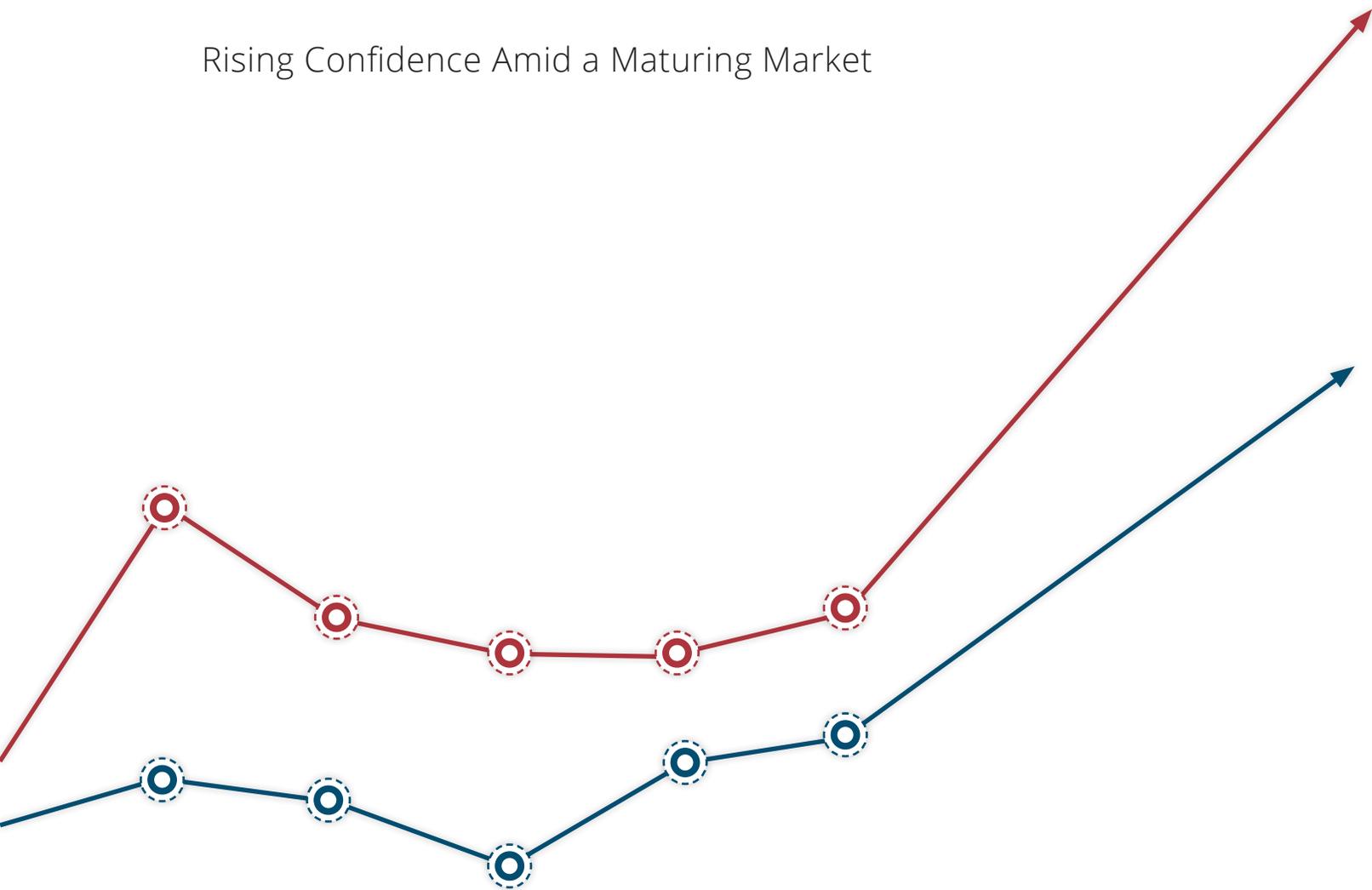




THE STATE OF INDEPENDENCE IN AMERICA

Rising Confidence Amid a Maturing Market



2017 REPORT

The 7th Annual MBO Partners State of Independence gauges the size, growth, performance and sentiments of a large, multi-faceted, economically powerful—and increasingly confident—segment of the American workforce. Independents are the nearly 41 million adult Americans of all ages, skill, and income levels—consultants, freelancers, contractors, temporary or on-call workers—who work independently to build businesses, develop their careers, pursue passions and/or to supplement their incomes.

