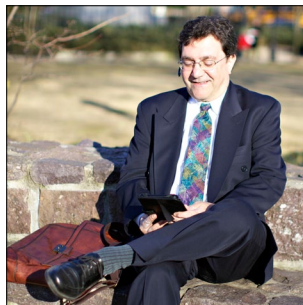




SECOND ANNUAL

# *THE STATE OF INDEPENDENCE IN AMERICA*

REPORT



*with*

THE MBO PARTNERS INDEPENDENT WORKFORCE INDEX  
SEPTEMBER 2012

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# *INDEPENDENT WORK GOES MAINSTREAM*

Independent Workforce Rises by Nearly a Million Workers in 2012

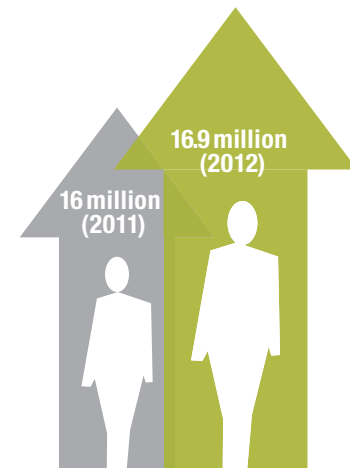
## EXECUTIVE SUMMARY

The 2nd Annual MBO Partners *State of Independence in America* workforce study shows continued growth in America's commitment to independent work. Since the launch of the first-ever baseline study of independent work in America in 2011, nearly 17 million workers – up from 16 million last year – report in for independent work. They're increasingly satisfied with their work style and coping even better than before with the challenges that come with this less charted territory. And, consistent with the results of last year's inaugural report, independents show an even stronger preference for this path and have no plans of turning back.

The total independent workforce grew, and so too did the projected future size of this workforce, to be as many as 23-million strong in the next five years. The simultaneous growth in size, satisfaction, commitment and intent to choose the path, together suggest independence is far from a cyclical economic choice. It instead appears to signal a conscious structural shift and recognition of a new model of work and engagement by innovative Americans.

In fact, over the last year, despite the U.S. economic uncertainties, global volatility and election year jitters, independent workers continued to creatively forge their own economic opportunities and perceived that the drawbacks to independence were less daunting than the anticipated benefits. Channeling their entrepreneurial initiative, these independents bring in roughly one trillion dollars in revenue.

In 2012, it is clear America continues its march toward a new age of career independence where individuals will not just move from job to job, but rather move from engagement to engagement and client to client as masters of their own career destiny.



**... America continues its march toward a new age of career independence where individuals will not just move from job to job, but rather move from engagement to engagement and client to client as masters of their own career destiny.**

## KEY FINDINGS—2012

The 2012 MBO Partners Independent Workforce Index increased 5.5% over 2011, showing that independent work continues to resonate with the country.

Who are these self-starters, what makes them tick and how is the independent workforce changing over time? The 2012 MBO Partners State of Independence report answers these questions and explains how independents' attitudes, motivations and work habits have shifted since 2011.

To support year-over-year analysis, MBO Partners has developed a new **MBO Partners Independent Workforce Index** which measures changes in independent workforce participation, independents' satisfaction levels and their perceived challenges at succeeding in this work style (See explanation of index and related sub-indices on page 14 of this report).

