means of creating work that is more meaningful and flexible than traditional employment.

That diversity is what makes the side hustle economy so fascinating. People begin for different reasons and with different ambitions. Some dream of building the next household name, while others simply want to supplement their income or pursue a passion. But they all share one thing in common: with limited time, limited resources and often limited confidence, they are trying to turn an idea into something real.

This report shows that we should not underestimate the significance of that journey. Today's side hustle may be tomorrow's employer, exporter or high street success story. Many of our best-known businesses began around kitchen tables, in spare bedrooms or during evenings and weekends while their founders held down another job. The side hustle is no longer an alternative route into business: it has become the front door to entrepreneurship.

This makes the support we provide at this early stage more important than ever.

As technology evolves, new opportunities are opening up for entrepreneurs. Artificial intelligence is already enabling side hustlers to achieve more with less, helping them market products, manage administration and compete with businesses far larger than themselves. At the same time, those same technologies are changing the wider labour market, raising important questions about how we will work in the future and encouraging many more people to explore different ways of earning a living. The side hustle economy is therefore likely to become even more significant in the years ahead.

This changing landscape demands a new approach to business support. We need an ecosystem that recognises that entrepreneurship often begins long before someone registers a company or leaves employment. Support should be available from the very first spark of an idea, helping people build confidence, develop skills and connect with communities of fellow entrepreneurs.

As new technologies emerge, we must ensure they are accessible to the smallest businesses, not just the largest. As uncertainty grows, we must strengthen the networks that enable entrepreneurs to learn from one another and succeed together. And as the world of work continues to evolve, government must ensure that regulation reflects the realities of modern entrepreneurship, recognising that the vast majority of businesses begin life as small, resource-constrained ventures.

The future of work will not follow a single path, and neither will the future of entrepreneurship. Careers will become more varied, technology will continue to reshape the way we do business, and more people than ever will choose to combine employment with enterprise at different stages of their lives.

I remain enormously optimistic about what lies ahead. Side hustles are not simply changing the way businesses are started; they are changing who gets to become an entrepreneur. They are lowering barriers, opening doors and enabling more people to turn ideas into reality. That can only be good for our economy, our communities and our society.

If we continue to nurture this new generation of entrepreneurs, supporting them from their very first sale through to their first employee and beyond, the UK will remain one of the world's great entrepreneurial nations. The businesses may start small, but their impact can be extraordinary. ■

**Eve Williams**

Vice President and General Manager, eBay UK

Every business starts with a moment of proof. For many entrepreneurs on eBay, it is the first time someone they have never met buys something they have made, sourced or restored. That first sale may provide welcome extra income or greater flexibility. For some, it is the beginning of a full-time livelihood.

What matters is that people can choose how far they want to take it - and have a realistic path to do so. The UK does not lack entrepreneurial energy. But too much of it is lost between first sale and sustainable growth.

At eBay, we see ambition emerging in every part of the country: young people building commercial skills alongside study or work; parents creating businesses around family life; and specialist sellers reaching customers far beyond their local area. Digital marketplaces have made it easier to test an idea and find demand. But finding a customer is not the same as building a viable business.

This report identifies the gap. Too often, support systems recognise people either as casual earners or as established SMEs. In between is a critical stage where founders need clearer financial information, proportionate rules, practical help to use AI and simpler routes to international markets. When that support arrives too late - or is designed for a much larger company - promising businesses can stall before they have the chance to grow.

Closing that gap matters far beyond the individual founder. The UK's next generation of growth will not come only from established companies or the largest cities. It will also come from people turning early demand into resilient businesses, generating income, exports and jobs in communities across every UK postcode. For young people in particular, entrepreneurship can offer a way to build skills, confidence and greater control over their future.

eBay is proud to play its part, and our role is practical: connecting sellers with customers, embedding useful tools into the selling journey, supporting productive AI adoption and making international trade more accessible. But no platform can do this alone. Government, financial providers and business-support organisations each hold part of the infrastructure founders need.

That is why we have partnered with Small Business Britain on this report. Its recommendations offer a practical agenda for helping viable side hustles take the next step, when their founders are ready. ■

RECOMMENDATIONS

- ↳ **For Government**
- ↳ **For Financial Services**
- ↳ **For Business Support Organisations**
- ↳ **For Platforms & Marketplaces**

This report will show that side hustles have become the UK's primary route into entrepreneurship. Government, business support organisations, financial services providers and digital platforms should work together to develop a coordinated strategy that recognises and supports side hustlers from their first sale through to full-time business ownership.





For Government

1

Extend the Universal Credit Transition Period from 12 to 24 Months.

After 12 months, the Minimum Income Floor can reduce support based on assumed earnings before a business has stabilised. A 24-month window gives entrepreneurs more time to build a reliable income before support is withdrawn.

2

Create a Micro-Business Lane

Sole traders and micro-businesses currently face reporting, licensing and compliance requirements designed for larger firms. This should include simplified guidance, lighter-touch compliance where appropriate, better digital services, and proportionate regulation for businesses in their earliest stages.

3

Increase the Trading Allowance from £1,000 to £3,000

The threshold has been unchanged since 2017 and eroded by inflation. Raising it would let entrepreneurs test ideas and build confidence before taking on additional administrative burden.

4

Build Export Confidence Earlier

Develop export support specifically for side hustlers and microbusinesses, recognising that digital platforms increasingly allow businesses to reach international customers from day one.



For Financial Services

1

Develop Flexible Financial Products Built for Gradual Growth

Most financial products still assume a business begins at scale. Business savings, flexible current accounts, insurance, microcredit and cash-flow tools designed around gradual growth would better reflect how side hustles actually build up over time.

2

Trigger Financial Guidance at Key Growth Milestones

Early-stage founders may not know where to seek financial guidance, making it harder to manage cash flow or plan for growth. With consent, banks and fintechs could use signals such as sustained revenue, approaching tax obligations or a declining cash buffer to offer timely guidance and referrals, rather than waiting for founders to seek it out.

3

Use Trading Data to Build Trust and Unlock Finance

Formal accounts and long credit histories can exclude viable side hustles. Verified marketplace sales and cash-flow data could support small, transparent credit limits that grow with performance.

4

Create First-Shipment Finance for Micro-Exporters

Existing export finance products are often too large or complex for a first overseas order. Small, short-term finance and insurance backed by verified orders would help founders fund that first shipment.



For Business Support Organisations

1

Trigger Support When Side Hustles Begin to Grow

Founders often have to make decisions on pricing, tax and reinvestment before they ever reach formal support. Trading milestones, surfaced through platforms with the founder's consent, could trigger timely guidance at the point it's needed.

