Client of Choice Report 2018

As companies increasingly turn to independent professionals to get the job done, they must develop the ability to effectively engage and market themselves to this highly-sought-after population

The shape of the vast American workforce is constantly shifting, due to the far-reaching trends of demographics, technology, and corporations' need to evolve and compete in challenging markets. These powerful trends have contributed to the rapid growth of the Independent Workforce, a 41 million-strong cohort that now represents about 31 percent of private U.S. workers. Independent workers are distributed across every demographic, age, gender, skill, and income group.

The nature of independent work is changing, too. Large corporations are increasingly relying on a particular sector of the Independent Workforce to execute their strategies and serve customers. These professionals are the growing group of high-earning independents that include independent contractors, statement-of-work-based labor, and freelancers who provide services to corporations on a regular basis. The MBO Partners 2017 State of Independence in America study found that 7.3 million Americans—about 45 percent of the total population of Full-Time Independent Workers—report that they provide professional services to corporations on a contingent or contract basis for 15 hours per week or more, up from 4.5 million in 2011. More than 78 percent of those actively engaged professionals work more than 30 hours each week as an independent. The ranks of these types of independent professionals are growing three times more rapidly than the Independent Workforce as a whole.

More experienced, more educated, and more highly compensated than typical independent workers, these professionals can be found in key positions in all functions, including hard-to-find skill areas such as IT, marketing, and innovation, and at companies of all sizes. Deloitte has identified such workers as "off balance sheet workers," and calls this trend one of the two most powerful currently impacting the future of work—along with artificial intelligence. Randstad Sourceright found that half of global human capital leaders surveyed expect to shift one-third of their permanent jobs to contingent roles.

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And SCORE reported that small businesses are sharply increasing their reliance on gig workers of all skill levels.

As these independent professionals carve out a more prominent niche, it is placing heightened pressure on companies to figure out how best to attract and retain top independent talent. It has long been essential for companies to be an employer of choice. Now, it is just as vital for companies to be the Client of Choice for this type of independent professional talent. Companies must quickly learn to keep these independents satisfied, meet them on their own terms, and offer pay, work, and an environment that is meaningful and enriching.

Here's why. **First, companies have been placing a greater sense of urgency on accessing talent in different ways.** It is simply more challenging for companies to fill full-time roles. The labor market is remarkably tight. There were a near-record 6.1 million jobs open in December 2017, and the ratio of unemployed people to job openings is nearly 1:1 (down from 6.6:1 in June 2009.) And it is particularly hard to find talent for specialized and in-demand roles like IT, marketing, and innovation. Companies need increased speed, agility, and flexibility at every level of their operations, but in particular when it comes to labor. It often makes business sense for organizations to hire talent on a short-term or project basis.

At the same time, **American workers—especially those with specialized skills—are increasingly choosing and pursuing the route of independent work and the many lifestyle and professional benefits it offers.** As we've noted in our State of Independence report, the number of independent workers has grown rapidly in the U.S. in recent years, from 30.1 million in 2014 to 40.9 million in 2017. A range of platforms, apps, and services that match service providers and workers with consumers and companies are making it easier for more people to pursue this lifestyle.

The number of independent professionals—defined as those who provide services to businesses and, on average, earn more than $72,000 per year working full-time (15+ hours weekly)—has risen from 4.5 million in 2011 to 5.9 million in 2014, and to 7.3 million in 2017. There is now a strong and confident cohort of highly-skilled, highly-compensated professionals who do this work on something resembling a full-time basis.

The new environment imposes significant new demands on companies. Attracting this type of talent has become an arena for competition among large firms, and the balance of power has shifted in some important ways. The fact that companies offer work and wages to independents isn't the be all and end all. Rather, these professionals have a real sense of agency. They make choices on who to work with based on the processes, environment, and sense of community that clients provide.

The good news is that our data gives us greater insight into how large organizations can do that—and where they're falling short.

Meet the Independent Professional

Before companies can think about how you can best attract and retain these crucial workers, it helps to understand who they are and what motivates them. Our survey provides some answers.

Demographics. These independent professionals are older, better educated, have higher incomes, and are slightly more likely to be male (57 percent male to 43 percent female) than the average independent worker. They have an average age of 52 (compared with 41 for all independents). Some 83 percent have four years of college or more, compared with 41 percent of all independents; nearly half (45 percent) have graduate degrees. In 2017, independent professionals had an average income of $98,000.