### Summary Highlights for the Report and Index Include:

#### Independent Worker Satisfaction Rating



■ 86% Satisfied  
■ 9% Dissatisfied

#### Independents Less Daunted in 2012

Worried about my independent future  
40% in 2011 to 30% in 2012



Worried about finding next job  
46% in 2011 to 40% in 2012



Afraid of marketing myself  
39% in 2011 to 32% in 2012



- **The independent work trend gained strength in 2012:** The 2012 MBO Partners Independent Workforce Index increased 5.5% over 2011, showing that independent work continues to resonate with the country. This new “take charge” independent workforce spans geographies, genders and generations and the number of independent workers grew from 16 million in 2011 to 16.9 million in 2012. Independent workers are active in every state, women are about half of all independents and adults from Millennials to Seniors are becoming independent. Independence is no doubt a national, multi-generational movement not restricted to one sector or age cohort.
- **Independent worker satisfaction increased in 2012:** Close to 86% of independent workers indicate they are highly satisfied (71%) or satisfied (15%) with their work situation. Only 9% expressed dissatisfaction with their work situation. This is a marked increase in high satisfaction compared to 2011 when 58% indicated they were highly satisfied and 21% satisfied and translates to a 6.3% increase in the Satisfaction sub-index (see page 14 for full details of the Satisfaction sub-index).
- **The challenges of independence felt more manageable in 2012:** Independent workers are acutely aware of the risks and responsibilities they face. In particular, they feel challenged by their uncertain income stream (55%), concerns about retirement (40%) and worries about a lack of job security (36%). Yet, while navigating these challenges is a natural part of this work path, the perceived burdens and challenges of independence went down in 2012 from the 2011 base, reflecting a 6.4% reduction in the Challenges sub-index (see page 14 for full details of the Challenges sub-index).

**No Turning Back  
for Independents:  
America's New Job Engine**



**More than 1 in 10  
independent workers  
plan to launch larger  
businesses that  
will likely create  
traditional jobs and  
engage the services  
of other independent  
workers.**

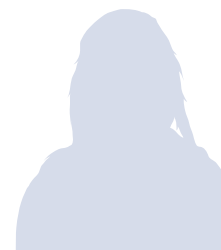
- **Independent workers continue to be committed to independence:** Consistent with last year's study findings, more than half of independent workers (57% in 2012 versus 55% in 2011) say it was their proactive choice to become an independent worker. These findings debunk the popular misconception that workers are forced into independence due to job loss or lack of alternatives. Further, 75% indicated that they will either continue as an independent worker (63%) or else build their solo operations into employer businesses (12%). Of all independent workers it is only 13% who plan on seeking a traditional job over the next 24 months. These results are also consistent with the findings from 2011.
- **Independents are job creators:** More than 1 in 10 independent workers plan to launch larger businesses that will likely create traditional jobs and engage the services of other independent workers. These are tomorrow's entrepreneurs. In addition, those who are solopreneurs often employ others to fulfill project requirements.
- **The independent workforce is growing:** The economic, social and demographic forces driving the shift to an independent workforce are accelerating. Based on these forces – and strong interest by Americans to become independent – we expect the U.S. independent workforce to exceed 23 million within the next five years.

## WHO ARE THE INDEPENDENT WORKERS IN 2012?

The study depicts a generationally diverse profile of America's 16.9 million independent workers. Of those adults 21 years and older working at least 15 hours per week, 21% are Gen Y (aka Millennials) (21-32 years old); 35% are Gen X (33-49 years old); 36% Boomers (50-66 years old); and 8% (67 years+) Seniors. Over half (54%) are married, with married independents highest for Boomers (75%) and lowest for Gen Y (34%).

### Independents are Educated and Offer Special Skills

Independents demonstrate a higher level of specialization in their professions than non-independents. Seven in 10 independent workers -- consistent with 2011 findings -- report that they get work assignments because they offer a specialized skill that requires certification, special training or education. At least 40% of independents have 4 year college degrees or higher. The younger the independent, the more education they bring to the marketplace. Interestingly, 67+ independents are a high performance exception: They tie Gen Y for having the highest share of graduate or professional degrees (30%).



## Independents are Equals -- Women and Men Share the Spirit of Independence

Women and men hold roughly equal shares in the independent workforce (48% vs. 52%). There are, however, some differences to note. Men, for example, more often describe themselves as “business owner” (30% vs. 16% of women). Both men and women plan on building larger businesses from their solo ventures, but at different rates: men (14%) and women (9%).

Comparing independents to U.S. small business owners by gender presents a stark contrast: While women represent about half of all independent workers, they account for less than a third of small business owners in the US otherwise. With business formation and business growth both objectives stated by independents, this independent or solopreneur path appears a strong way to engage both women and men equally in small business formation moving forward

The type of independent work engagement and the path leading to independence also varies by gender, but not by much. Women are more likely to work as temps (15% vs. 1% of men). Men are slightly more likely to have fixed term contracts than are women. (19% vs. 13% of women). While a strong majority of both men and women (79% and 68% respectively) shift to independent work from permanent full-time employment, women are more likely to have left a permanent part-time job (9% vs. 3% of men) or taken on independent work after being out of the workforce (8% vs. 2% of men).



Photo Credit: iStockphoto.com.

Women account for roughly half of all independent workers in the U.S.