The MBO Partners State of Independence report is the industry's longest running end-to-end study of the American independent workforce. In this, our seventh annual installment, we find that the market continues to grow and mature, even as the economy continues to rebound and the unemployment rate declines. In 2017, the total number of self-employed Americans aged 21 and above rose to 40.9 million, up 2.8 percent from 2016.

With each passing year, our picture of the independent workforce comes into sharper focus. Now more than ever, it is apparent that people are independent by choice, and that there is no “standard” portrait of an independent worker. Independents are not just an undifferentiated mass of young Uber drivers, those working because they can't find full-time jobs, or older quasi-retired consultants. Rather, independents, who now represent about 31 percent of the private U.S. workforce, are distributed across every demographic, age, gender, skill, and income group.

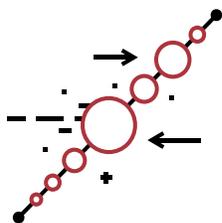
In the 2017 study, three key trends emerged, each of which mirrors a significant trend in the overall economy.

First, a strong job market means that independents are increasingly able to compete in the War for Talent on their own terms. By many measures, the U.S. labor market has not been this tight in more than a decade, with the unemployment rate at 4.3 percent, a record 6 million job openings, and an economy that added 2.2 million payroll jobs in the past year.

This strong job market means independents have an easier time than ever finding work as jobs open and companies experience a talent shortage. The tight labor market and ongoing economic expansion enables those with in-demand skills to get more work, and to command a premium for their services. In 2017, for the sixth year in a row, the number of High Earning Independents rose. Now, 3.2 million Full Time Independents make more than \$100,000 annually, up 4.9 percent from 2016. This population now represents nearly one in five Full Time Independents, those working independently more than 15 hours each week.

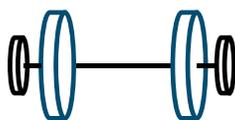
Second, while full-time independent work is broadly appealing, it's not for everyone. A portion of the independent workforce has always been characterized as “reluctant”—people who work independently that would prefer a traditional job yet can't find one that is better than their independent work option. In 2017, thanks to the strong jobs market, the proportion of Reluctant Independents fell to 24 percent. That's down from 26 percent in 2016 and from 34 percent in 2012—and it represents the lowest measurement in the study's history. Additionally, some independent workers return periodically to traditional employment after cycling through independent gigs every few years—usually related to a seeking new job skill or life change (caring for an aging parent or new child,

2017: THREE KEY TRENDS



STRONG MARKET

Independents are increasingly able to compete on their own terms



BARBELL EFFECT

On demand and high earners are growing; reluctants are leaving



SUPPLEMENTAL INCOME

Many Americans supplement their income with side-gigging

for example). The intensity of this cycle grows when the jobs market is more robust. For this reason, among others, the number of Full Time Independents fell in 2017 for the second straight year, this time by 4.1 percent to 16.2 million. The number of Part Time Independents—those working less than 15 hours per week—also fell to 11.8 million in 2017 from 12.4 million in 2016.

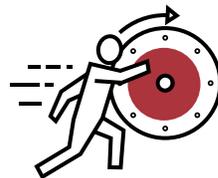
Third, more Americans are turning to part-time or occasional independent work to supplement their income.

Through the current economic expansion, now in its eighth year, the typical worker has seen little to no wage gain. As a result, many Americans struggle to keep up with inflation and higher costs and seek to supplement their income with part-time independent work or side gigging. Fueled in part by the growth of the widening array of online platforms, the number of people working as Occasional Independents—those working irregularly or sporadically as independents but at least once per month—soared 23 percent to 12.9 million, up from 10.5 million in 2016. This sector largely accounted for 2017's independent workforce growth, and signals that independent work will continue to be an important income stream to many, even in a strong economy.

