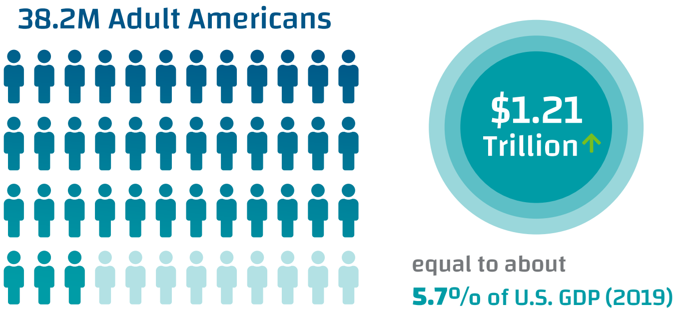
The State of Independence in America 2020

A Decade of Independence: Ten Trends That Matter

Independence – A New Version of the American Dream

By any measure, 2020 has been an unusual and challenging year. The COVID-19 pandemic has had cyclical and structural effects on work, and on the fortunes and futures of the vast, dynamic, and resilient American workforce. For ten years, MBO Partners has documented the ways that powerful cyclical and structural forces have contributed to, encouraged, and shaped the American independent workforce. Independents are the 38.2 million adult Americans of all ages, skills, and income levels—consultants, freelancers, contractors, solopreneurs, microbusiness owners, temporary or on-call workers—who regularly work independently to build businesses, develop their careers, pursue passions, and/or supplement their incomes. Together, they contribute $1.21 trillion of revenue for the U.S. economy, equal to about 5.7 percent of U.S. GDP (2019).



This is the tenth year MBO has surveyed this vital and increasingly important sector. Our decade-long analysis enables us to look back on the progress that has been made in the independent workforce; the challenges and disruptions caused by the pandemic—and the many opportunities that lie ahead in the next ten years. Our perspective greatly depends on the time frame used: 2020 was a year that brought short-term disruption while long-term trends from 2011-2019 remained intact.

2020 was a year that brought short-term disruption while long-term trends from 2011-2019 remain intact.

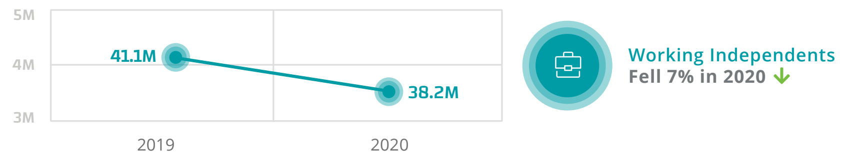
COVID-19 AND THE U.S. ECONOMY:

The COVID-19 pandemic has upended life for all, shuttered entire sections of the economy, and laid bare a host of structural flaws in our public health systems. COVID-19 has had important cyclical and essential effects on the economy. The pandemic ended the long-running U.S. economic expansion, which began in July 2009 and ran for 128 months, making it the longest in modern history.[1] The fallout caused the loss of 22.2 million payroll jobs in just two months, pushed the unemployment rate from 3.5 percent to 14.7 percent in the same period, and created a deep hole from which the economy is steadily digging out.[2] By amplifying pre-existing trends and pulling in the future, it has influenced the shape of the recovery. Many analysts are referring to a K-shaped recovery, in which sectors that were already well-positioned for growth, like e-commerce or video streaming, grow more rapidly, while those that were already facing challenges, like mall-based apparel and newspapers, struggle to regain their footing.

[1] National Bureau of Economic Research, "U.S. Business Cycles Expansions and Contractions," https://www.nber.org/research/data/us-business-cycle-expansions-and-contractions.
[2] Bureau of Labor Statistics, "Employment Situation Summary," https://www.bls.gov/news.release/empsit.nr0.htm.

The short-term disruption due to COVID-19 was acute for both independents and the economy overall. The number of working independents fell 7 percent from 2019 to 2020, to 38.2 million in 2020 from 41.1 million in 2019. The number of full-time independents, those working 15 hours or more each week (but averaging 35), fell 11 percent in 2020 to 13.6 million. These data points are not surprising, given the sharp decline in growth and overall employment due to the pandemic. The U.S. unemployment rate hit 14.7 percent in April 2020 and about 30 million Americans were receiving unemployment benefits in July. Economists surveyed by the *Wall Street Journal* expect the U.S. economy to shrink by 2.7 percent in 2020.[3] Simply put, less economic activity leads to less work across the board for all types of workers. Independents have been negatively impacted by the pandemic-related economic downturn, though less drastically than traditional workers.

THE NUMBER OF WORKING INDEPENDENTS FELL 7 PERCENT THIS YEAR DUE TO COVID-19



Strong, Resilient, and Rebounding

As the economy regains its footing, independent workers will reclaim the ground they lost and experience the same return to strong growth that they did in the aftermath of the last recession. We are confident in this projection in part because of the long-term trend lines of our data, and in part because of powerful demographic and technological trends.

- **Millennials are growing into prominence** as drivers of independent work and the largest cohort in the workforce.
- **Baby Boomers continue to work well past traditional retirement years** and show no signs of departing from the independent path.
- **Gen Z may develop into one of the most entrepreneurial generations ever**, based on early indications.
- **Technological trends including the growth of remote work, the continued ascent of online marketplaces, and the growth of cloud computing tools** combine to make self-employment easier, cheaper, and more effective.

> **Gen Z, the newest generation to enter the workforce, may develop into one of the most entrepreneurial generations ever.**

Alongside these trends, the steady rise in self-employment documented over a 10 year period creates confidence that we will see the continued growth of independent work.

[3] Wall Street Journal, "Economic Forecasting Survey," https://www.wsj.com/graphics/econsurvey/.