The Independent Professional

BY THE NUMBERS

52

AVERAGE AGE

7

YEARS OF INDEPENDENT EXPERIENCE

2–4

CLIENTS AT ONE TIME

45%

HAVE GRADUATE DEGREES

$98,000

AVERAGE INCOME

The average independent professional has 7 years of experience working independently, works with 2-4 clients at a time, and has been working with existing clients for an average of 2.8 years. As such, they have somewhat shorter tenures than the Independent Workforce at large, in which the average tenure is more than 9 years. This differential reflects the growing trend towards skilled professionals leaving traditional jobs to become self-employed.

These independents cite a desire for greater work/life flexibility (59 percent), a desire to control their schedule (57 percent), and a desire or need to earn more money (46 percent) as the top reasons for going independent. On each of these measures, they express a greater preference than the independent workforce at large. They are also less likely than independents (by a 24 percent to 32 percent margin) to say they are seeking to start their own business.

When it comes to their attitudes about independent work, they are both a little more reluctant and less enthusiastic than the larger independent cohort: 67 percent said they are happier working on their own. But only 51 percent said they always wanted to be their own boss, and just 29 percent said they feel more secure working independently.

However, they express an overwhelming need or desire to get personal satisfaction from their work. In our survey, 85 percent said they like seeing they're making a difference (compared with 74 percent for all independents), and 74 percent said it's more important to do something they like than to make the most money.

To a large degree, they seem to be getting what they want. In the survey, 42 percent said they wouldn't go back to a traditional job, and only 23 percent said they'd rather have a traditional job than work independently. When asked to rate their satisfaction, 68 percent said they were very satisfied while 17 percent said they were satisfied, leading to an overall satisfaction rate of 85 percent.

Women

Women are underrepresented among this population, accounting for 43 percent of the total independent professional population. This is consistent with data from the past few years. And as is the case in the overall independent population, women emphasize different motivations. Women are more drawn to the control and flexibility aspects of the path than men. Sixty five percent of women cite the ability to control their schedule (compared with 51 percent of men), while 68 percent cite more flexibility (compared with 52 percent of men). Women also are more likely to highlight the potential of working on a greater variety of projects and tasks as a reason for being independent—31 percent, compared to 20 percent for men. And they're more likely to see independent work as a vehicle for exploring a new work opportunity or business. While they feel less secure than men working independently (only 25 percent of women said they feel more secure working independently, compared to 32 percent of men) they are also less likely than men to go back to traditional jobs—36 percent, compared with 47 percent of men. The flexibility and opportunity independent work offers women are clearly major draws.

Millennials

Millennials, those born between 1980 and 2000, are now the biggest cohort in America's overall labor force. As a growing presence in the independent workforce, Millennials are having their own impact. Millennials in the independent professional population tend to be newer to independent work than their elders, with 68 percent working independently for less than two years, compared with 32 percent of non-Millennials. Millennial independent professionals are also far more likely to be reluctant independents; 40 percent said they would prefer a traditional job. Not surprisingly, given their higher degree of reluctance, they have much lower satisfaction: 48 percent of Millennial Skilled Professionals said they are highly satisfied, compared with 73 percent of non-Millennials.

Millennials are similar to other cohorts when it comes to what they want from clients, with two notable exceptions.First, reflecting their shorter tenures and comparative dearth of experience, 75% of Millennials said they want clients to provide education and training, versus 49 percent of non-Millennials.

Second, Millennials are far more dialed in to technology than older workers: 67 percent said they would like to use online job boards, compared with 48 percent of non-Millennials. They're also more likely to use online marketplaces and social media to find work. Some 17 percent of Millennials listed online marketplaces among their top three sources of work, compared with just 7 percent of non-Millennials. And 19 percent listed social media in their top three sources of work, compared with 8 percent of non-Millennials.

What do Independents Want? Professionals Have Choices

Here's the thing that is really important for companies—large and small—to understand about these independent workers. While companies may have more independent resources thanks to the influx of talented independent

How do you become a Client of Choice?

Independent professionals rated the following client attributes as very important or somewhat important:

97%	95%	94%	94%	94%
Valuing My Work	Allowing Me Control Over My Work	Allowing Me Control Over My Schedule	Allowing Me to Work on Tasks I Enjoy	Treating Me as a Team Member

professionals into the workforce, the balance of power has shifted. These professionals have real choices about who they work for—and for whom they choose not to work.

This year, 46 percent said they have a lot of choice in picking their clients, while 36 percent said they have some choice. What's more, these independents are very clear, even emphatic, about the factors that influence why they choose specific projects and clients. These factors can be divided into two broad categories for which companies are fully responsible: work environment and processes.