We detect something of a barbell effect across the entire independent workforce. On one end, there's a growing mass of highly-skilled workers who are sought after for specialized talent that believe they can do better as independents than they can as payroll employees. On the other end, there's a growing population of people who do what might be defined as commodity work—driving for Uber or picking up work on Taskrabbit. These people engage in independent work because they can't get the salaries or wages they need from traditional jobs. The middle segment is essentially stable, with some people entering independence each year and the strong job market drawing some Reluctant Independents back into traditional employment.

While differences in attitudes are evident between the different groups of independent workers, the population generally reports that independent work—and the independent lifestyle—is a satisfying way of building income while offering greater freedom, control and purpose.

The rising confidence stems in part from cyclical forces like the ongoing economic expansion. But it can also be attributed to important structural changes in the economy. The infrastructure supporting independents continues to grow in breadth and sophistication. For their part, companies are becoming more comfortable engaging with independent workers. They are also creating policies and procedures that make it easier for independents to do the work they love on favorable terms.



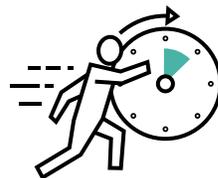
FULL TIME INDEPENDENT

At least 15 hours per week
Average over 35 hours per week



PART TIME INDEPENDENT

Less than 15 hours per week
Average 11 hours per week



OCCASIONAL INDEPENDENT

At least once per month
Occasional hours

Meet the Independents

The 2017 MBO Partners State of Independence research paints a richly detailed portrait of America's 40.9 million independent workers. Self-employment has become a viable and familiar work path for many in the U.S. economy, and a key source of extra income for others. The research shows that independents represent all ages, professions, educational levels, and geography. And they're actively contributing to virtually every sector of the economy.

With each passing year, it is more common for people to find that their partners, spouses, friends or neighbors are working independently. In fact, over 40 percent of the U.S. adult workforce reports either currently working or having worked as an independent at one time during their careers. And over the next five years, we project that fully half of the U.S. adult workforce will be, or will have experienced at one time, what independent work can offer.

The MBO Partners research study defines independent workers in three main categories:

- **Full Time Independents:** People who work at least 15 hours per week and average well over 35 hours per week in independent work. In 2017, there are 16.2 million Full Time Independents, down slightly from 16.9 million in 2016.
- **Part Time Independents:** People who work less than 15 hours per week in independent work with an average of 11 hours per week. In 2017, there are 11.8 million Part Time

Independents, down slightly from 12.2 million in 2016.

- **Occasional Independents:** People who work occasionally as independents and at least once per month. These are often known, in colloquial terms, as side-giggers. In 2017, there are 12.9 million Occasional Independents, up strongly from 10.5 million in 2016.

Age

The independent workforce is undergoing a continual demographic shift that mirrors the workforce at large. The youngest (Millennials) and older (Baby Boomer) age cohorts that predominate in the population at large also dominate the independent workforce. Among Full Time Independents, 38 percent are Millennials (ages 21–37), down from 40 percent in 2016, while Baby Boomers (53–72) and Matures (72+) combined were 35 percent, up from 33 percent in 2016, while Gen X (38–52) held steady at 27 percent.

Gender

Both men and women find high levels of satisfaction from independent work. However, the independent workforce skews slightly more male than female, with men comprising 53 percent of the Independent workforce and women comprising 47 percent. This roughly mirrors the gender profile of the overall U.S. workforce.

Education

It remains a strong trend that independent workers have more education—and higher earnings—than the workforce at large. In 2017, 41 percent of Independents have 4-year college degrees or higher, including 19 percent with advanced degrees. That compares favorably with the 33 percent of Americans who have 4-year college degrees and the 12 percent who have advanced degrees, according to the Census Bureau.

Income

The average income for Full Time Independents was \$65,300. As a point of reference, the median family household income in the U.S. was \$56,516 in 2015. Fully 3.2 million, about one in five Full Time Independents, make more than \$100,000, our High Earning Independent designation.