**Independents Contributed About  
\$1,000,000,000,000  
to the U.S. Economy**

## INDEPENDENTS ARE CAREERISTS AND THEY BRING HOME THE BACON

While independent workers across the board value work/life flexibility, contrary to popular belief it's not about juggling work around kids' schedules. The study shows that only 18% of independent workers have kids/grandkids at home. Put in a national context, that's a lot less than the 33% of U.S. households – nearly twice the number as independents -- who have kids or grandkids under their roof.

Independent workers actually choose the path because they want to be their own boss, control their own schedule and sculpt their own professional path. They are careerists who have an average of 10 years experience working independently and use it to bring home a significant share of the household income. In 2012, 57% of the respondents reported that income from their independent gigs contributed over half of their total household income. Nearly 40% said that this income source accounted for at least 75% of household income.

Approximately 2.2 million independent workers each generate at least \$100,000 in annual revenue, with a mean revenue value of \$185,000.



Photo Credit: Mark Regan.

Independent Consultant, Ward Mannering of Virginia enjoys playing golf in his free time. [Read his story.](#)

## There are 2.2 Million \$100K+ Independents

Approximately 2.2 million independent workers each generate at least \$100,000 in annual revenue, with a mean revenue value of \$185,000. These highly productive independents share many attributes with their independent counterparts earning below \$100K, suggesting that a future path for more wealth creation exists across the independent population. Valuing the control (79%) and flexibility (79%) that independence provides is just a start. Four in 5 also really like being their own boss.

But there are key differences. These 100K+ independents are older (almost 2/3rds are aged 50 or older) and have more experience as an independent worker than the average independent (almost 13 years vs. about 10 years). They also self-identify more strongly as business owners (37% vs. an average of 24%) and entrepreneurs (21% vs. 15%).

Not surprisingly, most choose independence (75%) and virtually all (97%) are either highly satisfied (85%) or satisfied (12%) with their work style. This group plans to stay independent (77%) or build a bigger independent business (10%). Only 3% plan on seeking a traditional job.

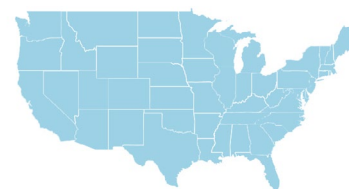
## INDEPENDENTS LIVE AND WORK EVERYWHERE

The story of independence is a national and ubiquitous story. Independent workers are found in all segments of the economy and across all US geographic regions.

With the spread of enabling technologies like the Internet, broadband and mobile, it is not surprising there is also no clear type of place in which independents work and live. Independent work can now be performed anywhere. More than 40% live in a city or close-in suburb, 30% in outer suburbs, and almost 30% in small towns or rural areas. Interestingly, rural independents see themselves as business owners more than other groups. They also exhibit characteristics that are similar to high-earning independents, whether they earn a lot or not -- suggesting the rural independent is a true pioneer making a conscious informed work choice, and not a marginalized sub-group.

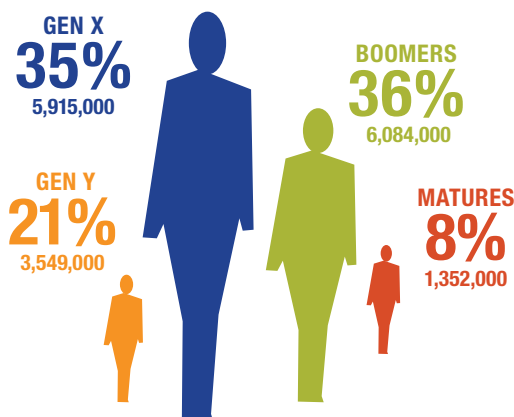
## INDEPENDENCE DEEPENS WITH THE GENERATIONS

There is no doubt that independence is both adopted and embraced by each workforce generation. Within the generations there are sub-groups with divergent experiences that inform and nuance the total picture of satisfaction and commitment. As a group, the generational data shows that the challenges



Independent workers are found in all segments of the economy and across all US geographic regions.

of working independently become more manageable with age, reputation, and work experience. It also illustrates that those who consciously choose and prepare for the path reap its greatest rewards. Each generation's unique experience leads to specific implications for jobs, worker satisfaction and preparedness for this new work model.