The Impact of COVID-19 on Independents

COVID-19 has had a biting impact on work as a whole. The unemployment rate peaked at 14.7 percent in April, with continuing unemployment claims by those with traditional jobs reaching an unprecedented level of 24.9 million in May.[4] Eight in ten independent workers say that the pandemic has negatively impacted them in some manner and 61 percent strongly agree (32 percent) or somewhat agree (29 percent) that COVID-19 set them back financially. Also, 44 percent said they lost income and 39 percent said their work hours had decreased. Even more striking, during the time we conducted this year's survey, 14 million Americans were collecting Pandemic Unemployment Assistance. This is a new program that, for the first time, provides unemployment insurance payments and benefits to the self-employed, freelancers, and gig workers who have lost work due to the pandemic.

Our data shows that independent workers who provide services to consumers have felt the most pain. The number of full and part-time independents whose primary customers are consumers fell from 15.9 million in 2019 to 10.5 million in 2020, a 34 percent decline. This can be ascribed to the impact of the COVID-19 related business shutdowns and restrictions, which significantly reduced consumer-focused independents' ability to meet with and serve their customers.

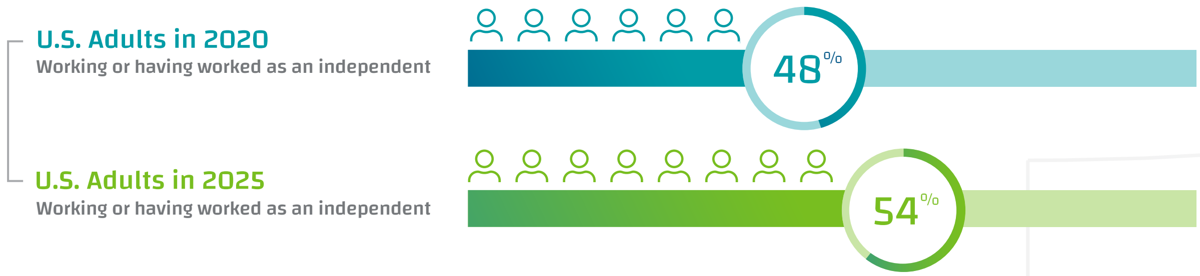
Lower-income and women independents were also hit hard by the pandemic; higher-paid independents didn't feel as much pain. Only 19 percent of those earning $75,000 and more said "COVID-19 set me back financially" versus 36 percent of those earning less than $75,000 and 57 percent of those earning less than $40,000. Twenty-nine percent of men said "COVID-19 really set me back financially" while 38 percent of women reported this. Fifty-three percent of those earning $75,000 or more said they feel financially secure versus only 32 percent of those earning less than $75,000 and 18 percent of those earning less than $40,000.

We're also confident in this growth because of what we have learned in the past decade about the motivations, desires, passions, and skills of the independent workforce. Changes might be subtle from year to year, but over time they ultimately carve a pattern into sharp relief. And here is what they tell us: the millions of people pursuing this path do so by choice. Spurred by experience, enabled by technology, and motivated by companies' greater willingness to engage with them, more people believe this is a viable path. In a world of heightened instability, many view independent work as a more secure path to prosperity than payroll jobs. And they rapidly adapt new modes of work—whether it is teaming or using online platforms—that enable them to thrive.

At the outset of our research in 2011, independent work was something of a novelty. It was, more often than not, a necessity borne by economic circumstances. Today, independent work is not just the norm, it's the desired state for many.

> **Some 48 percent of U.S. adults report either currently working or having worked as an independent at one time during their career. Over the next five years, we project 54 percent of the U.S. adult workforce will either be working or will have worked as an independent at some point.**

[4] See: Federal Reserve Bank of St. Louis Economic Data https://fred.stlouisfed.org/series/CCSA.



The ten trends we note below bear out just how significant the changes in attitudes, numbers, and results have been.

10 Years of Independence: Trends that Matter

1 The Growth of the Independent Workforce

Over the six years we've tracked the entire independent workforce (prior to 2014 we only tracked full-time independent workers), the overall numbers of independent workers steadily increased until 2020. We believe the overall independent workforce trended positive throughout the ten years of this study and would have continued to do so, if not for the pandemic having a strongly negative (and temporary, it is hoped) impact on the job market overall, including independent work. By late 2020, many segments of the economy rebounded and there was a strong decline in unemployment. The unemployment rate fell from 14 percent in August, when we conducted our survey, to 6.8 percent in November 2020.[5] But it is clear many sectors of the economy will need more time to rebound and recover. The decline in the number of independents in 2020 due to the pandemic-induced recession has highlighted how cyclical forces impact overall trends in the independent workforce.

COVID-19 has had important cyclical and structural effects on the economy.

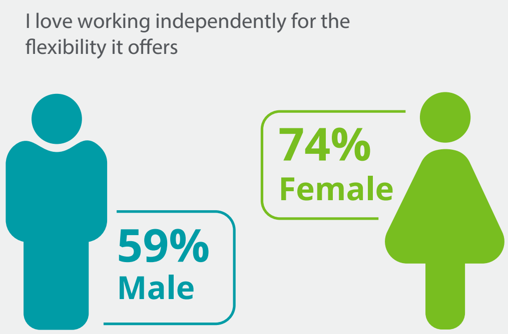
Throughout this decade-long study, we've seen the impact of the business cycle on independent work. Early in the study, from 2011 to 2015, the economy was still recovering from the Great Recession. Due to the weak job market, more workers turned to full time independent work. Since 2016, a much stronger job market and lower unemployment rates drew full-time independent workers back to traditional employment. However, the independent workforce remained buoyant, fueled by ongoing growth in the number of high-earning full-time independent workers, as well as strong upticks in the number of part-time and occasional independents.