But there was a sharp divergence among demographic groups, with Millennials earning \$43,800 while the older cohorts earned more than \$77,000. This difference can largely be attributed to time spent in the workforce, as older workers have more years of experience and strong professional networks and can command higher rates for their skills.

Independents are a vital economic force. Over the past year, independent workers generated roughly \$1.2 trillion of revenue for the U.S. economy, equal to about 6 percent of



MILLENNIALS

The Work to Live Generation

Millennials, who have surpassed Baby Boomers as the nation's largest demographic cohort, are becoming a growing influence in the American labor force. As Baby Boomers retire and Millennials age into work, younger workers are accounting for a larger share of the working population. And that means that their preferences, work styles and goals are having an increasingly significant impact on the culture of work.

In this study, Millennials express generally similar attitudes toward independent work as their older colleagues on measures like wanting to be their own boss and controlling their own schedule. But in some areas—especially those having to do with the emotional and psychological payoff of work—they skew from the norm. For example, 51 percent of Millennials with traditional jobs say more flexibility is an advantage of becoming an independent worker/starting your own business, compared with 42 percent of Gen X and 40 percent of Baby Boomers. Some 44 percent of Millennials with traditional jobs say pursuing a passion or interest is an advantage of working independently, while only 32 percent of Gen X and Baby Boomers say it is a factor.

FULL TIME INDEPENDENTS



U.S. GDP. They are also a part of the exporting economy. In 2017, 17 percent of Full Time Independents provided goods or services to customers outside the U.S., up from 13 percent in 2016.

Choosing Independence Through Recession and Recovery

During the Great Recession and its aftermath, many of the 8.7 million people who lost payroll jobs turned to independent work—Occasional, Part Time, and Full Time—as a matter of necessity. But many found that what started as necessity became a passion. Even though the economy has consistently added payroll jobs, the number of independents has continued to rise. We see a greater level of self-confidence and fulfillment on the part of the large majority of independents who embrace working this way.

As in every year before, a majority of independents affirm that working as they do is their choice completely. This 65 percent level, up from 59 percent in 2016, is a sign of this cohort's rising confidence. That's the highest level in all seven years of the study. Only nine percent said working independently was the result of factors beyond their control (such as a layoff, downsizing, or illness). This is the lowest measure in the seven years of the study.

One would expect satisfaction to correlate positively with choice. In 2017, 74 percent of Full Time Independents reported they were very satisfied, the highest level in seven years of the survey, and up sharply from 65 percent in 2016.

However, over the past few years, we have seen some inde-

pendents return to traditional payroll work. Such moves are recurring features of this survey and not necessarily indicative of an individual's overall satisfaction with independent work. Workers cycle between different types of work to gain new skills, to gain greater security for their family with a weekly paycheck, or to pursue an opportunity that can be best achieved by going in-house.

Independents Are Happier and Healthier

Even though independent work has its challenges, the ability to have greater control and flexibility far outweighs the hurdles of working solo. Among all independents, 77 percent say they are happier working on their own than in a traditional job. Fully 84 percent of Full Time Independents agreed with this statement, while 66 percent of Part Time Independents did. The level of happiness was relatively stable across the major demographic groups. A solid majority—64 percent of all independents and 70 percent of Full Time Independents—said working on their own is better for their health.

In addition to making them healthier, some independents find this work can make them wealthier too. Of those polled this year, 36 percent of all independents (and 43 percent of Full Time Independents) said they earn more money working on their own.

Independents are generally secure in their work as well. This year, almost half (48 percent of Full Time Independents) said they feel more secure working independently than at payroll jobs. This is up from 33 percent in 2011.