2

Build a Side-Hustle-to-Main-Hustle Mentoring Pathway

Generic small business mentoring misses the specific decisions involved in formalising and going full time. Mentors who have made that transition themselves can offer practical guidance at the points that matter most.

3

Create Practical Infrastructure

Microbusinesses often outgrow the kitchen table long before they can afford commercial premises. They need support with affordable workspace, shared storage, photography facilities, fulfilment space and digital infrastructure.

4

Embed Financial Confidence and Applied AI in Mainstream Support

Gaps in financial confidence and practical AI skills can make it harder for side hustlers to grow. Practical training in pricing, cash flow, forecasting and AI would help side hustlers make better decisions, save time and build more viable businesses from the outset.



For Platforms & Marketplaces

1

Embed Practical AI in Seller Workflows

Time-poor founders may struggle to apply generic AI tools to their businesses. Built-in support for listings, pricing, demand analysis, customer service and forecasting turns AI access into real productivity gains for time-poor founders, rather than leaving them to work out generic tools alone.

2

Simplify International Growth

Duties, paperwork, shipping and returns make early exports disproportionately complex for a first-time seller. Platform tools and point-of-sale guidance can absorb that complexity so overseas demand is easier to serve.

3

Show a Realistic Path to Sustainable Business

Breakout success stories can make entrepreneurship feel out of reach. Sharing varied seller journeys, including the costs and setbacks along the way, gives founders a more credible roadmap for growth than highlight reels alone.

4

Build Entrepreneurial Confidence

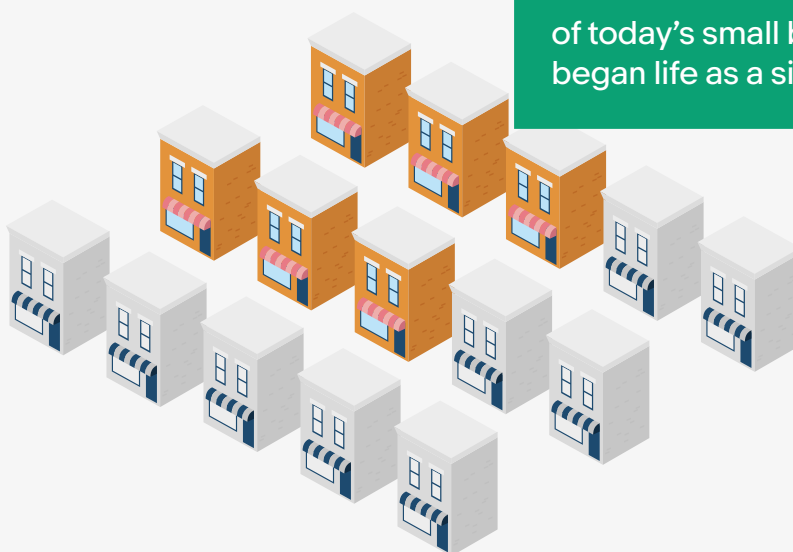
Uncertainty about what it takes to turn a side hustle into a sustainable business can hold people back from taking the next step. Platforms are well placed to develop tools, education and communities that help side hustlers become successful businesses, not simply successful sellers.

5

Strengthen Entrepreneur Communities

Running a side hustle can be isolating, with limited opportunities to seek advice from others facing similar challenges. Platforms can create opportunities for peer learning and networking so side hustlers can learn from one another rather than building in isolation.

40%

of today's small businesses
began life as a side hustle

Executive Summary

The UK needs new sources of growth at a time of weak economic performance, pressure on household finances and almost one million young people outside education, employment or training. One part of the answer is already emerging from the bottom up: more people are using side hustles to generate income, test ideas and enter entrepreneurship. The economic and social opportunity lies in encouraging more people to start, as well as supporting promising ventures to become sustainable businesses that can raise incomes, create jobs and reach new markets.

This reflects a wider change in how businesses begin. For generations, starting a business meant leaving employment, investing savings and taking a leap into the unknown. Today, that is no longer how most entrepreneurs begin. Increasingly, they start with a side hustle.

In 2026, 46% of UK adults have at least one side hustle as an additional source of income, a shift in how Britain works before you even get to what it means for business creation.¹ Research from Small Business Britain shows that 40% of today's small businesses began life as a side hustle, the single most common route into entrepreneurship.² Far from a niche trend, the side hustle has become the UK's route into testing ideas, building confidence and generating income before the leap to full-time business.

This shift matters because it offers a way to widen opportunities to participate in entrepreneurship for parents and young people - or to anyone looking to turn a skill or passion into income.



Only 19% intend to keep it as a side hustle

Crucially, it appears side hustlers are ambitious. According to research for this report, which surveyed 1,009 UK side hustlers, around half of hustlers are motivated by turning a passion into a career or gaining greater freedom in how they work, and almost seven in ten want to grow further, either gradually or into a full-time venture. Fewer than a fifth (19%) plan to stay a side hustle permanently. Today's side hustlers are tomorrow's employers, exporters and innovators: more than four in ten are already selling internationally or actively planning to.