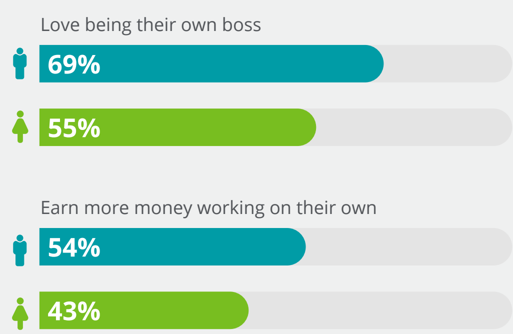
[5] Bureau of Labor Statistics, "Employment Situation Summary, Nov. 6, 2020," https://www.bls.gov/news.release/empsit.nr0.htm.

But as the trends below illustrate, there are also deeper structural shifts at play. Demographic and social changes have led more people to seek out independent work and the flexibility, autonomy, and control it provides. Technology has made it easier and cheaper to start and successfully operate as an independent worker. Equally important, businesses have increased their use of nonemployee labor, resulting in higher demand for independent professional labor—demand that we expect to rise in the coming decade. Combined, these shifts will continue to drive growth in the independent workforce not just as the economy rebounds from COVID-19, but in the years and decades to come.

Men vs. Women

It is common (and often incorrect) to ascribe different motivations and characteristics to genders. Men are from Mars, Women are from Venus is not just a cliché, but a harmful stereotype. Yet, in spite of close-to-parity gender participation rates in the independent workforce over the past decade, men and women have generally emphasized different factors for choosing independent work. In 2017, for example, men were more likely than women to note that they love being their own boss (69 percent vs. 55 percent). While 54 percent of men report they earn more money working on their own than at a traditional job, only 43 percent women said so. Women are significantly more likely to note that flexibility was a more important motivator for independent work than men (74 percent vs. 59 percent). The 2020 female/male attitudinal findings are consistent with prior years, but the share of women independents fell from averaging around 50 percent throughout the study to 42 percent in 2020. This was likely due to the fact that a significant number of women work in roles impacted by COVID-19. They were also more likely to leave or cut back on work due to COVID-induced caretaking requirements.

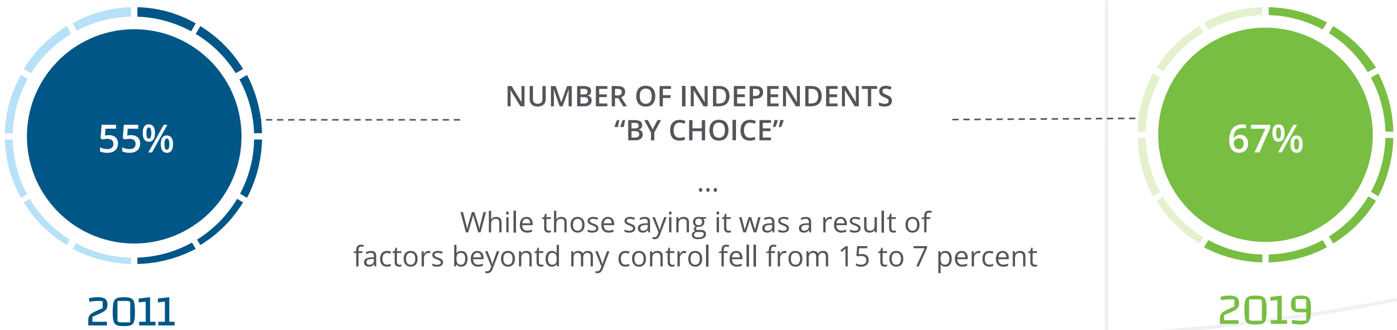




2 Independent By Choice

A very consistent theme across the ten years of the MBO Partners State of Independence research series is that independent workers choose to be independent for the autonomy, flexibility, and control it provides. Between 2011 and 2019, the percentage of independent workers saying it was their choice completely rose from 55 percent to 67 percent, while those saying it was a result of factors beyond their control fell from 15 percent to 7 percent. This trend was disrupted in 2020, as those saying it was their choice completely fell to 59 percent (the level of 2016). There is no question that the carnage in the pandemic labor market forced a large number of people who prefer full-time payroll jobs into independent work. So, it is not surprising that new entrants to independent work in 2020 (about 10 percent of the total) reported lower choice numbers than longer-tenured independents. Overall, 18 percent of independent workers in 2020 said it was due to factors beyond their control, including 14 percent saying a job loss or inability to find a job caused them to become an independent worker.

COVID-19 has had important cyclical and structural effects on the economy.



By and large, independent workers pursue this path because they choose to do so, because they like it, and because they like the way it makes them feel. In 2011, 58 percent of independents proclaimed themselves very satisfied, while 38 percent were neutral. In 2020, 76 percent said they were very satisfied, with only 21 percent neutral.

The increase in satisfaction has been driven by three key factors. Up until COVID-19, the improving economy boosted demand for products and services across the board, making it easier for existing independents to find work. The stronger job market allowed those not satisfied with independent work to get a traditional job. And the stronger economy allowed more non-independents—particularly those who are highly-skilled—to strike out on their own.