### Millennials Equate Independence with Economic Viability

Adult Millennials (ages 21-32) – also called Gen Yers -- are facing a new bare bones economy where industry expertise is expected but job training is in short supply. While 83% indicated that choice played at least some role in adopting the independent work path, Gen Y is less likely to have chosen independent work completely (40% vs. 61% of others). Gen Yers want to do what they love and they value flexibility, but they also face high levels of unemployment. Twenty-five percent listed an inability to find permanent work as a reason for going independent. Nearly a third – 29% – turned to independence as their first job after school. They also were more likely to feel this work style would help them gain certain skills to advance their career (34% vs. 13% other age groups).

Gen Y independents are motivated by income, lifestyle, opportunity and a search for happiness. Approximately half want or need to earn more money (vs. a third of other ages); close to a third (30% vs. 20%) were offered an independent work opportunity by an agency, partner or colleague; 58% were searching for greater flexibility (vs. 46% for other ages), and 32% left a job they were unhappy with (vs. other ages at 26%).

While Gen Y likes the flexibility that comes with independence, they see a high level of uncertainty with independent work. Close to 60% report that they're concerned about their project pipelines, ongoing income stream and job security. Gen Y's social approach to work is also a factor, with 23% (vs. 7% for other ages) reporting that they feel isolated working on their own.

While 65% are highly satisfied, less than half -- 43% -- plan on staying independent. Interestingly, about a third of Gen Y workers state that they desire a traditional permanent job (31% vs. 11% of others) and list earnings, income predictability, benefits and easier work hours as main reasons for shifting to traditional permanent employment.

Taking the path of independence for twenty-somethings appears to be less an act of passion and more a realistic step in navigating the current economy.

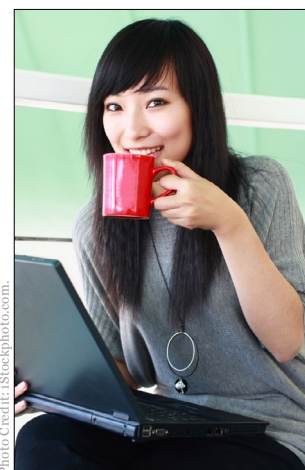


Photo Credit: iStockphoto.com.

65% of Millennial independent workers say they are highly satisfied.

**TAKE OUR ARE YOU READY TO GO SOLO? QUIZ >**

This generation feels torn over opportunities and challenges they find in independent work. And it shows: Roughly a third of Gen Yers say they love independent work and would never go back to a traditional job; a third want to return to permanent employment; and a final third lie somewhere in between. Taking the path of independence for twenty-somethings appears to be less an act of passion and more a realistic step in navigating the current economy.

### Gen X Independents: Not Just Autonomy and Satisfaction

No longer the “Reality Bites” generation, Gen Xers (ages 33-49) are now hitting their stride in today’s you’re-in-charge economy. This unique generation came of age in a time of economic growth and opportunity and faced the least amount of unemployment. Tooled with skills, experience and professional networks, they are finding the path of independence less risky and easier to navigate than other cohorts.

**Choice:** Gen X is more likely than any other generation to have chosen independence completely (68% vs. 51% others). Three-quarters are highly satisfied and 64% plan on staying independent. They’ve walked away from unhappy jobs (29% vs. 24% others) on their path to independence and desire work/life flexibility (57% vs. 45% others). Very few Gen Xers have chosen independence due to economic hardship. Less than 4% struggled finding work when they entered the workforce and only 8% said that being unable to find a permanent job factored into their decision to go independent.

**A Business Requirement:** More than any other generation, Gen Xers feel they are riding the wave of structural change in the economy. Close to a quarter (23% vs. 16% for others) chose independence because their industry increasingly relies on the independent workforce. A majority (58% vs. 39% others) feel that independence allows them to better control their career. Gen Xers also report that independent work enables them to have a greater variety of projects and tasks than they would have at a regular job (41% vs. 24% others). They see the professional value of independence and acknowledge this work style as a growing trend in the U.S. economy.

**More than the Moolah:** With the exception of Seniors, Gen X is the least likely to choose independence for the money (28% vs. 38% others). When asked what their single greatest motivation was for becoming independent, they respond hands-down with “Do what I love” (36% vs. 19% other groups). This escalates to 64% (vs. 49% others) when “Do what I love” was considered as one of the key reasons for becoming independent.