Independents want to continue to pursue the type of work they choose and love. Year in and year out, most independents say

GENDER DIFFERENCES



53%
MEN



47%
WOMEN

Men and women are equally as likely to pursue independent work. The gender composition of the independent workforce is 53 percent men and 47 percent women. But men and women often express different motivations and feelings about independent work. Men were more likely than women to note that they love being their own boss (69 percent vs. 55 percent) and to say they don't like answering to a boss (65 percent vs. 57 percent). While 54 percent of men report they earn more money working on their own than at a traditional job, only 43 percent of women said so. Men also say they are more secure working independently, by a 52 percent to 39 percent margin. Women were significantly more likely to note that flexibility was a more important motivator for independent work than men (74 percent vs. 59 percent).

they plan to continue to stay the course as an independent or even build a bigger business. In a reflection of the strength of the payroll job market, the percentage of Full Time Independents who said they plan to continue working independently was stable in 2017, at 61 percent. But overall, the likelihood of continuing independent work remains strong. In 2017, only 10 percent said they would seek a full-time job, compared with 13 percent in 2016--and down sharply from 18 percent in 2011.

Confidence is particularly high among the growing number of High Earning Independents. Once a small minority, they have grown consistently in absolute and relative numbers, and now constitute a solid core. The number of High Earning Independents (those making more than \$100,000 annually) has grown in every year of the study. In 2017, this group rose five percent to 3.2 million. That is up 64 percent from 1.95 million in 2011, representing a compound annual growth rate of 6.45 percent.

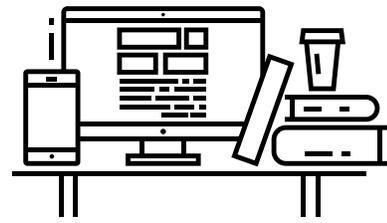
Since the number of High Earning Independents has risen steadily in the last two years, a period in which the overall number of Full Time Independents has fallen modestly, High Earners now constitute a noticeably higher chunk of this cohort. In 2017, 19.8 percent of Full Time Independents earned more than \$100,000, up from 17.9 percent in 2016—and up from only 12.5 percent in 2011.

The data suggests that more people have a greater sense of confidence in the ability of independent work to deliver what they want from the economy, and from their jobs.

Several factors and dynamics in the U.S. labor market account for this shift. The strong payroll market seems to be pulling so-called Reluctant Independents, many of whom make less than those who are independent by choice, out of the independent pool. That leaves behind a core of independents that is more committed and higher earning. At the same time, High Earners are the stickiest—since they are thriving as independents, they are more likely to continue working that way.

The strong economy and generally tight labor market are making it easier for independents to get a higher volume of work, and to charge more for the services and goods they provide. This is especially true for those who work in in-demand areas like IT, marketing, biotechnology and pharmaceuticals.

In addition, as more people with traditional jobs see that their friends and former colleagues can reap high levels of income from independent work, they may be more likely to take the leap. This dynamic may particularly influence the decisions of higher-earning Baby Boomers whose employers may be seeking to reduce the concentration of more expensive older workers on their payrolls.



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Online Platforms and Side Gigging Serve as a Runway to Independence (And Additional Income)

While payroll jobs are comparatively abundant and there are currently 6 million open positions, the tightness hasn't translated into impressive across-the-board progress for wages. Pay gains have been slow to materialize for the typical worker and job insecurity remains high. Between 2007 and 2015, median household income in the U.S. rose just 12 percent—a tepid 1.43 percent annual rate. In short, this means that there are a lot of Americans who are eager to supplement income from their main jobs.

The rising number of online platforms that facilitate part-time gigs and the growing willingness of companies to work through them has created greater opportunities for employed people to supplement their income with independent work.

In 2017, fully 49 percent of Part Time Independents report having a full-time (traditional payroll) job. In addition, one in five of those with a traditional job report that they engage in other economic activities, such as selling on eBay, renting out a home on Airbnb, or engaging in additional types of independent work.

These findings, particularly among the part-time community, indicate that independent work is as much about generating income as it is pursuing a passion. However, many of these independents may also be using the part-time work as a runway to Full Time Independent work. This ability to provide additional income in a convenient way may help account for

the high level of satisfaction (69 percent) among Part Time Independents.