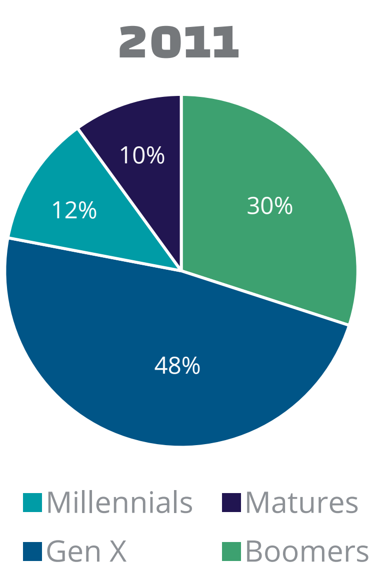
The ultimate sign of satisfaction is when people say that they wish to continue along their path. With independent work, we've found that the trend has been somewhat mixed. Between 2011 and 2019, there was a steady increase in those who said they wanted to continue working independently, rising from 63 percent to 70 percent. With the uncertainty and restrictions of COVID-19, the proportion fell to 59 percent in 2020. Between 2011 and 2019, the percent of independents who said they wanted to seek a permanent full-time job fell from 18 percent to 7 percent. In 2020, this measure popped up to 15 percent. The data demonstrate the structural and cyclical forces at work, as well as the unprecedented climate in which we now live. There is a large core that is very committed to this path and wants to stick to it, while the economic and health disruptions of 2020 forced a fair number of what might be termed reluctant independents (those who would prefer a traditional job) into that realm. Still, those who love independent work remain committed: amongst full-time independents, the proportion saying they won't go back to a traditional job was 61 percent in 2020, up from 53 percent in 2019.

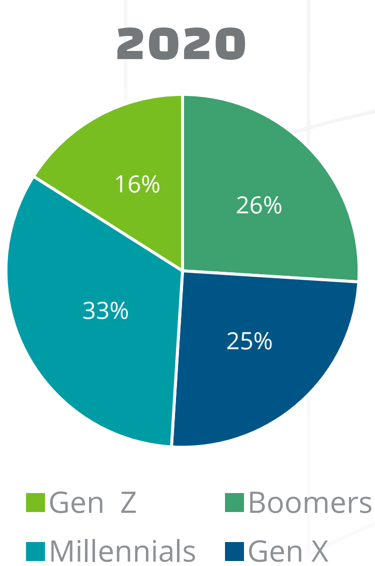
3 The Changing Demographics of Independence

Demographics have been one of the most powerful forces affecting independent work over the past decade. Baby Boomers, who were the largest cohort in the workforce at large and in the independent workforce in 2011, have continued to pursue independent work as they have aged.

More recently, Millennials—with the younger Generation Z following at their heels—have spearheaded the expansion of independent work. Millennials, 72 million strong, many of whom entered the workforce in the difficult period after the 2009 recession, are highly interested in independence. As the first "digital natives" to join the workforce, Millennials have a comfort with technology that makes them more likely to tap into online work platforms, to network digitally, and to operate in virtual environments. When this study began, Millennials accounted for just 12 percent of the independent workforce. Today, they make up a full third. They are poised to fuel growth going forward, along with their Gen Z counterparts. Although the oldest Gen Z-ers are only 23, they already comprise 16 percent of the independent workforce. Skilled users of technology and digital from birth, Gen Z-ers have no memory of life before mobile phones. More importantly, they are highly motivated to work independently and own their own companies and their future careers. This entrepreneurial spirit will lead to growing numbers of Gen Z independent workers.

Demographics have been one of the most powerful forces affecting independent work over the past decade.





Baby Boomers, the 71 million Americans born between 1946 and 1964, have been perhaps the most influential generation in American history—in politics, in popular culture, and in business. Their outstanding characteristic, beyond their sheer numbers, is a mighty staying power. As the oldest Boomers age into prime retirement years, their influence on the workforce is showing some decline. However, they exemplify the trend of people extending their careers beyond full-time work, integrating leisure and work, and pursuing independence as an alternative to traditional retirement by finding ways to monetize the skills and connections they built up over decades of full-time work. In 2011, Baby Boomers were 30 percent of the independent workforce; they remain 26 percent in 2020, a larger and more powerful cohort than their Gen X counterparts.

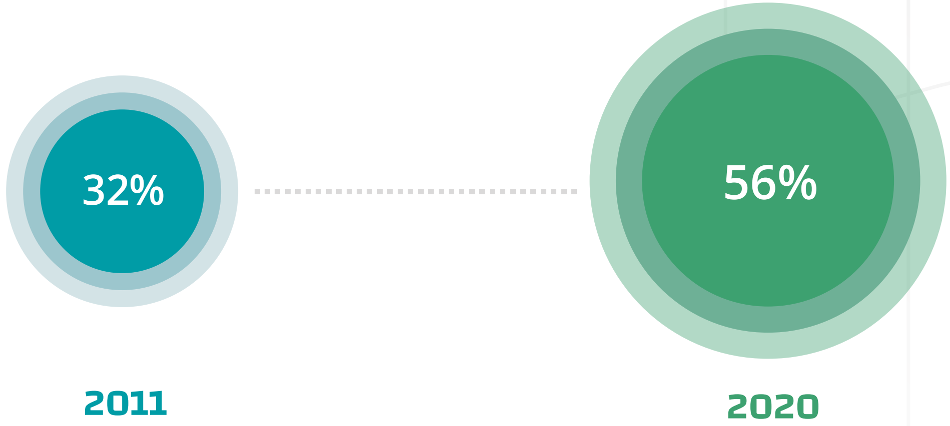
4 Healthy, Happy, and Secure

This is the fourth year we've asked independents about happiness and health. The results have been consistently positive, with 83 percent of full-time independents saying they are "happier working on my own" and 71 percent saying that "working on my own is better for my health." Again, this isn't surprising. Numerous academic studies show that having work autonomy and control leads to better mental and physical health, as well as higher levels of happiness.[6]

The growth of coworking spaces provided community and networking opportunities.