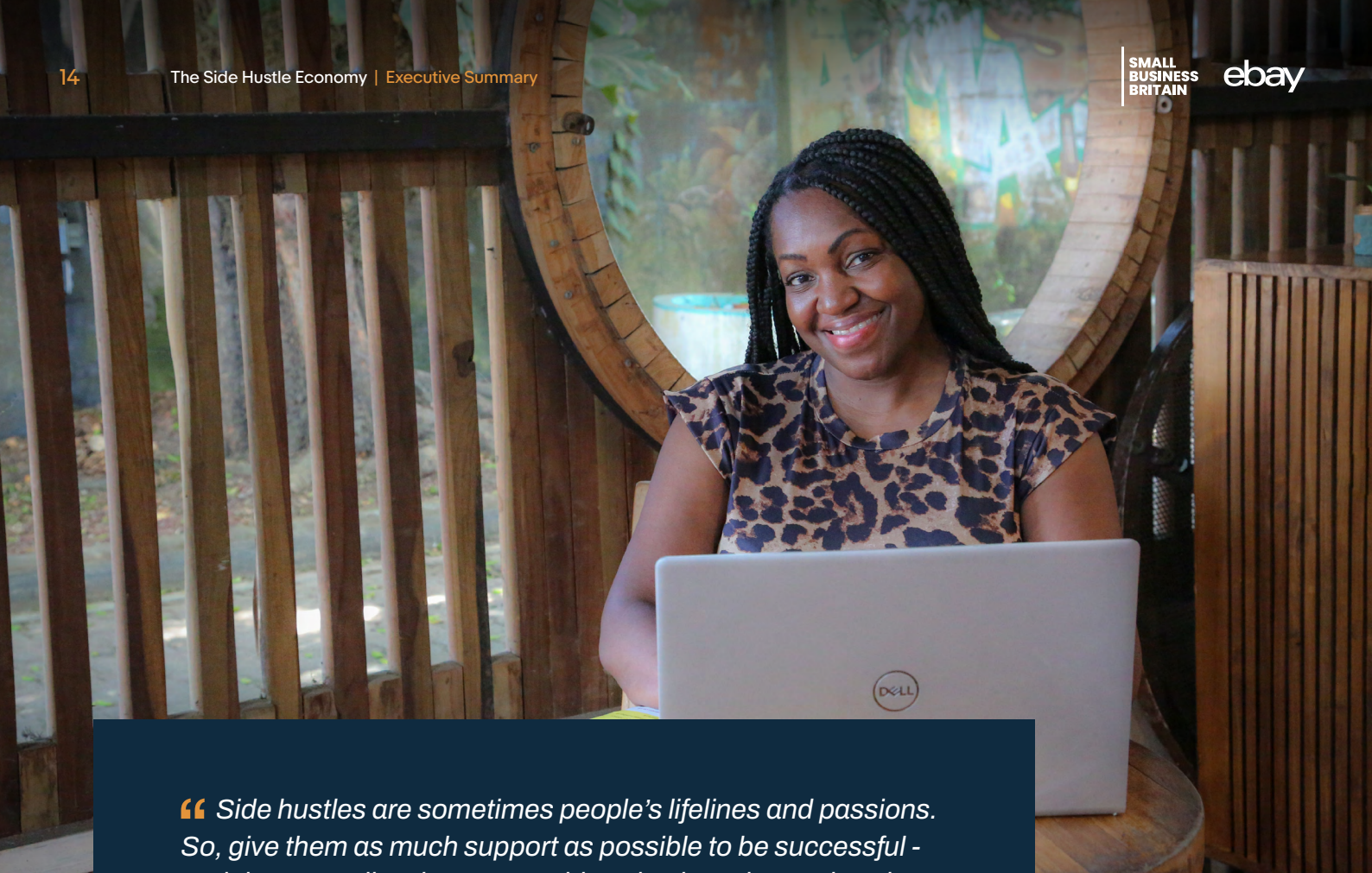
“It's not lack of ambition, it's the system around us that makes it hard to grow.”

——— **Samantha Watkins** Founder, Second Chance Sam



Yet while the way people start businesses has evolved, the systems that support them have not. The research identifies one overriding barrier: confidence in future income. Almost half (46%) say that more reliable income would be the single biggest factor in making their side hustle their main source of work, far outweighing concerns around tax, skills, childcare or access to finance.

It is clear there *is* a lack of confidence in making the leap to full-time entrepreneurship.



“Side hustles are sometimes people’s lifelines and passions. So, give them as much support as possible to be successful - and don’t penalise them or put things in place that makes them not do it. Barriers stifle creativity and sometimes survival”

——— **Naomi Agyekum** Kids Deziah Business CIC

This report examines that confidence gap across four areas: financial confidence which shapes when founders can afford to go full time; a micro business lane addressing costs and regulatory burdens built for far larger firms; AI, which can create a competitive edge in the impact and reach of micro businesses and sole-trades; and exporting, opening new markets earlier than ever while exposing first-time sellers to real complexity.

Many of the structures surrounding entrepreneurship, from regulation and benefits to finance and business support, are designed for businesses that are already established, while entrepreneurs increasingly begin as individuals selling online in the evenings or testing ideas around existing jobs. Early-stage entrepreneurs must navigate these requirements while their income and administrative capacity remain limited.

Support systems across the entire ecosystem must evolve to reflect this, recognising the side hustle as the start of the entrepreneurial journey rather than an informal activity on its margins.

Government should recognise side hustles as a strategic driver of business creation. This includes building financial confidence through the transition to full-time entrepreneurship by extending the Universal Credit transition period to 24 months, and raising the Trading Allowance to £3,000. Around 55% of side hustlers say this last change alone would make them more likely to invest in or grow their business. It also requires introducing a proportionate micro-business lane to ensure guidance and administrative requirements are easier to navigate.

Financial services providers should build financial confidence alongside the finance itself. Business support organisations should intervene earlier, with mentoring, financial confidence training, practical AI support and infrastructure built for microbusinesses. And platforms and marketplaces should act as partners in entrepreneurship, combining technology, education, AI tools and international market access to help side hustlers become sustainable businesses.

The side hustle economy is about far more than supplementary income. It represents one of the UK's greatest opportunities to expand entrepreneurship, improve economic resilience and widen participation in business ownership in every postcode of the UK. The Government's own estimates suggest that **raising annual SME growth by just one percentage point could add £320 billion to the economy by 2030.**³ Side hustles are where that growth starts.

The opportunity now is to recognise this is how Britain starts businesses today, and to build a system that helps more of them succeed.

Every successful business begins with someone believing an idea is worth pursuing. Increasingly, that journey begins as a side hustle. Our job is to make sure more of those ideas get the chance to shape the UK's future.

“Fortune favours the brave. A lot of people will just procrastinate. If you need a full year's income saved before you start - a lot of people will never get there.”

— **Simon Smith** Founder, The Gentlemen Marketeer, Co-host, 'Behind The Listings' Podcast



What is a Side Hustle?

A side hustle is any business or income-generating activity that someone runs alongside their main job, studies or other responsibilities. Unlike a traditional second job, a side hustle is typically built around an individual's own skills, interests or entrepreneurial ambitions, or it could in fact be opportunistic as well.

It might involve selling products online, offering freelance services, creating digital content, teaching, consulting, making crafts, or developing a new product or business idea. For some, it provides additional income; for others, it is the first step towards becoming a full-time business owner.

The growth of side hustles has been driven by a combination of economic, technological and cultural change. Digital platforms have made it easier than ever to reach customers, sell products and manage a business from home, while flexible working has given many people more opportunities to pursue entrepreneurial ideas outside traditional working hours. At the same time, rising living costs have encouraged many individuals to seek additional sources of income, while others are motivated by the desire for greater independence, creativity or career flexibility.

Importantly, side hustles have become one of the UK's most significant routes into entrepreneurship. We know from Small Business Britain and eBay's research in 2024 that 40% of small businesses start as a side hustle – the biggest single route into business.

