

THE STATE OF INDEPENDENCE IN AMERICA



INDEPENDENT WORKFORCE INDEX

SEPTEMBER 2011

WELCOME TO THE “YOU’RE IN CHARGE” ECONOMY

MBO Partners’ inaugural *The State of Independence In America* workforce study identifies a surprisingly large and growing segment—16 million—of motivated, resilient, talented and successful workers who are taking charge of their lives by choosing to work independently. This is just one of the findings in a study that examines the state of independent work in America and provides the first national baseline for the MBO Independent Workforce Index to track trends and changes in the independent workforce over time.

While the current workforce picture is one of struggle, uncertainty and gloom, this study reveals key data behind the structural shift to a new age of career independence: more and more workers—both professionals and others—are migrating to independent work. These independents—consultants, freelancers, contractors, temps, on-call workers, etc—are satisfied with their work and lifestyle choice and are actively seeking to remain independent.

KEY FINDINGS FROM THE STUDY INCLUDE:

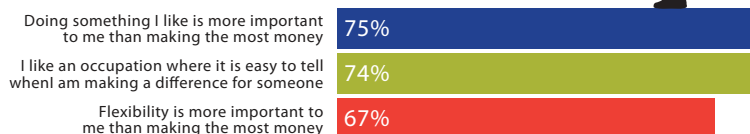
- **Independence resonates with the country:** The new “take charge” independent workforce spans geographies, genders and generations. Independent workers are active in every state, women are more than half of all independents and adults from their Millennials to Seniors are becoming independent.
- **Independent workers are satisfied:** Close to 80% of independent workers indicate they are highly satisfied (58%) or satisfied (21%) with their work situation. Only 11% expressed dissatisfaction with their work situation.
- **Independent workers are committed:** Debunking a popular misconception that workers are forced into independence due to job loss or lack of

KEY FINDINGS:

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- ✓ Independent workers are satisfied
- ✓ Independent workers are committed
- ✓ Independence comes with responsibility

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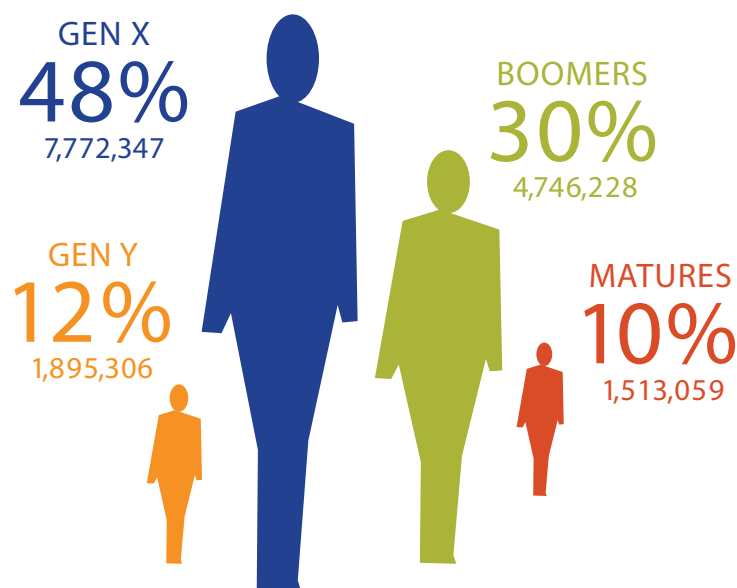
58% of independent workers are highly satisfied...



alternatives, more than half of independent workers (55%) say it was their proactive choice to become an independent worker. Further, 75% indicated that they will either continue as an independent worker (63%) or else build their solo operations into employer businesses (12%). Only 19%—just one in five—plan on seeking a traditional job over the next 24 months.

- **Independence comes with responsibility:** While independent workers are satisfied, they are also acutely aware of the challenges, risks and responsibilities they face. Independent workers are challenged by their uncertain income stream (56%), concerned about retirement (46%) and worried about a lack of job security (41%).
- **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 grow to more than 20 million over the next two years.

WHO ARE THE INDEPENDENT WORKERS IN CHARGE OF THEIR DESTINY?