Between 2011 and 2020, the proportion of independent workers saying they feel more secure working independently has soared, rising virtually every year. It started at 32 percent in 2011 and more than grew significantly to 56 percent in 2020. Simply put, the environment and structures across the board have grown increasingly more conducive and enabling to independents. As the economy consistently improved (except for a few months in 2020), businesses expanded their use of non-employer labor. The Affordable Care Act eased

THE PROPORTION OF INDEPENDENT WORKERS THAT FEEL MORE SECURE WORKING INDEPENDENTLY



[6] "Is your job killing you? Stress, lack of autonomy, ability can lead to depression, death," *Science Daily*, May 19, 2020. https://www.sciencedaily.com/releases/2020/05/200519165842.htm.

concerns about benefits, specifically about health care. Online marketplaces and cloud software made it cheaper, easier, and less risky to start and run an independent business, as well as find customers. And most recently, the growth of coworking spaces provided community and networking opportunities. At the same time, even amid the long-running expansion, companies were often ruthless about cutting jobs, restructuring, and outsourcing—all of which led to a decline in people's perception about the relative security of traditional work, and their comparative comfort with spreading their risk across multiple independent projects.

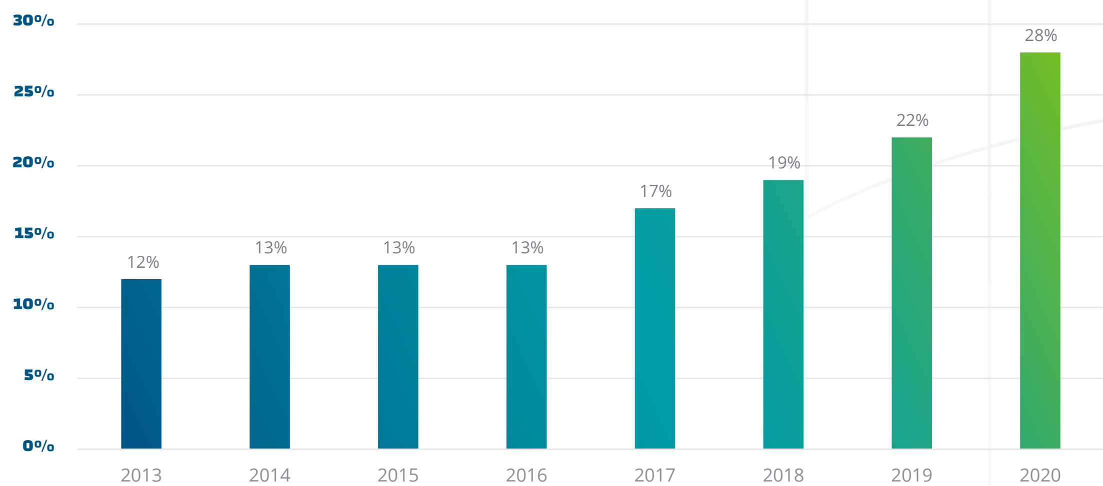
Historically, only the largest companies had the ability to tap into foreign demand. But independents have shown consistent growth in their ability to tap into global markets.

5 Independents Fuel the U.S. Economy

In addition to providing full and part-time employment for 38.2 million Americans, independent work generated $1.21 trillion in revenue over the past 12 months. This is equal to about 5.7 percent of U.S. GDP. Independent workers are also a growing source of U.S. exports. Historically, only the largest companies had the ability to tap into foreign demand. But independents have shown consistent growth in their ability to tap into global markets. They are increasingly able to use technology, connectivity, and online marketplaces to find new markets, clients, and customers around the world. This has led to a substantial increase in the percentage of independent workers who are exporters. In 2020, 28 percent reported they did business outside of the U.S., up from just 12 percent in 2013.

SHARE OF INDEPENDENTS PROVIDING GOODS AND SERVICES TO CUSTOMERS OUTSIDE THE U.S.

Platforms, marketplaces and outsourcing improving global reach of independent workers.



6 The Skilled Service Independents

Thanks to the rise of the gig economy, it's common to characterize independent workers as people who provide services to consumers on a contingent basis—like Uber drivers. While such independents are an important component of the workforce, the overall independent workforce is remarkably diverse. Those providing non-differentiated commodity-style "gig" work make up just a small portion of the overall total. One of the fastest growing segments of the independent workforce is skilled professionals who provide services to corporations, government agencies, and non-profits on a regular basis as independent contractors and consultants, statement-of-work-based labor, and freelancers. Over the past decade, organizations have substantially increased their use of non-employee labor. This has, in turn, increased demand for professionals providing services to businesses. It has also led to more skilled professionals choosing to become independent workers.

> **Over the past decade, businesses and the like have substantially increased their use of nonemployee labor.**

Skilled independents work in a variety of fields, with the top professions including consulting, coaching, and research (19 percent) creative services (15 percent), and IT (13 percent). The number of skilled independents has risen in each of the past ten years, from 4.5 million in 2011 to 7.7 million 2020, a 71 percent increase. In 2020, put another way, 34 percent of full and part-time independents were skilled independent business professionals, compared with 20 percent in 2011. Some explanation is required, however—skilled independents suffered comparatively less with job loss and economic struggles than their lesser-skilled counterparts, and more were likely to remain working. The strong growth of this sector can and should be taken in context.