## REASONS GEN X GO INDEPENDENT

- ✓ They chose the path for more flexibility.
- ✓ They feel it will soon be a business requirement.
- ✓ They want to do what they love.



Photo Credit: Shutterstock.

36% of Gen Xers go independent to “Do what I love” compared to 19% among the other cohorts.

For a generation known as change-makers and optimists, the independent path allows Boomers to shed the weight of work politics and steer their own destiny.



Photo Credit: Corbis Images.

Despite the economic recession, 58% of Boomers chose to become independent.

**READ: 2011 THE STATE OF BOOMER INDEPENDENTS ≥**

**Mature Independents rank second only to Boomers on entrepreneurship.**

## Boomers are Looking for More, Tired of the Man or Can't Get Work

Boomers (ages 50-66) chose independent work because they're fed up with the politics and lack of security in the traditional workplace. Before they became independent, they felt browbeaten and insecure, even if they had a job. Over half – 54% – said that the worry of workplace politics played into their decision to go independent (vs. 41% others). One out of 4 indicated that they faced a job loss prior to working independently, but only 1 out of 7 considered themselves necessitypreneurs who became independents because they couldn't secure a permanent job.

**A Considered Decision and Path:** Yet in spite of these recent economic pressures, 58% of Boomers chose – rather than fell into – independence. In fact, close to 65% of Boomer independents have worked as an independent for more than 10 years. For a generation known as change-makers and optimists, the independent path allows Boomers to shed the weight of work politics and steer their own destiny. In fact, of all age groups, Boomers are the most likely to choose independent work so that they can control their own schedule (75% vs. 63%) and be their own boss (19% vs. 8%). They are also entrepreneurs: 58% have a solo business or have begun hiring employees. Close to 40% of Boomer independents describe themselves as business owners and report that choosing independent work was a conscious and planned path to start their own business.

Once Boomers work independently, they rarely turn back to traditional employment. They like being in control of their career and their life. A solid majority – 68% – is highly satisfied with the work style; 71% plan on staying independent; and 11% plan on building bigger businesses. Only 8% plan on seeking a permanent part- or full-time job in the future.

## Mature Independents Work on Their Own Time and Terms

The majority of mature independent workers (67+ years) exercise the on-my-own-time and in-my-own-way mantra of independent work. Less than half (42%) work full-time, compared with 57% of younger cohorts. Control over one's own schedule (79%) and more flexibility (63%) were two important reasons for choosing this personalized work style. Half of Matures chose independent work without external factors pressuring them, and 26% report that they reached a level of financial security that allowed them to work on their own. Over a third (38%) wanted to continue working post-retirement, while 24% found that they needed to work after retirement.

**Committed Solopreneurs:** Mature Independents rank second only to Boomers on entrepreneurship. Almost 30% describe themselves as business owners. A

third see independence as a way to control their career and reduce work hours. While only 2% of Matures plan on growing their business, a robust 71% plan on continuing as an independent or small business owner. No one has eyes set on full-time work; 11% expect to retire over the next 2-3 years; and only 7% plan on seeking a permanent part-time job in the future.

**Aging Their Way:** Independent workers age 67+ workers feel more secure working independently (52% vs. 38% others). They are familiar with this path: close to half (49%) have worked as an independent or run their own business for at least 16 years. These mature independents are not slackers: About 30% have post-graduate or professional degrees, 54% have courses or special certification that is necessary for their work, and 62% bring decades of relevant industry experience and expertise to the table.

## THE CHALLENGES OF INDEPENDENCE

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Independent workers are solopreneurs. There is no employer providing a steady income, benefits, retirement programs and job security. They are on their own and responsible for all aspects of their professional lives. Yet most still prefer independence, with 75% stating they will stay independent or build a bigger business. This is consistent with the 2011 survey results, which also found roughly 75% plan to stay independent or build a bigger business. Only 13% stated that they would rather have a regular, permanent traditional job than be on their own. This is down from 19% in 2011.

Independents understand they are responsible for their careers and like it. Yet while independent workers are satisfied, they are also acutely aware of the challenges, risks and responsibilities they face. Issues that throw uncertainty into their personal and professional lives surface as the most significant burdens for this workforce.

According to the 2012 survey, the top three sources of concern are: a lack of predictable income (55%), worry about job pipeline (40%) and planning for retirement (40%). Other key burdens include: concerns about benefits (37%), lack of job security (36%) and marketing challenges (32%).