The study shows a surprising demographic profile of the 16 million independent workers in the US today. Of those 21 and older and working at least 15 hours a week, 12% are Millennials, 49% GenX, 30% Boomers and 10% Seniors (65+). Unlike the small business segment where men still dominate the ownership stats, the independent workforce is almost evenly shared by both women (53%) and men (47%).

Independent workers are found in all segments of the economy and across all US geographic regions. For the US as a whole, there is surprisingly little dominance in any particular field of specialty. The top three occupations identified through the survey are: creative/design (9%), consulting (8%) and education/training (7%).

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Spirit of Independence Flows Across Generations

Many of the motivations and attitudes about being independent are consistent across generations. Whether aged 21, 70, or somewhere in between, most independent workers are satisfied and committed to stay independent. Across all age groups, they value the control and flexibility independence provides and like being their own boss. But generational data also indicate differences by age group, varying life cycle choices and the effects of a recessionary economy.

Adult Millennials (ages 21-29) entered the workforce during the Great Recession and face higher unemployment and underemployment levels than other generations. Over 4-in-10 (41%) self-identify as ‘necessitypreneurs’ -- those unable to find employment who take charge and create independent work opportunities. Millennials are most likely to report being offered an independent job (33%) as a

INDEPENDENT VS. TRADITIONAL WORK

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47% Male 53% Female

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reason for becoming independent. This reflects the shift to contingent employment and the growing use of employment “try-outs” prior to being offered permanent employment.

Gen X (ages 30-49) is the largest independent worker cohort and faces the pressures and responsibilities associated with middle age. Not surprisingly, they are by far the most likely to mention needing time with kids as a reason for becoming independent (21%). Gen Xers are also most concerned about an uncertain income stream (65%) and planning for retirement (49%).

Baby Boomers (ages 50-64) are the 2nd most satisfied cohort (86% highly satisfied or satisfied) and only 8% plan on seeking traditional employment. They are more likely than average to feel challenged and motivated (61%), able to make an impact (56%) and in control of their lives (60%). Boomers are also less worried about the future (26%) and planning for retirement (22%) than the average independent. This reflects the age, experience and financial success of this group. Boomers are the most financially successful cohort, with an average income of about \$77,000.

Seniors (ages 65+) are the most satisfied cohort (96% highly satisfied or satisfied). They report being challenged and motivated (67%), in control of the life (73%) and constantly learning (60%). Almost none plan on seeking a full-time job (less than 1%) and few are worried about their future (11%). Reflecting their interest in controlling their own schedule (81%) and having work flexibility (67%), Senior independents are most likely to work part-time (49%) and, of course, report being independent to supplement their retirement income (54%).

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Independents Deliver Experience and Expertise

While the study depicts a typical independent as a 30-49 year old, the independent workforce is generationally diverse and rich with experience. Nearly half have a college degree and have been working independently for almost 9 years. Seven out of ten independent workers are expert workers, reporting their occupation requires specialized training, skills or education. Half (50%) also report industry expertise or experience is required in their work. This data illustrates the broader shift towards knowledge-based work and the important role that skills, education and experience play for independent workers.

Significant intellectual engagement is evident in the independent workforce statistics from the survey. For example, over half (55%) of independent workers



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WHAT DRIVES INDEPENDENT WORKERS TO BE RESPONSIBLE FOR THEIR OWN CAREERS?

Independent workers crave control of their schedule and career path, want work/life flexibility and enjoy their work. A large segment is very entrepreneurial. The study indicates that the top three drivers for becoming independent are a desire for greater work life flexibility (47%), a need/desire to earn more money (36%), and a conscious planned decision to start a business (29%).

Despite the widely held view that most independents have been laid-off or fired from their prior jobs, only 24% listed a job loss (lay-off, termination or closure) as a reason for becoming an independent. Also interesting is 19% said a reason for becoming independent is their industry is moving to independent workers. This data reflects the broader trend towards industries and companies shifting to contingent workers instead of full time employees.