Financial Well-Being and Independent Workers

In 2019 and 2020, we included questions from the U.S. Consumer Financial Protection Bureau (CFPB) to create financial well-being index scores for both independent workers and those with traditional jobs. These scores show that the average scores for independent workers and traditional workers are essentially the same. When asked about how they were doing financially in 2019, the average independent worker scored 54 on the CFPB index while the average worker with a traditional job scored 53. In 2020, scores were down slightly with both independent workers and traditional job holders having an index score of 52. Studies conducted prior to the pandemic by both the CFPB and U.S. Federal Reserve found that self-employed workers had financial well-being scores statistically similar to those with traditional jobs.[7,8]

[7] Consumer Financial Protection Bureau: Financial Well-Being in America, https://www.consumerfinance.gov/data-research/research-reports/financial-well-being-america/.
[8] Board of Governors of the Federal Reserve System: Report on the Economic Well-Being of U.S. Households 2018, https://www.federalreserve.gov/publications/files/2018-report-economic-well-being-us-households-201905.pdf.

Skilled service independents differ from the population of independents at large. They skew male (64 percent to 36 percent) and older (average age of 48). And they tend to have more experience and education; 73 percent have a college degree (compared with 34 percent for the U.S. at large), while 29 percent have graduate degrees. They also report truly remarkably levels of satisfaction (87 percent), optimism (83 percent are optimistic about the future), and a desire to stay the course (81 percent plan to continue).

MEET THE SKILLED SERVICE INDEPENDENTS

64% Male / 36% Female

Average age 48

73% have a college degree

Satisfaction 87%

83% are optimistic about the future

81% plan to continue

7 The Rise of the Side Hustle

Hundreds of online marketplaces provide highly flexible work options that fit into almost any schedule and work type.

Side gigs, or side hustles, are part-time or occasional work primarily done as a source of supplemental income. Over the past decade, workers up and down the income ladder have found that their compensation simply hasn't kept up with rising costs, especially for education, health care, and housing. Simply put, a significant portion of those who work part-time or occasionally as independents do it to make ends meet. Of course, others have opted into side work like this to pursue a passion, learn a new skill, or trial a future business.

Most side-giggers have other paid jobs, but many have activities such as caregiving, homemaking, attending school, or other issues and reasons that keep them from having a traditional full or part-time job.

Another increasingly important driver of the side-gig economy is the growing ease of access to online marketplaces. Hundreds of online marketplaces provide highly flexible work options that fit into almost any schedule and work type. They also make it easy to quickly start earning money and build experience in new fields.

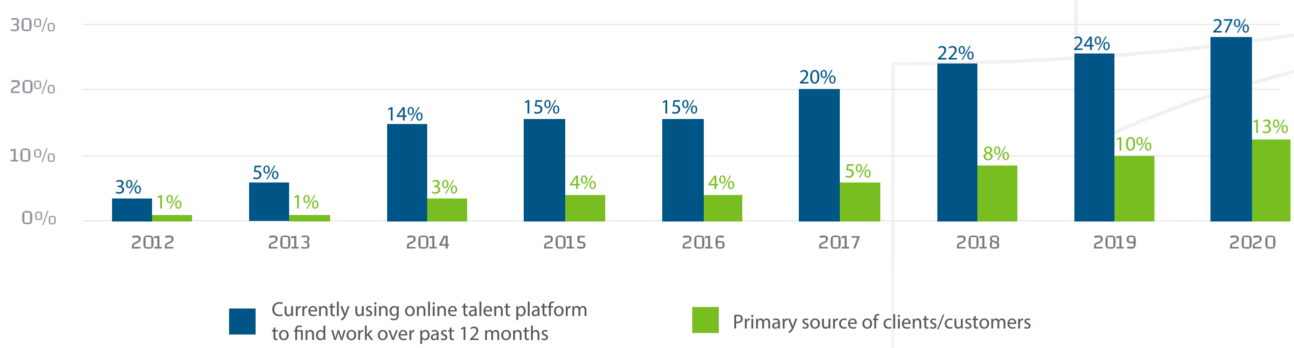
In 2020, the number of side-giggers rose 5.3 percent to 15.8 million, from 15 million in 2019; the number is up 51 percent from 10.5 million in 2016.

8 Online Marketplace Use is Growing

Cyclical and structural changes are transforming the nature of independent work, making it less isolated and more connected and networked. One of the factors enabling the work is the rise of online talent marketplaces that connect independents to clients, whether they are consumers or businesses. Over the last ten years, there has been a remarkably persistent upward trend in both the proportion of independents who report having used an online talent platform to find work and the share who say they plan to use them in the next 12 months. This is one of the rare areas in which intentions translate into action. In 2012, a mere 3 percent reported having used online talent platforms in the previous 12 months; by 2020, 27 percent did. In 2012, just 4 percent said they intended to do so in the next 12 months; this year, 33 percent say they will.

USE OF ONLINE TALENT MARKETPLACES CONTINUES TO EXPAND

13% use them as primary sources of business/income.



Independent workers use online marketplaces for a variety of reasons. Thirteen percent report online marketplaces are their primary source of clients and customers, up from just one percent in 2012. Other independents use marketplaces to fill in their schedules, find new clients, and to test out new business areas. As might be expected, younger people are more likely to use them; 44 percent of Gen Z and 40 percent of Millennials use online talent marketplaces, compared with 20 percent of Gen X and 14 percent of Boomers.