It's interesting to note that the 2012 survey results show an overall decline in the concerns with being independent compared to 2011. This is reflected by the improvement in the Challenges Sub-Index, which measures the combined, year-over-year changes in the top challenges associated with being independent. The Challenges Sub-Index improved by 6.4 points in 2012.

**Choosing the Risks for the Rewards:** Even though most have chosen this work style, independent workers consider their path riskier (86%) and less secure (61%) than traditional employment. But, surprisingly, a substantial and growing contingent

The majority of mature independent workers (67+ years) exercise the on-my-own-time and in-my-own-way mantra of independent work.



71% of Matures plan on continuing as an independent worker or a small business owner.

“INDEPENDENTS UNDERSTAND THEY ARE RESPONSIBLE FOR THEIR CAREERS AND LIKE IT.”

(39% in 2012 versus 33% in 2011) says that, in spite of additional risks and responsibilities, they feel more secure working independently.

#### Interviews with independent workers indicate three main reasons for this:

- First, because they're their own boss, many independent workers feel in control of their destiny and free from random corporate actions, such as layoffs, reorganizations, and relocations. They also feel they are no longer at risk from the behavior of bad bosses.
- Second, independent workers have multiple clients and feel more secure because they aren't tied to the fortunes of a single company.
- Third, many independents feel that, while their income may go down, they are unlikely to see their income go away entirely as it would if they were laid off from traditional employment.

Surprisingly, a substantial and growing contingent (39% in 2012 versus 33% in 2011) says that, in spite of additional risks and responsibilities, they feel more secure working independently.

This data reflects the continued breakdown in the traditional employment contract – the implicit agreement by which workers provided loyal service to their employers in exchange for job security, benefits like health insurance and pensions, job training and a chance for career advancement. As employers move away from this approach, self-employment and career independence look increasingly secure.



Photo Credit: fotolia.com

Roughly 25% of independents are unhappy. Another 25% are neutral about being independent.

#### Not All Independent Workers are Happy

While the majority of independent workers are highly satisfied and almost half (48%) said they will not go back to a traditional job, a sizeable group are either unhappy (roughly 25%) or neutral (roughly 25%) about being independent. The main factor behind the dissatisfaction is not choosing independence and instead becoming independent due to a job loss or inability to find a traditional job. Other indicators of dissatisfaction with independence include low income, difficulty finding work and strong concerns about the lack of job security and benefits.

The two groups least satisfied with independent work are younger adults (aged 21-27) and those close to retirement (aged 60-66). Both groups were hit hard by the Great Recession and have struggled with job loss and difficulties finding traditional employment. For example, just over half of those 21-27 year olds became independent because they couldn't find a traditional job (42%) or were laid off (13%). The numbers are similar for those 60-66 year olds: 30% cited being laid off as a reason for becoming independent and 22% reported being unable to find traditional employment.

Not surprisingly, these two groups are relatively dissatisfied with independence when compared with other independents in their generational cohort. Fifty-five

## TRENDS & SHIFTS

- ✓ **Traditional employment is less attractive**
- ✓ **It's cheaper and easier to become an independent**
- ✓ **Independent work is increasingly viewed as a viable and desirable career option**
- ✓ **Demographic and social shift are making independence more attractive**
- ✓ **There is a growing lack of appeal for traditional jobs**

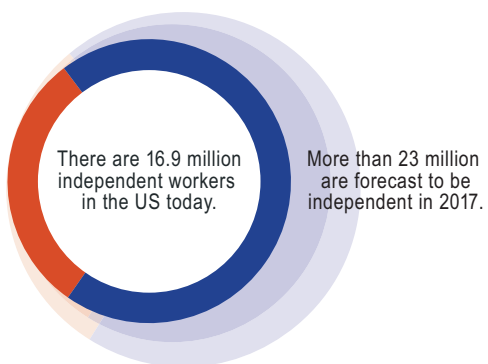
percent of these younger adults plan to seek traditional full (46%) or part-time (9%) employment. And while few 60-66 year old independents plan on seeking traditional full (3%) or part-time (2%) employment, interviews suggest this is due to the belief they cannot find traditional employment rather than satisfaction with independent work. If the structural shift to independent work continues, these two populations can most benefit from training and resourcing to assist them with counseling, access to training or business creation opportunities, and guidance on new, but different, long term career trajectories.