Work Environment

Among the top attributes that are seen as very important or somewhat important are ones that speak to the type of working environment companies can create. These independent professionals were nearly unanimous in saying that valuing my work (97 percent), allowing me control over my work (95 percent), allowing me control over my schedule (94 percent), allowing me to work on tasks I enjoy doing (94 percent), and treating me as a team member (92 percent) are either very important or somewhat important in influencing client choice.

Processes

Several of the attributes most frequently cited have to do with the nuts and bolts of the working relationship. Again, these workers were close to unanimous in citing factors such as paying me better than others (89 percent), being more responsive when I have a question (96 percent), having a fast and efficient process for setting me up to work with them (93 percent), offering fast payment terms (89 percent), and having automated systems so I don't have to submit invoices (85 percent) as very important or somewhat important factors in influencing client choice.

Isolating the "very important" attributes, those that rank highest are valuing my work (79 percent), treating me as part of the team (59 percent), allowing me control over my work (59 percent), and allowing me control over my schedule (55 percent)

Satisfaction Not Always Guaranteed

On the whole, these independent professionals report being quite satisfied with their client relationships, with 85 percent saying they are very satisfied (8-10 on scale of 1-10) and only 1 percent saying they are very dissatisfied. This finding suggests that they put their skills where their mouths and minds are. They choose not to work with partners with whom they are dissatisfied.

Again, the factors that contribute to satisfaction have mostly to do with the environment that companies can create. When asked why they are satisfied with their clients, 78 percent said appreciating the quality of my work, 75 percent cited treating me as a valuable team member, 71 percent said liking the client contact with whom they work directly, and 65 percent said paying well.

When we look at the factors that drive satisfaction, it is clear that communication is the chief driver. Highly-satisfied independent professionals tell us they value a good onboarding process that includes defined project goals and objectives, clear project scope during the engagement, and timely project feedback, both during and after the engagement. They also value responsiveness, with 82 percent citing this as a key satisfaction driver, and 76 percent citing a company's ability to listen to and act on feedback and input as important.

Companies that don't work diligently to set up procedures that guarantee smooth on-boarding, feedback, and communications will struggle to satisfy the needs of this independent population. And it isn't just the substance of the communications that matters; it's the tone. While these workers enjoy working independently, they also want—and need—to feel as if they are valued and respected.

Conclusion

The good news is that, even as the labor markets tighten and the unemployment rate is at its lowest rate in 17 years, millions of these workers continue to build their careers as independent professionals. And as companies seek to maintain their agility, staff up for key projects, and gain access to vital skills without adding to their payrolls, they are able to forge meaningful and productive relationships. But success in working this way—for independents or for companies—isn't guaranteed, and it isn't easy. In an increasingly competitive environment, companies that wish to be a Client of Choice have to understand the unique and occasionally different needs of the diverse independent workforce.

They must learn to keep independent workers satisfied, meet them on their own terms, and offer pay, work, and an environment that is meaningful and enriching. Companies that figure out how to do so can build a competitive advantage.

About MBO Partners®

MBO Partners has the industry's only complete business operating system for independent workers, offering technology solutions that make it easy for self-employed professionals and their clients to do business. By reenvisioning the entire contractor recruitment and engagement lifecycle, MBO improves how talented independents operate and succeed while helping enterprises reduce risk and get the best return on their contractor investments. To learn more, visit mbopartners.com.

Methodology

The MBO Partners Client of Choice Study (part of the State of Independence in America research series) is based on more than 17,000 in-depth surveys and hundreds of interviews conducted over the past 7 years. Independent workers are defined as those aged 21 years or older who self-describe his/her job status as one or more of the following: an independent consultant/contractor; self-employed; a freelance worker; a temporary worker; a fixed term contract worker; an on-call worker; a small business owner with fewer than 4 employees; and, regularly work as an independent in an average work week. For the 2017 study, two separate online surveys were conducted by Emergent Research (www.emergentresearch.com) and Rockbridge Associates (www.rockresearch.com) in September of 2017. 3,031 residents of the U.S. responded to the first survey, and the results were used to size the independent workforce and define the interest in becoming an independent worker by the general population. The data was weighted to reflect the demographics of the US and the margin of error for this survey is +/- 2%. 1,143 independent, skilled professionals who work with large corporations responded to the second survey and the results were used to profile their characteristics and motivations. The margin of error for the second survey is +/- 2%. The 2017 survey results are generally statistically consistent with the survey results from the prior 7 years.