OTHER SOURCES OF WORK IN ADDITION TO THE ONLINE MARKETPLACES

The Teaming Trend

In 2020, for the first time, we asked independents about teaming; that is, independent workers teaming up on projects by pooling their talent, as well as managing other independent workers. After all, the growth of online marketplaces and cloud software systems makes this type of collaboration easier. Hiring organizations also have a growing desire to seek out teams of independents who can deliver entire projects and results, instead of bringing on an individual with a specific skill who only contributes to a piece of the project. Some 19 percent of full-time independents said that in the past 12 months they had teamed up with independent workers or microbusinesses in their work. And 24 percent of full-time independents said they were likely to do so in the next 12 months. Traditional job holders also report teaming with independent workers or microbusinesses, with 12 percent saying they have done so in the past year and 18 percent saying they were likely to do so in the next 12 months. A majority of all workers (55 percent of independents and 52 percent of those with traditional jobs) say they expect the share of work involving teaming with independent workers or microbusinesses to increase some or a great deal in the future.

INDEPENDENT WORKER TEAMING IS COMMON

And both Independent workers and traditional workers see it growing.

	FT Independent Workers	FT Traditional Workers
In the past 12 months have you teamed up with independent workers or microbusinesses in your work? Percent saying yes:	19%	12%
How likely are you do so over the next 12 months? Those saying definitely or probably.	24%	18%
How likely are you to team with independent workers or microbusinesses in the future? Those saying definitely or probably.	55%	52%

Cyclical and structural changes are transforming the nature of independent work, making it less isolated and more connected and networked.

The main advantages of teaming for the independent are to be able to get more done in a cost-effective manner. To a degree, independents are starting to mimic bigger service firms—striving to accomplish more and earn more by deploying teams of workers instead of working alone. Independent workers who are good at what they do—but not at generating business, or don't like to sell, are learning that teaming up with someone allows them to focus on what they like best—doing the work. Clients are learning that hiring teams is more productive and that it makes good business sense to purchase a finite and cohesive result, rather than individual components of a project. In the growth of teaming, we see more independents behaving like owners of larger work outcomes, not just as deliverers of spot projects.

9 Remote Work: Here to Stay

Companies have learned that remote work works and multiple studies indicate most firms are planning on greatly expanding their use of remote work even after the pandemic is over.

Independents were better prepared than their traditionally employed counterparts to cope with many of the disruptions associated with COVID-19, in part because they were already working remotely. The pandemic produced a rapid remote work shift as large chunks of the workforce were forced, for reasons of public health, to work from home for the first time. But this is taking place against the backdrop of structural change. Independent workers were highly remote even prior to the pandemic, with 85 percent reporting working remotely at least part of the time and 37 percent working remotely 100 percent of the time in 2019. In 2019, 43 percent of independents said home was their primary work location in 2019. It's notable that these numbers have grown only slightly since 2011; independent work, to a large degree, has always been remote work. But there was a big jump in 2020, when 93 percent of independents said they worked remotely some of the time, while about half (51 percent) did so 100 percent of the time.

COVID-19 has clearly added momentum to remote work, as companies have realized its benefits to both productivity and employee wellbeing. Multiple studies indicate most firms are planning on greatly expanding their reliance on remote work even after the pandemic is over. Because they are experienced at working remotely, we expect independent workers to benefit from the broader pandemic-induced shift to geographically distributed work. Also, companies that use more remote workers tend to use more independent workers. After all, once you've made the decision to use remote traditional employees, it's easy to make the shift to remote independent workers.

In 2020, 93% of independent workers said they worked remotely some of the time, while about half (51%) did so 100 percent of the time.

10 More Americans Want to Be Independent

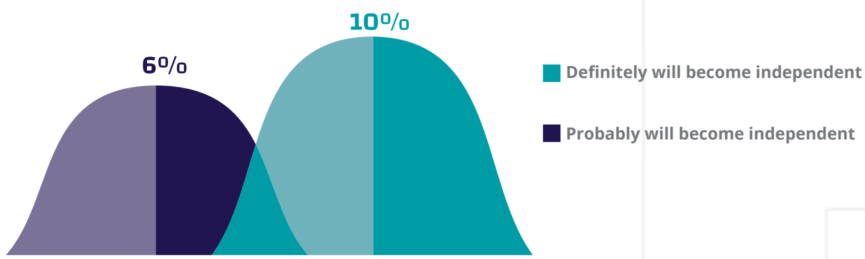
In the forecasting business, it is a truism that past results are no guarantee for future performance. However, it is also clear that we can learn and infer a good deal from what people tell us they plan to do. Intentions are one of the most powerful measures of sentiment—including long-term sentiment surrounding the endurance of a trend. And year after year, people tell us that they *want* to be independent. Over the ten years of this survey, the trend has been for between 12 and 14 percent of non-independents responding to say that they will or probably will become independent over the next 2-3 years. In reality, only a small proportion follow through—roughly one in 11 take the leap.

> **The pandemic produced a rapid remote work shift as large chunks of the workforce were forced, for reasons of public health, to work from home for the first time.**

In 2020, 16 percent of non-independents say they definitely (10 percent) or probably (6 percent) will become independent over the next 2-3 years, representing a 23 percent increase over 2019. There were several subtle shifts in the responses to the follow-up questions. This year, some 47 percent of those responding in the affirmative said it would be their choice, compared with 58 percent in 2019, which likely reflects COVID-19 job or income losses. And 34 percent said the pandemic made it more likely they would become independent. The responses to these questions are one of the reasons we are forecasting a strong increase in the number of independent workers over the next 5-7 years.

MORE AMERICANS WANT TO BE INDEPENDENT

In 2020, 16% of non-independents say they definitely (10 percent) or probably (6 percent) will become independent over the next 2-3 years up 23% increase from over 2019.



THE FUTURE OF INDEPENDENT WORK

Prior to the COVID-19 pandemic, independent workers played a prominent, widespread, and growing role in the U.S. economy. We expect the pandemic will spur independent work to become even more common in the future.