The rise of online talent marketplaces that enable a wider array of independents to work has been an important economic phenomenon in recent years. Platforms have emerged that afford more opportunities to match supply and demand of labor in computer programming, personal services, accounting, and transportation. Pioneers like Uber, Lyft, and TaskRabbit continue to attract venture capital, users, and customers. But they are not the only industry players, and they largely represent only the lower end of the market, in which workers pursue commodity work and are differentiated not by skill, but by the platform itself. Groups like Catalant and Toptal cater to the higher-end market for skilled labor, in which businesses engage directly with specific individuals whom they connect with through an online marketplace. Traditional companies like The Washington Post and PwC have set up their own proprietary talent clouds, aimed at enabling them to match and work with independent workers more effectively. MBO Partners' own MBO Connect™ is another such platform for businesses to form a preferred talent network and to engage and re-engage top independent talent.

Our survey shows a steady, impressive rise in the number of independents using these platforms—and a high propensity of those who say they plan to use them to actually utilize them. In 2012, only 3 percent of Full Time Independents said they had used an online marketplace in the past 12 months, and only four percent said they would in the next 12 months. The proportions answering in the affirmative to these questions has risen steadily each year. In 2017, 20 percent said they had done so in the past year, and 25 percent said they intended to do so in the next 12 months.

Few independents use online marketplaces as a primary source of business or income. But the expansion, maturity, growth and increasing ubiquity of online markets means that a rising proportion of Independents now regard them as another sales channel. Based on our conversations with workers and other researchers, we find that the main uses of online marketplaces are to fill in gaps in schedules, find new clients, especially for those who are new or starting up, learn new skills and explore markets.

As might be expected, the embrace of online platforms scales by age. Some 34 percent of Millennials said they used online platforms to find work in the previous twelve months, while only 14 percent of Generation X and 11 percent of Baby Boomer workers said they had. Full Time Independents (22 percent) were also more likely than Part Time Independents (16 percent) to utilize these platforms.

Perceptions and Motivations Separate Independents from Non-Independents

One of the key findings of this study is that the motivations for working independently are as much psychological and emotional as they are financial. Over the years, this study has detected a stark perceptual divergence between those who choose to work independently and those with traditional payroll jobs. Beyond having different risk profiles, they simply see the prospect of independent work—and what you can get out of it—in a different light. It comes down to a difference in mindset and priorities.

People with payroll jobs tend to offer steady concerns about the disadvantages of working independently. And their attitudes haven't really changed much over time even as independent work has become easier, more common, and (for many) more lucrative. In 2017, 62 percent of those with traditional jobs cited the lack of predictable income as a disadvantage of independent work, while 51 percent cited the fact that it was less secure than permanent employment, and 43 percent said they feared they wouldn't earn as much. Among those with traditional jobs, 65 percent said becoming independent or starting your own business seemed very risky while only five percent said it wasn't at all risky.

By contrast, Full Time Independents were much more confident. Only 26 percent said becoming independent was very risky and 19 percent said it was not at all risky. The perception of risk falls even further with tenure. Among those who have been working as an independent for more than a year, 37 percent said it was not at all risky and only 17 percent said it was very risky. This finding was relatively consistent across age groups and Part Time and Full Time Independents.

It also turns out that independents want different things from their work from those with traditional jobs. Independents simply have always desired to work on their own. Seventy-five percent of independent workers said they always wanted to



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REASONS FOR INDEPENDENCE



BE MY OWN BOSS



DON'T LIKE ANSWERING
TO A BOSS

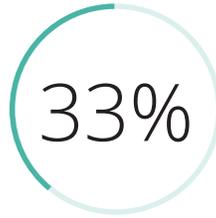


FLEXIBILITY

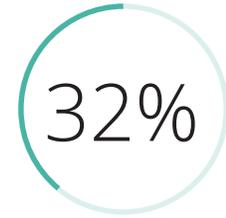
CHALLENGES INDEPENDENTS FACE



NOT ENOUGH
PREDICTABLE INCOME



PLANNING FOR
RETIREMENT



WORRY ABOUT
NEXT JOB

be their own boss, compared with 45 percent of those with traditional jobs; 64 percent of independents said they don't like answering to a boss, while only 37 percent of those with traditional jobs agreed. Independents also placed a higher priority on flexibility over making the most money than people with traditional jobs (74 percent to 44 percent). Only 19 percent of independents said they would prefer a permanent job than work on their own, while 61 percent of those with traditional jobs agreed.