### Future of Work: The Wave of Independence Swells

It is expected that by 2017 the number of independent workers in America will grow from the current 17 million to more than 23 million. The main driver of this growth is a structural shift in employment practices. Instead of adding traditional employees, businesses are increasingly turning to independent workers to meet their needs.

There are several reasons for this shift. Using independent workers provides more workforce flexibility by offering a project-specific talent pool that can be scaled up or down depending business requirements. Improvements in technology have made it easier to for employers to find, hire and manage independent workers. The independent workforce is large enough that employers are confident they can find the talent and skills they need on a temporary basis and using independent workers is often cheaper.

It's not just employers who see the advantages of independent work. A number of trends and shifts are resulting in a growing number of people going independent:



- **Traditional employment is less attractive:** With employers cutting benefits, eliminating job security and increasing workloads traditional employment has become less attractive. This is particularly true for talented and skilled workers in high demand occupations. As independent workers these people can often pick and choose their assignments, increase their work/life flexibility and make more money.
- **It's cheaper and easier to become independent:** The Internet and lower cost technologies have made it easy and cheap to go independent. The Web makes work more findable than ever before. As a solo worker or as a member of a virtual team, independents deliver expertise expeditiously.
- **Independent work is increasingly viewed as a viable and desirable career option:** Up until recently independent work was often seen as less desirable than a traditional job, or something you did in-between traditional jobs. No longer. Enough people have experienced and become successful as independent workers for the choice to be seen in a positive light.

## NEW THIS YEAR: THE MBO PARTNERS INDEPENDENT WORKFORCE INDEX

The MBO Partners Independent Workforce Index is a new component of the annual State of Independence in America report.

It consists of three sub-indices and 12 variables that together are designed to measure the strength of the independent workforce trend.

### THE SUB-INDICES ARE:

1. **The Interest and Participation sub-index** measures the change in the number of independent workforce participants and the interest in joining the independent workforce by non-independents.
2. **The Satisfaction sub-index** measures changes in the overall level of satisfaction with being independent.
3. **The Challenges sub-index** measures changes in how independent workers view the key challenges associated with being independent.

**Score:** The 2012 overall index score was 105.5. This is up 5.5 points from 2011, the base year for this index.

- **Demographic and social shifts are making independence more attractive:** Aging baby boomers, seniors, women, millennials and others are all seeing independence as a viable path for achieving work/life balance, optimizing flexibility and finding opportunities to do meaningful work.
- **A lack of appeal of traditional jobs:** The structural shift towards independent work, coupled with the weak economy and a volatile job market, means going independent is, in many cases, the best career option.

The 2012 study revealed that about 27 million American workers, 21 and older, who are not currently independent, are considering a shift to the independence. Although this is a large number of Americans considering independent work, it is down slightly from the 28 million in 2011.

In addition to a slight drop in the number of Americans considering a shift to independence, this group is taking fewer actions to become independent. In 2011, six-in-ten said they had taken some action (conducted research, talked to prospective customers, got tax advice, etc.). In 2012, only 42% had taken action.

Despite these declines, the number who reported completing start-up benchmarks that require a significant investment of time and/or money remained strong, only decreasing slightly versus 2011. For example, in 2011 14% reported they opened a business bank account. In 2012 12% reported they had. Similarly, 20% in 2012 reported writing a business plan versus 24% in 2011 and 10% in 2012 reported applying for a tax ID versus 13% in 2011.

This data reflects a continued strong interest and intent by many Americans to become independent. While most of these people will not lay claim to career independence within the next few years (aspirational survey questions on topics like these always lead to higher positive response rate than will actually happen), we believe there will be a net increase of roughly 6 million Americans in the ranks of independent workers by 2017.

Just as today, a subset of these workers will also go on to build bigger businesses and provide their services to all sectors of the economy, helping to spearhead a wider move toward micro, solo and overall entrepreneurship in the nation. Based on the survey responses in 2012, we believe 12% of independent workers aspire to build a bigger employer-style business, or about 2 million independents, making them a significant part of the US entrepreneurial movement.

All of the data used to construct the Independent Workforce Index comes from the annual MBO Partners State of Independence survey. See the Appendix of this report for the full methodology.