Rather than leaving employment to launch a business immediately, many founders choose to start small, testing an idea while maintaining the financial security of a regular salary. This allows them to understand their market, build a customer base and develop confidence before deciding whether to grow their venture into a full-time business.

Side hustles are increasingly recognised as an important contributor to economic growth and innovation. Many successful small businesses began as evening or weekend projects before developing into established enterprises that create jobs, generate investment and contribute to local communities. They also provide opportunities for groups who may face barriers to traditional entrepreneurship, including parents and carers, Disabled entrepreneurs, students, older workers and those seeking more flexible ways of working.

As the nature of work continues to evolve, side hustles are likely to become an increasingly common feature of the UK economy. With the “job for life” largely gone, and a shifting landscape of work relating to increased AI impact on the workplace, having a number of income streams is making more sense to more people.

Side hustles offer a practical, lower-risk pathway into business ownership, enabling more people to explore entrepreneurship, diversify their income and build businesses on their own terms.

01

46%

of research respondents say more reliable income is needed to move to a “main hustle”

Building Financial Confidence: The Missing Link Between Side Hustle and Full-Time Business

Britain’s side hustlers are full of ambition, yet many are being held back by a lack of financial confidence to take the leap into full-time business ownership.

Almost half (46%) of respondents say that the single biggest factor that would help them turn their side hustle into their main source of income is more reliable income. Other potential barriers, including access to finance, skills, tax, childcare and time, lag significantly behind and were each cited by fewer than one in ten respondents.

This suggests that the central question is not simply whether people want to grow their businesses, but whether they feel financially able to do so. The transition from side hustle to full-time business still feels financially uncertain, and income reliability is key to the decision to go full-time.

Behavioural economics has long demonstrated that people tend to fear losses more than they value equivalent gains. Giving up a regular salary, however modest, represents a significant psychological as well as financial decision. At the same time, evidence from the Global Entrepreneurship Monitor consistently shows that **fear of failure remains one of the strongest factors influencing whether individuals choose to start and grow businesses.**⁴

The challenge, therefore, is to create an environment in which taking the next step is financially manageable as well as feeling achievable.

The side hustle has emerged as a response to exactly this challenge.

Side hustles are increasingly a rational way to manage entrepreneurial risk. They allow founders to test demand, build customers and develop confidence while maintaining financial security through employment or other sources of income. This gradual approach enables more people to participate in entrepreneurship than the traditional model of leaving work to launch a business overnight.

However, while side hustles reduce the risk of starting a business, they can also create a new challenge: remaining permanently in the testing phase.

Without confidence that income is becoming sufficiently reliable, many entrepreneurs delay making the transition to full-time business ownership, even when demand exists and the opportunity is real. As a result, businesses that have the potential to create jobs, export and contribute more significantly to the economy can remain smaller than they otherwise might. For policymakers, helping viable businesses move beyond this stage should therefore be part of the wider growth agenda.



Confidence Is Built, Not Given

If confidence is the missing ingredient, the response cannot simply be to encourage people to “take the leap.” Confidence is something that is built through knowledge, experience, support and successful trading.

For early-stage entrepreneurs, practical financial capability is often far more valuable than access to finance itself. Understanding pricing, forecasting, cash flow, customer acquisition and profitability enables founders to make informed decisions rather than emotional ones. The goal is not to eliminate risk, entrepreneurship will always involve uncertainty, but to help entrepreneurs understand and manage that uncertainty.

“ People value my work only if it’s free. There’s a clear niche, there’s positive feedback, but getting paid for it is the real challenge.”

———— **Joanna Dworzynska** Founder, TaskCore



Part of the problem is visibility. Only 16% of side hustlers use a dedicated business bank account, with most relying on a personal or joint account that mixes household and commercial money together.⁵ That blurring conceals true profit, working capital and tax exposure, making it harder for founders to know whether their business is actually ready to replace their wage.

This suggests that business support should evolve beyond traditional start-up advice towards building entrepreneurial confidence. Support that responds to trading milestones, and mentoring from founders who have made the same transition themselves, can reach entrepreneurs earlier than generic advice does.

Despite this need, many founders are not accessing external support. According to government research, around half of businesses without employees plan to grow sales over the next few years, but fewer than one in five have sought external advice, a figure that falls further among unregistered businesses.⁶ Cost is one barrier: where non-employing businesses do pay for strategic advice, the median cost sits close to £1,800, a significant expense for someone still testing whether their business can become their main livelihood.⁷ That gap matters, since businesses that do get external advice see meaningfully stronger productivity than those that don't.⁸

Financial institutions have a role to play by helping side hustlers understand how to manage irregular income and plan for growth. Business support organisations can provide mentoring and practical financial education. Experienced entrepreneurs can share lived experience, helping founders recognise that fluctuating income is often a normal part of building a business rather than evidence of failure.

Confidence Requires an Ecosystem

The findings from this report suggest that confidence cannot be created by entrepreneurs alone. It is shaped by the ecosystem around them.



“I do believe that simplifying systems for small businesses and side hustles would encourage more people to grow confidently.”

—— Edua Effiom Founder, Effi-HR Consulting



Government influences confidence through regulation, taxation and the benefits system. Financial institutions influence confidence through the products they develop, from flexible savings and credit built for gradual growth to guidance triggered at key milestones rather than left for founders to seek out.

Business support organisations build confidence through mentoring, networks, practical education and the everyday infrastructure, workspace, storage, equipment, that founders often lack.

Platforms create confidence by lowering barriers to market entry, embedding practical AI into everyday selling, and showing realistic, varied paths to success rather than just the breakout stories. Communities of entrepreneurs, often hosted by the same platforms, build confidence through shared learning and peer support.



“ It’s quite intimidating - you don’t want to do the wrong thing even by accident with HMRC.”

———— **Joanne Kenney** Founder, Neuro Aligned Yoga

Access to finance follows the same pattern. Fewer than half of businesses without employees use any external finance at all, compared with almost three-quarters of SME employers, and where finance is used it tends to come from personal or short-term sources such as credit cards or borrowing from family rather than products built for growth.⁹ Using verified trading and cash-flow data, rather than relying solely on credit history, could help lenders extend small, transparent finance to businesses that would otherwise be overlooked.



CASE STUDY

Demand without the cash to scale



Rosemary started selling beauty products online while on maternity leave, initially to relieve pressure on her household finances. What began as a stop-gap has grown into a business serving customers in the UK and overseas, and one she believes could become her full-time livelihood.