Looking ahead five years to 2025, we believe that the total number of independent workers in America will rise to 45.6 million, up from 38.2 million today. That represents a 3.6 percent annual growth rate, which is about two and a half times the overall employment rate of growth projected for this period by the U.S. Bureau of Labor Statistics. The forecasted growth rate is also about 50 percent faster than the independent workforce has grown over the past five years.

FIVE BROAD LONG-TERM FORCES DRIVING INDEPENDENT WORKFORCE GROWTH

1. **Technology continues to enable and empower independent workers while also making it easier to start and operate an independent business.** Digital technology improves customer connections and independent worker efficiency. The Internet, social media, and online marketplaces make it easier to find new customers, and distributed work tools have made working remotely—a staple for many independent workers and a trend greatly accelerated by the pandemic—broadly adopted. This shift to remote work provides increased opportunities for independent workers as more firms discover that: (1) remote work is possible and beneficial; and (2) integrating remote independent workers into their teams is easy and effective.
2. **Using independent workers improves business flexibility and agility for employers.** Hiring independent workers provides access to in-demand, scarce talent that is not readily available on traditional terms. And because independent talent can be hired on an as-needed basis, it often can lower employment costs and increase business agility. The pandemic also amplifies this trend due to companies of all sizes striving to increase their business flexibility and agility, while shifting to variable cost business models in response to the recession and future uncertainty.
3. **Workers increasingly want the autonomy, control, and flexibility independent work provides.** This is especially true for three groups: (1) highly skilled professionals, who are in demand due to the growing number of areas experiencing talent shortages; (2) aging Baby Boomers, who are looking for more flexible, independent encore careers; and (3) Millennials and Gen Z-ers, many of whom are choosing the "work to live" rather than the "live to work" ethos of prior generations.
4. **The need for many workers to generate supplemental income continues to grow due to stagnant wages, fewer middle-wage jobs, and increasing costs, especially for housing, health care, education, childcare, and retirement.** The current recession means more Americans will need to add independent side gigs and second jobs to offset their loss of income in the near term. In the long term, the ongoing requirements for supplemental income will lead to the continued growth of part-time and occasional independent work.
5. **A growing support infrastructure of products, services, and programs makes it easier, cheaper, and less risky to become independent.** The services offered by MBO Partners is one example, with other examples including low-cost, Internet-based tools and services for everything from billing and project management to sales and marketing.

In the Great Recession of 2008-2009, the number of independent workers started growing rapidly in the middle of the downturn. This growth continued well into the economic recovery before slowing as unemployment rates fell to historically low levels. Even as traditional jobs were abundant, the number of independent workers continued to increase and reached levels substantially above those before the recession.

Workers increasingly want the autonomy, control, and flexibility independent work provides.

There are already signs that the current U.S. recession is following this same cyclical growth pattern. According to the U.S. Census Bureau, the number of applications to start a business—most of which are solopreneur business applications—surged a dramatic 77 percent in the third quarter of 2020.[9] This is by far the largest increase in applications since 2004, when this data was first collected, and is a leading indicator for the start of another growth cycle for independent work.

A growing support infrastructure of products, services, and programs makes it easier, cheaper, and less risky to become independent.

Finally, the very structure of work in America is changing. Work is becoming more team- and project-oriented and the barriers separating traditional and independent work continue to erode. For an increasing number of Americans, it's not simply a matter of having a payroll job or working independently. Instead, many will do both, developing their careers and professional capabilities by shifting back and forth between independent work and traditional employment, depending on the needs and desires of both companies and the workers themselves. Rather than behaving like employees, we believe people will adopt a talent ownership mindset—with independent professionals owning a career that may shift between fixed and flexible employment according to life stage.

We see this flow between traditional and alternative work arrangements increasing in number and growing in momentum over the next five years. Instead of viewing independent work or traditional employment as separate and distinct paths, careers will become more fluid and project-based, both within and across organizations. Careers will be built nonlinearly, by workers spending time as both traditional employees and as independents. This path will provide greater opportunities for personal and professional growth, including building a stronger personal brand, expanding professional networks, and honing skills in a variety of unique work environments, all of which benefit both employers and workers alike.

With increased movement within and across organizations, a greater share of American workers will spend at least part of their careers as independents. Already about half (48 percent) of working Americans report spending time at some point in their careers as independent workers. By 2025, over half (54 percent) of the workforce is forecast to have spent time as an independent at some point in their work lives.

[9] U.S. Census Bureau, "Business Formation Statistics, 3rd Quarter, 2020," October 14, 2020, https://www.census.gov/econ/bfs/pdf/bfs_current.pdf

ABOUT THE STUDY

The 2020 MBO Partners State of Independence in America is the 10th consecutive year this study has been conducted. Since 2011, independent workers have completed over 23,000 in-depth surveys and over 1,500 independent workers have been interviewed in-person as part of this study series. For the 2020 study, Emergent Research and Rockbridge Associates conducted an online survey in August 2020. This survey had responses from 3,687 residents of the U.S. (aged 18 and older), including 1,023 independent workers; the results were used to size the independent workforce and profile motivations among independent and traditional workers. The survey results were weighted to reflect the demographics of the U.S. The data related to the general population has a margin of error of +-1.7 percent and the data specific to independent workers has a margin of error of +-3.06%. The 2020 results are generally consistent with the survey results from the prior 9 years.

ABOUT MBO PARTNERS®

MBO Partners is a deep jobs platform that connects and enables independent professionals and microbusiness owners to do business safely and effectively with enterprise organizations. Its unmatched experience and industry leadership enable it to operate on the forefront of the independent economy and consistently advance the next way of working.

For more information, visit mbopartners.com.