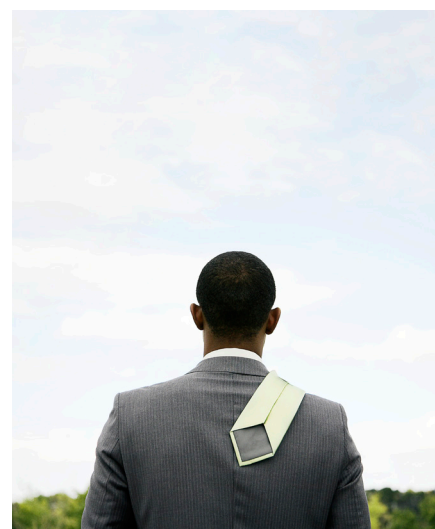
For Love of Freedom, not Money

The American independent is empowered not by money but rather by passion for the work they do and the contributions they make. Seventy-five percent of independents overall stated that doing something they love is more important than making money while 74% stated that they want a job where they know they are making a difference. Feeling in control of one's destiny, challenged and motivated and able to make an impact are the feelings associated with working independently.

Survey data also indicates that independents cherish a scarce resource: time. Over 74% report that flexibility is more important than making the most money. Close to 60% always wanted to be their own boss and almost half (48%) said that they didn't like having a boss. Autonomy clearly plays an important role in the lives and choices of independents.

reported being challenged and motivated, and 52% say they are constantly learning. Few independent workers report that they are bored (6%), trapped (6%) or stagnating (8%) – a sharp contrast to the high levels of unhappiness and disengagement being reported among traditional employees.

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Independents Value Independence More Than They Expected

Once independent workers start down the path of independence, they are, for the most part, committed to the journey. Survey results indicate that independents value on-my-own-time autonomy, work/life flexibility and career independence even higher after they've worked as an independent. The top reasons for continuing to work as an independent - control my own schedule (64%), more flexibility (62%), like being my own boss (52%), do what I love (52%)—all score higher than they did as reasons to become independent.

Interviews with independents indicate several reasons for this. Most independent workers underestimate how much they will enjoy the flexibility and freedom independence provides prior to becoming independent. They also tend to underestimate the satisfaction that comes with being your own boss and controlling your own destiny. Another factor is people who became independent due to factors beyond their control (job loss, family issues, etc.) tend to be pleasantly surprised by the advantages of independent work.



Solopreneurs prefer working on their own even though this means less security.

THE BURDEN OF EMPOWERMENT: WITH INDEPENDENCE COMES RESPONSIBILITY

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 they still prefer independence, with 40% stating they will never go back to a traditional job. Only 19%—just one in five—stated that they would rather have a regular, permanent traditional job than be on their own.

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 survey, the top three sources of concern are: not enough predictable income (56%), worry about job pipeline (46%) and planning for retirement (46%). Other key burdens include: setting boundaries on work so that it doesn't become a 24/7 commitment (32%), managing business details (28%) and collecting on accounts receivables (12%).

Even though most have chosen this workstyle, independent workers consider their path riskier (81%) and less secure (66%) than traditional employment. But, surprisingly, a substantial contingent (33%) says that, in spite of additional risks and responsibilities, they feel more secure working independently.

Interviews with independent workers indicate three 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. Second, independent workers have multiple clients and feel more secure because they aren't tied to the fortunes of a single

CONTROL YOUR DESTINY

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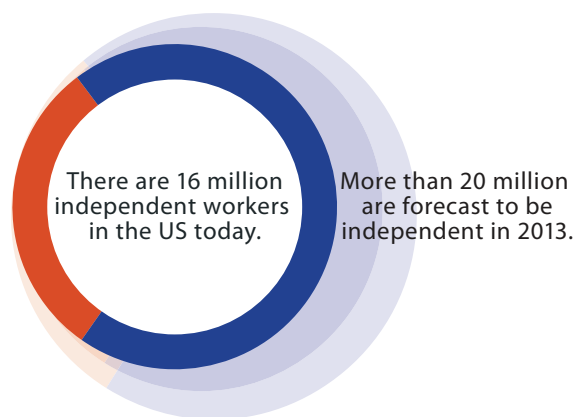
company. Third, many independents feel that, while their income may go down, they are unlikely to see their income go away entirely as it would if they were laid off from traditional employment.

At present, there is no consistent historical quantitative data available to measure changes in these attitudes. However, based on past qualitative interviews and focus group studies, it's likely the percentage of independent workers that feel more secure has substantially increased over the past few years. Moving forward, the MBO Partners Independent Workforce Index will provide quantitative data to better understand and map this trend.