The constraint is not demand. It is the cash needed to respond to it. Rosemary can identify products that are gaining momentum, but she cannot always afford to buy enough stock at the point demand is strongest. That means missed sales, slower growth and continued reliance on part-time employment, even when the business is demonstrating clear commercial potential.

Her experience captures a wider challenge for side hustlers. A founder can have customers, ambition and a viable idea, yet still struggle to turn early momentum into the reliable income needed to go full time. Small amounts of timely, proportionate finance could make the difference between a promising side hustle remaining small and becoming a sustainable business.

Every part of the entrepreneurial ecosystem therefore has a role in helping side hustlers move from experimentation to sustainable business ownership.

Unlocking Britain's Next Generation of Entrepreneurs

This report argues that the UK's greatest opportunity is not simply to encourage more people to start businesses but to help more people believe they can successfully grow the businesses they have already started.

Every entrepreneur reaches a point where the evidence says the business is ready, but confidence has yet to catch up. The role of the entrepreneurial ecosystem is to close that gap.

If government, financial institutions, business support organisations, platforms and experienced entrepreneurs work together to build confidence at the earliest stages of business creation, more side hustlers will become full-time founders, more founders will become employers, and more employers will become exporters.

02

Creating a Micro-Business Lane

The UK has become remarkably successful at encouraging people to start businesses, with close to a million started each year, according to the Department for Business, Innovation, Science and Trade's Business Population Statistics.¹⁰ What it has been less successful at is designing systems that recognise how those businesses actually begin.

Research from Small Business Britain and eBay for this report has shown that the side hustle is the primary route into entrepreneurship. Most businesses begin with one person, often working in their spare time, testing an idea alongside employment or family commitments. Yet many of the systems surrounding entrepreneurship continue to assume a business is already established.

Across regulation, taxation, business banking, insurance, procurement and local authority support, the UK's smallest businesses need an approach that reflects how they operate, rather than treating them as scaled-down versions of larger SMEs. For an owner who is also serving customers, managing finances and growing the business, navigating these systems can place significant demands on limited time and resources, particularly without dedicated legal or administrative support.

These pressures can be especially acute in the early stages, when entrepreneurs encounter new tax, benefits and regulatory requirements while their income is still irregular. The challenge is where thresholds are set, and what happens when businesses reach them: a sharp increase in complexity or costs, or a reduction in support, can come before a business has the resources to manage the change. For instance:

- **Trading Allowance**

The allowance has remained at £1,000 since its introduction in 2017, with inflation reducing its real value. Exceeding this level of annual gross trading income generally requires registration for Self Assessment, even where little or no income tax is payable. This can introduce additional administration before a venture generates a reliable income.

- **Making Tax Digital**

While intended to improve tax administration, digital record-keeping, compatible software and quarterly updates can create additional costs and work for sole traders. The qualifying-income threshold falls from £50,000 in April 2026 to £30,000 in April 2027 and £20,000 in April 2028, bringing progressively smaller businesses into scope.¹¹ These thresholds relate to gross income from self-employment and property, rather than profit, so they do not necessarily reflect the resources available to meet the requirements.

- **Universal Credit**

After an eligible claimant's start-up period of up to 12 months, the Minimum Income Floor may mean support is calculated using assumed earnings above their actual income. This can reduce support before a business has established reliable earnings, particularly where growth is gradual or income fluctuates from month to month.

Recognising these practical realities from the outset when designing policy, regulation and business services can help achieve policy objectives while keeping requirements proportionate and support accessible. The aim should be to help entrepreneurs prepare for new responsibilities as their businesses develop, rather than allowing the transition itself to become a barrier to growth.

This report therefore calls for the creation of a Micro-Business Lane.

55%

say **increasing the Trading Allowance from £1000 to £3000** would help them to grow their business

This is not a call to start from scratch. Government already requires policymakers to consider the impact of new regulation on the smallest businesses through the Small and Micro Business Assessment, though its reach is limited, it currently excludes tax, duties, procurement and grants. Government has also committed to cutting the administrative cost of regulation by 25% and established a Small Business Regulatory Taskforce to help deliver it.¹² The Micro-Business Lane builds directly on that direction of travel, turning a stated commitment into a practical design standard that applies consistently across the systems microbusinesses actually encounter.

The Micro-Business Lane is a commitment that whenever Government, regulators, local authorities or organisations that work with businesses develop new policies, products or services, they explicitly consider the needs and realities of micro businesses and to increase simplicity. It is about designing with micro businesses rather than expecting them to adapt to systems designed for much larger organisations.

Moving Beyond the SME Label

The term “SME” has become increasingly unhelpful. It groups together businesses employing hundreds of people with entrepreneurs who may still be operating from a spare bedroom while balancing another job. Their capacity, resources and needs are entirely different.

“We’re not big businesses. We’re sole traders working from our homes, and most support just isn’t designed for that.”

——— **Samantha Watkins** Founder, Second Chance Sam



For a side hustler, completing complex forms, understanding regulatory obligations or navigating multiple government websites can feel disproportionately burdensome. Every additional administrative task takes time away from finding customers, developing products or generating income.

The research reflects this reality. 58% of respondents say that tax, benefits and regulation affect their ability to grow their side hustle. Across the wider SME population, the Federation of Small Businesses estimates that businesses collectively spend around £36 billion and 379 million hours every year complying with regulation, costs that fall hardest on those with the least capacity to absorb them.¹³

The issue is not necessarily that individual regulations are unreasonable. Rather, it is that the cumulative effect of multiple systems creates uncertainty at exactly the point where entrepreneurs are deciding whether to grow.

What Would a Micro-Business Lane Look Like?

The principle should extend far beyond Government. It should become a shared commitment across the organisations that shape the UK's entrepreneurial ecosystem.

For Government, it would mean introducing a micro-business impact assessment alongside new regulation, ensuring that the smallest businesses are explicitly considered whenever new legislation, tax changes or reporting requirements are introduced. In practice, that means:

- a common, consistent **definition of what counts as a microbusiness**;
- obligations that **phase in gradually** rather than arriving all at once;
- a **single roadmap** showing founders what's coming next;
- a **“tell government once” principle**, so the same information isn't submitted repeatedly to different bodies; and
- a mandatory, plain-English **pathway from every department and regulator**, setting out clearly what applies to a business and when.

For regulators, it would mean producing simpler guidance, clearer language and digital services designed around the realities of very small businesses rather than assuming specialist legal or financial expertise.

For local government, it would mean recognising that many businesses now begin from homes, shared spaces or online, and ensuring that local business support reflects these new patterns of entrepreneurship.