# APPENDIX

## THE STATE OF INDEPENDENCE SATISFACTION INDEX

### Methodology and 2012 Index Construction

The MBO Partners Independent Workforce index is designed to measure changes in the strength of the independent workforce trend. It is a multivariate index with 12 variables and 3 sub-indices.

The sub-indices are designed to capture the 3 key drivers of the independent workforce trend: (1) the number of people participating or considering participating in the independent workforce; (2) satisfaction with being an independent worker; and (3) the challenges associated with being independent.

The Interest and Participation sub-index has an overall index weight of 50%. The satisfaction and challenges sub-indices each have an overall index weight of 25%. These weights balance an assessment of the shift in the numbers of independent workers and those considering independence with an assessment of the satisfaction levels and perceived challenges of being an independent worker.

2011, the inaugural year of the MBO Partners State of Independence study, is the index base year with an index score of 100. All data used to construct the index comes from the annual MBO Partners State of Independence surveys.

The sub-indices and variables comprising each sub-index are described below.

1. **The Interest and Participation Sub-Index** equal weights the year-over-year percentage changes in the number of independent workers and the year-over-year percentage change in the number of Americans who say they are likely to become independent.  
**This sub-index has an overall index weight of 50%.**
2. **The Satisfaction Sub-Index** equal weights the year-over-year changes in the percentage of respondents that are highly satisfied with independent work, year-over-year changes in the percentage planning to remain independent and year-over-year changes in the percentage planning to look for a permanent full-time job.  
**This sub-index has an overall index weight of 25%.**
3. **The Challenges Sub-Index** equal weight to the year-over-year percentage changes in 7 burdens/challenges associated with being independent. These are: concerns about income, concerns about retirement, worry about next job, concerns about benefits, lack of job security, concerns about marketing and worried about the future.

These 7 were chosen because they are the issues most identified as key concerns by survey respondents that also had high enough response rates to be significant.

**This sub-index has an overall index weight of 25%.**

## 2012 INDEX CALCULATION

### 1. INTEREST AND PARTICIPATION SUB-INDEX

	2011	2012	change
Number of independent workers	16 million	16.9 million	5.6%
Percent interested in independent work	14%	13%	-1%
<b>Sub-Index Total</b>			<b>4.6</b>

### 2. SATISFACTION SUB-INDEX

	2011	2012	change
Highly satisfied workers	58%	71%	13%
Workers who intend to stay independent	63%	63%	0%
Workers looking for a permanent full-time job	19%	13%	-6%
<b>Sub-Index Total*</b>			<b>6.3</b>

\*Equal weighted, workers looking for a permanent full-time job is an inverse variable

### 3. THE CHALLENGES SUB-INDEX

	2011	2012	change
Concerns about income	56	55	-1
Concerns about retirement	46	40	-6
Worry about next job	46	40	-6
Concern about benefits	45	37	-8
Lack of security	41	36	-5
Marketing myself	39	30	-9
Worried about future	40	30	-10
<b>Sub-index total*</b>			<b>6.4</b>

\*Equal weighting the above components gives an index score of -6.4 (-45/7). Since this is an inverse index, this becomes 6.4.

### 4. COMBINING THE 3 SUB-INDICES INTO THE MAIN INDEX:

The Participation and Interest sub-index score of 4.6 is weighted at 50% for a main index score of 2.3. The Satisfaction sub-index score of 6.3 is weighted at 25% for a main index score of 1.6. The Challenges sub-index score of 6.4 is weighted at 25% for a main index score of 1.6.

**The 2012 Workforce Index score is 105.5.**

## ABOUT MBO PARTNERS

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For more than 25 years, MBO Partners has led the \$250 billion-and-growing independent consulting sector in America. Our services make it easy for independent consultants and their clients to do business. For independent consultants, MBO Partners manages their entire business infrastructure. Our platform includes a proprietary process to handle contract administration, business insurances, health and retirement benefits, expense management, tax withholding, and more. We couple this with the benefits of direct vendor access into enterprises and the “white glove” attention of a dedicated business manager for every consultant. For organizations that use contract talent, the MBO Enterprise Solutions team provides a complete independent contractor aggregation and engagement offering, including compliance and payment solutions for 1099s, sole proprietors and micro-businesses. To learn more, visit: <http://www.mbopartners.com>.



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