However, independent workers are not blind to the risks and challenges they face. The leading challenge identified by Full Time Independents was not having enough predictable income (50 percent). Other top challenges included planning for retirement (33 percent), worry about the next job (32 percent), and a lack of job security (31 percent). These measures have all come down sharply since 2011, as the Independent ecosystem has matured and independents have gained more confidence.

There was, however, one outlier which can likely be traced to

politics and the potential for policy change. In 2017, concern about benefits (chiefly healthcare), jumped significantly, with 40 percent reporting some level of concern. In 2016, only 33 percent expressed concern. This increase is probably due to rising concerns about the repeal of the Affordable Care Act and rising questions over the future of the federal and states exchanges through which many independent workers buy their health insurance.

Working in the Future

Independent workers have assumed a prominent role in the U.S. economy. Looking ahead, it is easy to see that this increasingly self-confident group will continue to grow, while its dimensions will subtly change. Looking ahead five years, we believe that by 2022, the total number of independent workers in America will rise to 47.6 million, up from 40.9 million today. That represents a 3.1 percent annual growth rate.

Clearly, independent work has significant appeal. Most independents plan to continue on their path. And in 2017, as in

prior years, 12 percent of Americans consistently said they definitely or probably would become independent in the next 2-3 years. That would indicate 28 million new Independent workers flowing into the sector. If history is a guide, however, comparatively few of those will follow up.

Looking ahead, we continue to see powerful factors that will influence the decision of Americans regarding Independent work, with some exerting a pull back to traditional jobs and others pushing more Independents to join the cohort. It is likely the three big trends we identified this year will continue into 2018 and beyond.

Our surveys tell us that independent work is not for everyone, and that many people prefer the security of full-time jobs. In the coming year, we expect the strong economy and jobs market to make it easier—and provide further incentives for—High Earning Independents to continue their path, and for those with high-paying traditional jobs to consider making the leap to independent work. However, the strong job market and high level of payroll job openings will likely continue to pull some Reluctant Independents back onto payrolls and out of the independent workforce. We expect the number of Full Time Independents to cycle up and down in response to the strength of the jobs markets. Those with payroll jobs who want to supplement their income or compensate for uncertainty with part-time work will continue to benefit from more worker demand, and they will also benefit from the growth of online platforms. Over time, we believe that more Occasional Independents will grow into Part Time and Full Time Independents.

Demographic shifts are also likely to continue to propel people into the Independent workforce. As they continue to age and retire, more Baby Boomers will seek to remain engaged through Part Time or Full Time Independent work. And Millennials, who see the value of independence at generally higher rates than their elders, will continue to comprise a larger share of the overall workforce. At the same time, companies intent on maintaining agile and flexible workforces are becoming more comfortable engaging with independent workers.

The growth will be abetted by the evolving and expanding support infrastructure of products, services, and programs

ABOUT THE STUDY

The 2017 MBO Partners State of Independence in America is in its seventh year. Since 2011 independent workers have completed over 16,000 in-depth surveys and over 1,200 independent workers have been interviewed in-person as part of this study series.

For the 2017 study an online survey was conducted by Emergent Research and Rockbridge Associates in March of 2017. This survey had responses from 3,008 residents of the U.S. (age 21 and older); the results were used to size the independent workforce and profile motivations among independent and traditional workers (margin of error: +/-2%). The data was weighted to reflect the demographics of the U.S. The 2017 results are generally statistically consistent with the survey results from the prior six years.

that makes it easier, cheaper, and less risky to become independent. MBO Partners is a component of this infrastructure, designed to support the lives and businesses of Full Time Independents. In addition, we are seeing a growing industry of new Internet based tools supporting all segments of the independent workforce market.

Finally, the simple accumulation of lived experience and performance is adding momentum to the independent movement. Over time, the very structure of work in America is changing. 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; many do both, or are comfortable with switching as circumstances dictate. As companies continue to place a premium on skills, flexibility, and performance, confident independents will find that they have more options.

ABOUT MBO PARTNERS

MBO Partners offers 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 re-envisioning 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 www.mbopartners.com.