For financial services providers, it would mean designing products specifically for businesses in their earliest stages, rather than adapting products originally intended for established SMEs. Banking, insurance, lending and financial planning should recognise gradual business growth rather than assuming immediate scale.

For large organisations and corporate partners, it would mean considering micro businesses whenever products, procurement opportunities, payment terms or support programmes are developed. Too often, requirements designed for larger suppliers unintentionally exclude the smallest businesses before they have the opportunity to compete.

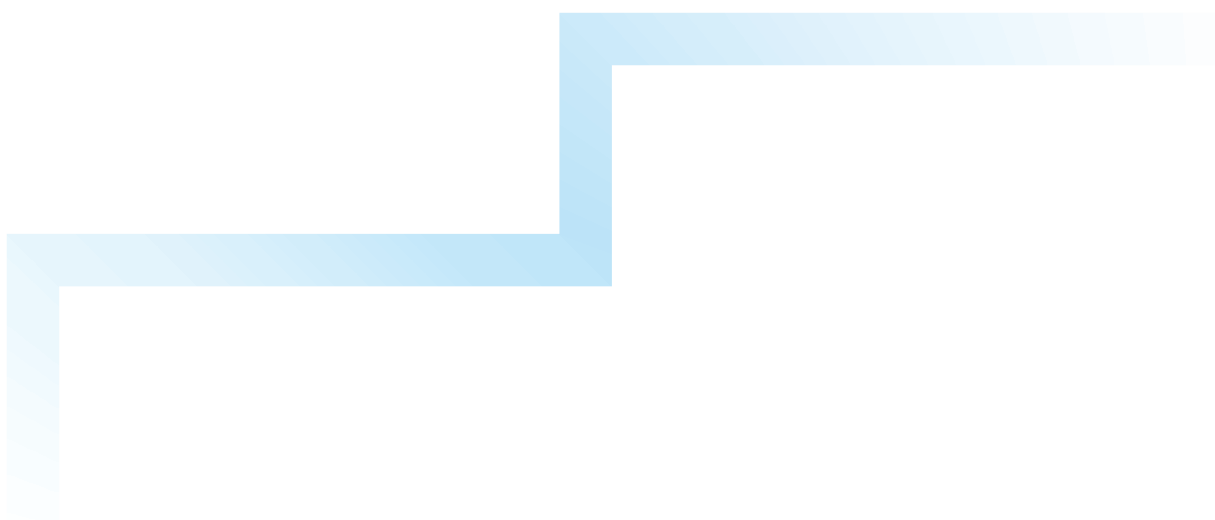
The principle is simple: think micro first.



Simplicity Builds Confidence

Across all of these stakeholders, the Micro-Business Lane should include clearer thresholds that help entrepreneurs understand when obligations begin, simpler guidance written specifically for first-time business owners, digital tools that guide entrepreneurs through key milestones, consistent language across government and regulatory bodies, and a more gradual transition from informal trading to established business ownership.

Reducing complexity does not reduce standards. It reduces uncertainty.



03

AI and the Side Hustle Revolution

AI is already changing the way businesses operate.

Much of the public debate has focused on the potential impact of AI on jobs, productivity and the future of work. Yet, a significant consequence of AI may be its effect on entrepreneurship itself.

For the smallest businesses, AI represents something far more profound than another digital tool. It has the potential to fundamentally change what one person can achieve.

Throughout history, the size of a business has largely determined its capability. Larger organisations could afford specialist expertise in strategy, marketing, finance, customer service, design and operations. Smaller businesses relied on founders doing everything themselves, often with limited time and resources.

Artificial intelligence begins to challenge that assumption. Increasingly, one entrepreneur supported by AI can expand their capacity, and access to expertise and knowledge.

A New Era of Work

The relationship between employment and entrepreneurship is changing.

Rather than choosing between a traditional career and running a business, more people are likely to move between employment, freelancing, self-employment and side hustles throughout their working lives.

The World Economic Forum estimates that technological change will transform millions of jobs globally over the coming years, with AI both displacing some tasks and creating demand for entirely new skills and occupations.¹⁴ Rather than reducing entrepreneurship, this transition is likely to increase the number of people seeking flexible and diverse sources of income.

The future of work is therefore unlikely to be defined simply by employment or self-employment. It is increasingly likely to involve both.

Small Businesses Can Now Think Bigger

Perhaps the greatest opportunity presented by AI is not automation. It is amplification.

AI allows very small businesses to operate with capabilities previously available only to much larger organisations. Today, entrepreneurs can use AI to write marketing campaigns, create professional graphics and videos, analyse customer behaviour, manage accounts, automate administration, respond to customer enquiries, develop products, translate content for international customers and research export markets.

The next generation of agentic AI will extend these capabilities further, enabling AI not simply to generate content but to complete tasks, make recommendations and carry out multi-step workflows on behalf of business owners.

For entrepreneurs with limited time, this has enormous implications. Rather than spending evenings updating websites or writing invoices, founders can increasingly focus on customers, innovation and growth.

The productivity gains are particularly significant for side hustlers, where every hour saved creates more opportunity to develop the business. Government research found that 56% of UK businesses using AI reported increased employee productivity¹⁵, while a separate large-scale workplace study found **generative AI lifted productivity by 14% on average**, with the largest gains concentrated among the least experienced workers, exactly the position many side hustlers start from.¹⁶



“It feels like everything changes too quickly, especially with AI. It’s hard to keep up.”

— **Betsy Benn** Founder, Betsy Benn

Avoiding a New Digital Divide

While AI has the potential to democratise entrepreneurship, it also risks widening existing inequalities. Large organisations are investing heavily in AI strategies, specialist teams and digital transformation programmes. Side hustlers have none of these advantages.

The gap is already visible. In 2025-26, **82% of large businesses used AI, compared with 41% of microbusinesses and 40% of sole traders**, and the divide extends beyond adoption to depth of use, with far fewer micro businesses embedding AI into how they actually operate once they’ve tried it.¹⁷

They rarely have dedicated IT departments, digital specialists or innovation budgets. Most are learning while running their businesses, often in the evenings after full-time work.

Without targeted support, there is a real danger that the smallest businesses become the last to adopt technologies that could benefit them most. This would represent a missed opportunity not only for individual entrepreneurs but for the wider economy.

Building AI Confidence

The challenge is not simply teaching entrepreneurs how to use AI. It is helping them understand where AI adds value to their businesses. Government research bears this out: **71% of businesses cited not having identified a use for AI** as a barrier to adoption, while 60% cited limited skills or knowledge, evidence that access alone isn't the bottleneck.¹⁸

As with financial confidence, the objective should be practical confidence rather than technical expertise. Entrepreneurs do not need to become AI specialists. They need confidence that AI can help them save time, reach customers, reduce costs and make better decisions.