THE WAVE OF INDEPENDENCE SWELLS INTO A NEW WORLD OF WORK

It is expected that by 2013 the number of independent workers in America will grow from the current 16 million to over 20 million. A number of trends and shifts are driving this growth:

- **A lack of traditional jobs:** Instead of adding traditional employees, businesses are increasingly turning to independent workers to meet their needs. Technology makes it easier for employers to find, hire and manage independent workers on an as-needed basis. Equally important, an independent workforce provides businesses with more agility by offering a flexible, project-specific talent pool and is often cheaper. As a result, becoming independent will be the best, and in many cases, only option for many.
- **A lack of satisfaction with traditional jobs:** The 1970's catch phrase “take this job and shove it” has taken on a new meaning as employers cut benefits, eliminate job security and increase work loads. These factors combine to make traditional employment less attractive.
- **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.
- **Demographic and social shifts are making independence more attractive:** Aging baby boomers, seniors, women, millennials and others are all seeing independence as an increasingly viable work option. Increasing interest in achieving work/life balance, optimizing flexibility and finding opportunities to do meaningful work are leading to growing numbers of independent workers.



These factors are leading a large and growing number of Americans to consider independent work. In fact, the study revealed that 28 million American workers, 21 and older, who are not currently independent, said they are considering a shift to the independent workforce within the next two years. About 14 million said they were definitely going to become independent and about 14 million said they were probably going to become independent.

This group is not just thinking about becoming independent; six-in-ten have already taken action to join the growing wave of independents. One-third has conducted research, and two-in-ten have talked to prospective clients or gotten advice on business issues.

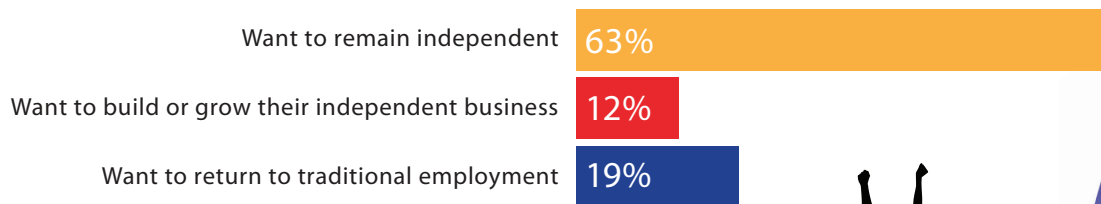
More importantly, many of those seeking the independent path report completing start-up benchmarks that require a significant investment of time and/or money. For example, almost one in four (23%) have prepared a business plan, 20% have prepared marketing materials, 14% have built a business website, 14% have opened a business bank account and 13% have applied for a business tax ID.

This data reflects the interest and intent of becoming independent and the dissatisfaction with traditional jobs. While most of these people will not lay claim to career independence within the next two 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 4-5 million Americans in the ranks of independent workers by 2013.

TRENDS & SHIFTS

- ✓ **A lack of traditional jobs**
- ✓ **A lack of satisfaction with traditional jobs**
- ✓ **It's cheaper and easier to become independent**
- ✓ **Demographic and social shifts are making independence more attractive**

And 75% are committed to remaining independent...



ABOUT THE STUDY

Independent workers are defined as people who work at least 15+ hours per week in non-traditional, non-permanent full or part-time employment and includes workers who identify themselves as consultants, freelancers, contractors, self-employed, and on-call workers, among others. Two separate online surveys were conducted by Emergent Research and Rockbridge Associates in July of 2011.

1144 residents of the U.S. responded to the first survey and the results were used to size the independent workforce and define the interest in becoming an independent worker by the general population. The data were weighted to reflect the demographics of the U.S. and the margin of error for this survey is +/- 3%. 601 Independent Workers responded to the 2nd survey and the results were used to profile their characteristics and motivations. The margin of error for the second survey is +/- 4%.

In addition to the surveys, in-depth qualitative interviews were conducted with over 30 independent workers. These interviews supplemented prior interviews and focus groups done by MBO Partners and Emergent Research.

Unless otherwise noted, the data in this summary report comes from the surveys describes above. **For a copy of the study as well as additional reports, please go to <http://info.mbopartners.com/stateofindependence>.**

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