Applying the report's proposed Micro-Business Lane to AI would mean ensuring that every major AI initiative asks one simple question: how will this help micro businesses and sole traders? In practice, that means embedding AI support within mainstream business support rather than delivering it separately: mentoring programmes demonstrating practical AI applications, financial confidence programmes including AI-powered forecasting tools, export support introducing AI tools that simplify international selling, and business communities sharing real examples of AI working for businesses like their own.

eBay's AI Activate programme is one example of what task-led support can look like in practice. Launched in October 2025, it provided 10,000 fully funded ChatGPT Enterprise licences to small businesses alongside targeted training to help sellers find practical uses for AI in their own business. Early results show measurable gains in capability and productivity, with some businesses growing enough to create new jobs.

As well as initial adoption, the opportunity lies in ensuring that AI becomes a levelling technology, enabling the UK's smallest businesses to compete with confidence.

The Next Great Democratisation of Entrepreneurship

The internet transformed where businesses could sell. Online marketplaces transformed who they could reach. AI has the potential to transform what a single entrepreneur can achieve.

For side hustlers, that could be revolutionary. As AI reshapes work, it is also lowering many of the barriers that have traditionally limited business growth. The entrepreneurs who learn to harness these tools will not simply become more productive. They will redefine what it means to be a small business.

04

47%

of research respondents say marketplaces have made running their business easier.

From Side Hustle to Global Reach

One of the most striking findings from this research is the international ambition of Britain's side hustlers.



“Ethical reselling can meaningfully reduce landfill waste while building a viable global business. The platforms exist - but without proper funding support, scaling feels out of reach.”

— St John Russell Founder, Threads_Treads_and_Things

For many years, exporting was viewed as something businesses did once they had reached a certain size. It was often seen as the preserve of established companies with dedicated sales teams, logistics expertise and significant financial resources. Today, that assumption no longer holds true.

Exporting Has Changed

Digital platforms have fundamentally changed the economics of international trade. This research finds that **18% of side hustlers are already exporting**, while a further 25% plan to begin exporting in the future. Only 28% say they have no intention of selling internationally.

Taken together, that's more than four in ten side hustlers either already sell overseas or aspire to do so. This finding demonstrates that many of the UK's newest entrepreneurs are thinking internationally from the earliest stages of business development. For them, export is no longer the final stage of growth: it is increasingly part of how businesses are built from the outset.

Digitalisation has made this possible by dramatically lowering many of the traditional barriers to exporting. In the past, reaching international customers required overseas distributors, physical retail relationships or significant investment in marketing and logistics.

Today, digital marketplaces allow even the smallest businesses to access customers across the world from their kitchen table. Whether selling handmade products, vintage goods, specialist collectibles or niche consumer products, entrepreneurs can now reach millions of potential customers without needing a physical presence in overseas markets.

The evidence backs this up. Across a broader study of UK exporters, 82% said exporting had boosted revenue, including 68% of firms with just two to nine employees, and most also reported it made their business stronger and accelerated wider digital adoption, evidence that exporting is not simply a nice-to-have, but a genuine growth lever even for the smallest firms.¹⁹

Research by the OECD has also highlighted the role of digitalisation in lowering barriers to international trade for SMEs, enabling smaller firms to access global markets more quickly and at lower cost than ever before.²⁰ Similarly, the World Trade Organisation has identified e-commerce as a significant driver of export opportunities for micro and small businesses by reducing information costs and improving market access.²¹

This democratisation of exporting represents one of the most significant opportunities for the UK's growing side hustle economy.

Platforms as Export Infrastructure

The research also demonstrates the importance of online marketplaces in enabling entrepreneurial growth. **Almost half (47%) of respondents say that marketplaces have made running their business easier.**

This reflects a much broader shift in the role of digital platforms. Marketplaces are no longer simply places where businesses sell products. Increasingly, they provide much of the infrastructure that allows micro businesses to operate at all.

For entrepreneurs with limited time and resources, platforms provide access to customers, payment systems, logistics, trust mechanisms, marketing opportunities and increasingly AI-powered business tools that would otherwise require significant investment to develop independently. In effect, they enable one-person businesses to operate with capabilities that previously belonged only to much larger organisations.

For side hustlers balancing businesses around employment or caring responsibilities, this reduction in complexity is particularly valuable. Absorbing the complexity of duties, paperwork and returns at the point of sale, rather than leaving founders to navigate it alone, is where platforms can make the biggest difference.

Building Export Confidence

However, the research and accompanying focus groups also highlight an important point.

While marketplaces make exporting easier, they do not remove the need for confidence, and recent changes have made the earliest stages of exporting harder rather than easier.

The US suspended its duty-free de minimis threshold globally from August 2025, and the EU removed its own de minimis relief in July 2026, replacing both with flat customs costs that apply regardless of a parcel's value. For a first-time exporter sending a handful of low-value items, that flat cost falls disproportionately hard, in effect taxing the smallest sellers at a far higher rate than large ones. FSB research on small firms trading with the EU found that **63% report facing significant barriers, with customs documentation the single most commonly cited problem.**²²



“A third of my orders come from the EU. I did ship to the US - before they brought in the tariffs. I took it off because the last thing I wanted was to deliver a T-shirt that then got hit with a huge fee. I haven't actually been able to get back on the US market - that's held me back.”

— Deborah Monks Founder, Adaptive Apparel

This is why the report's recommendations call for a UK/EU de minimis area: a tariff-free threshold for low-value goods moving between the UK and EU would restore a simple, lower-risk route for side hustlers to test overseas demand before committing significant time or capital. As well as this, small, short-term finance backed by verified orders could also help founders fund that first shipment, when the cost of stock or freight is hardest to absorb.

Selling internationally introduces further considerations around pricing, shipping, returns, customer service and compliance. For entrepreneurs taking their first steps into exporting, these processes can appear daunting, even when digital platforms simplify much of the administration.

Once again, confidence emerges as the defining factor. Entrepreneurs do not necessarily need complex export strategies. They need practical support that helps them understand how international selling works in the real world, including guidance on preparing products for international markets, understanding shipping and fulfilment, pricing for overseas customers, managing customs and duties, handling international customer service, and navigating returns and consumer protection requirements.

Learning from entrepreneurs who have already made this journey is equally important. Peer mentoring and practical case studies can often provide greater reassurance than technical guidance alone.

A New Approach to Export Support

The research findings suggest that the UK's export support system should evolve alongside the changing nature of entrepreneurship. Historically, export programmes have often focused on established businesses with dedicated export teams or significant turnover.

Yet many of tomorrow's exporters are today's side hustlers. Support should therefore begin much earlier. Export confidence should be embedded within mainstream business support, introducing entrepreneurs to international opportunities from the moment they begin trading rather than waiting until businesses have reached a particular size. This is particularly relevant for businesses trading through online marketplaces, where international sales can often occur almost immediately.

The focus groups also highlighted that this should be viewed as the beginning of a business's export journey, rather than the end point. While entrepreneurs value the opportunities marketplaces provide, many also recognise the benefits of developing multiple routes to market as they grow. Marketplaces can sit alongside businesses' own websites, social media, wholesale relationships and physical retail, helping entrepreneurs diversify their customers, markets and sources of income over time. Export support should reflect this journey: helping entrepreneurs use platforms as an accessible route into international markets, while developing the skills and confidence to build broader, more resilient businesses.

But unlocking this opportunity is not simply a question of confidence or capability. The conditions for small businesses to trade internationally also need to make it viable for them to take that first step. The government should establish a UK/EU de minimis area, creating a tariff-free threshold for low-value goods moving between the UK and EU. This would provide side hustlers and micro businesses with a simpler, lower-risk route to test overseas demand before committing significant time or capital. Small, short-term finance backed by verified orders could also help founders bridge the cost of stock, shipping or fulfilment when those costs are hardest to absorb.

Government, business support organisations, platforms and trade bodies all have an important role to play in building this confidence. Together they should develop practical export programmes specifically for side hustlers and micro businesses, showcase entrepreneurs successfully exporting through digital marketplaces, simplify guidance around customs, shipping and compliance, use AI and digital tools to make international trade more accessible, and ensure export support reflects the realities of modern digital commerce rather than traditional models of international trade.

Thinking Global From Day One

Exporting should therefore no longer be viewed as something businesses do once they have grown. Increasingly, it is part of how businesses grow.

Digital technology has created opportunities for entrepreneurs to think internationally from their very first sale, opening markets that previous generations of business owners could only have imagined reaching. For the UK's side hustle economy, this represents a remarkable opportunity. 

Conclusion



This report has explored how confidence, not ambition, is what stands between a side hustle and a full time business.

Across every chapter, the same theme recurs. Financial confidence shapes whether founders judge income reliable enough to invest or go full time. A micro-business lane would ease costs and thresholds built for far larger firms. AI is changing what a one-person business can achieve, but only where founders have the skills and confidence to use it. And exporting is opening new markets earlier than ever, while still asking first-time sellers to absorb real complexity and cost.

Founders do not experience these as separate policy issues. They experience them as accumulated friction, arriving at exactly the point where they are deciding whether to grow.

Government can simplify regulation and extend the support available during the transition to full-time trading. Financial services can build products around gradual growth rather than established scale. Business support organisations can reach founders earlier, at the moments that matter most. Platforms can absorb complexity on founders' behalf, from AI tools to international selling.

The prize is larger than any individual business. Helping more side hustlers scale strengthens household incomes, widens participation in entrepreneurship, and builds the employers, exporters and innovators of the UK's future economy - delivering on the government's objective to drive good growth in every postcode.

Entrepreneurship will always involve uncertainty. The goal of this report is not to remove it, but to give founders the confidence to manage it.

Side hustles are how Britain builds businesses now. The work ahead is to build the systems that help more of them succeed, and go on to build something that lasts.

Methodology

This report draws on three sources of evidence: a UK-wide survey of side hustlers and small business owners, a series of focus groups, and wider desk research.

The survey was conducted by Small Business Britain and eBay and reached 1,009 UK side hustlers and small business owners. It covered the current status and age of respondents' businesses, their motivations for starting, their ambitions for growth, and their experience of finance, regulation, digital platforms and exporting.

Alongside the survey, eight focus groups were held with a total of 26 side hustlers and small business owners, covering a range of sectors including resale, crafts, food and hospitality, professional services, wellbeing and education. These sessions explored the barriers to growth in more depth than a survey alone allows, and the quotes and case studies used throughout this report are drawn from them.

The report also draws on desk research, including government statistics and policy publications, sector research from bodies and independent academic studies. Sources are referenced throughout.

Endnotes

- 1 Finder. (2026). [Side hustle statistics UK: How many people have a side hustle?](#)
- 2 Research from Small Business Britain & eBay, 2024
- 3 Department for Business and Trade. (2026). Backing your business: our plan for small and medium sized businesses
- 4 Global Entrepreneurship Monitor. (2025). Global Entrepreneurship Monitor 2024/25 Global Report: Entrepreneurship Reality Check. Global Entrepreneurship Research Association.
- 5 Monzo. (2026). Side hustles: perceptions, trends & realities.
- 6 Department for Business and Trade (formerly BEIS). (2024). Longitudinal Small Business Survey: businesses with no employees, UK, 2023.
- 7 Department for Business and Trade. (2024). Longitudinal Small Business Survey 2023: businesses with no employees.
- 8 Enterprise Research Centre. (2024). Advice and SMEs: Who Takes It and What Happens Thereafter?
- 9 Department for Business and Trade. (2025). Longitudinal Small Business Survey.
- 10 Department for Business and Trade. Business population estimates for the UK and regions 2025: statistical release.
- 11 HM Revenue & Customs. (2026). Reduction of the mandate threshold from £30,000 to £20,000 from April 2028.
- 12 Department for Business and Trade. (2025). Regulation Action Plan: Progress Update and Next Steps.
- 13 Federation of Small Businesses. (2026). Playing by the Rules.
- 14 World Economic Forum. (2025). The Future of Jobs Report 2025
- 15 Department for Science, Innovation and Technology. (2026). AI Adoption Research.
- 16 Brynjolfsson, E., Li, D., & Raymond, L. (2025). Generative AI at Work. The Quarterly Journal of Economics, 140(2), 889–942.
- 17 Department for Science, Innovation and Technology. UK Business Data Survey 2026.
- 18 Department for Science, Innovation and Technology. (2026). AI Adoption Research.
- 19 Chartered Institute of Export & International Trade. (2023). New research reveals the benefits of exporting and the challenges businesses face.
- 20 OECD (2021). The Digital Transformation of SMEs.
- 21 World Trade Organization (2023). World Trade Report: Re-globalization and Digital Trade.
- 22 Federation of Small Businesses. (2026). Ticket to Trade.

SMALL
BUSINESS
BRITAIN

ebay