



# **MBO PARTNERS STATE OF INDEPENDENCE IN AMERICA 2015**

**FIVE YEARS OF INSIGHT ON THE GROWTH  
OF THE INDEPENDENT WORKFORCE**

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# THE NEW AMERICAN WORKFORCE: FLYING SOLO FEELS SAFER; LEAVES WORKERS IN MORE CONTROL THAN EVER BEFORE

*In a recovered economy, many Americans choose to forge their own career paths as Independents rather than tolerate the rigidity and uncertainty of traditional employment.*

## EXECUTIVE SUMMARY

The 5th Annual MBO Partners State of Independence study chronicles a large, vibrant, diverse, and economically powerful component of the American workforce. Independents are Americans of all ages, skill, and income levels who turn to freelancing, contract work, consulting, temporary assignments or on-call work regularly each week for income, opportunity and satisfaction. In the last five years, the number of independent workers in the U.S. has risen a solid 12%. In 2015, the number of independent workers aged 21 and over held firm at 30.2 million. And they are becoming a vital economic force. Over the past year, independent workers generated more than \$1.15 trillion of revenue. That sum, equal to nearly 7 percent of U.S. GDP, was up 5.8% from 2014 and is 26% higher than the 2011 total.

**The number of independent workers aged 21 and over held firm in 2015 at 30.2 million, despite expectations the independent workforce would shrink as the overall job market steadily improved.**

The rising ranks of both Full-Time Independents and Part-Time Independents increasingly assert that independent work is a satisfying choice that creates new income streams and diversifies household financial risk. Nearly 6 in 10 (58%) report that independent work was their choice completely. Independents testify that their career choices stem from a desire to have greater freedom, flexibility, control and purpose. Nearly half, 45%, report they make more money working on their own than they would in a traditional job. In fact, in 2015, 2.9 million of the 17.8 million Full-Time Independents (people who work as independents 15 or more hours per week) earned more than \$100,000, up 45% from 2 million in 2011.

Our report, the only annual study with five years of consistent trend data, shows the independent workforce is broadening and getting younger. The number of Full-Time Millennial Independents (21-35 years of age in our study) has grown from 1.9 million 2011 to 5.35 million in 2015 – a nearly three-fold increase. Millennials constitute 30% of the Full-Time Independent workforce.

This year, we gained new insight into the 12.4 million Part-Time Independents (people who regularly work independently between 1 and 15 hours per week). While most listed supplementing their income (61%) and/or earning more money (50%) as the reason they work as Part-Time Independents, 43% said they work to pursue a passion or interest. It is worth noting that our data does not specifically highlight the Occasional Independents, those who pursue freelance or independent work on an “as needed” or “as desired” basis from time to time but not on a regular basis. This population is estimated at an additional 11.9 million individuals in 2015 (up from 9.9 million in 2014). That brings the total of the adult independent workforce to 42.1 million in 2015, an increase of 5.7% over the 39.8 million in 2014.

As the on-demand economy develops, more Millennials join the workforce, and the infrastructure to support independent work grows, we expect these trends to continue. The 2015 study shows that about 13% of adult Americans (about 29 million) who are not independent workers are considering a shift to independence in the next 2-3 years.

Over the next five years we expect the number of Full-Time and Part-Time independent workers in America to grow by 25.4% to 37.9 million in 2020, which we estimate to be 30 percent of the private, non-farm workforce. Adding the category of occasional independents based on the same proportion as today, the projected total number of adults in America working independently will grow to an estimated 54 million or nearly 45% of the private, non-farm workforce.

## KEY FINDINGS

- The number of independent workers aged 21 and up stands at 30.2 million in 2015, divided between 17.8 million Full-Time Independents and 12.4 million Part-Time Independents.
- There are another 11.9 million occasional independents, bringing the total number of adults in America working independently (either on a regular or ad hoc basis) to 42.1 million.
- 2.9 million (or 16%) of the 17.8 million Full-Time Independents reported that they earned more than \$100,000, up 45% from 2 million in 2011.
- Only 9% of Full-Time Independents said they were doing independent work for reasons beyond their control, down from 15% in 2011.
- The single most-often cited factor for working independently was “the ability to control my own schedule.” (61%)
- 72% of Independents report “doing something I like is more important than making the most money,” while 65% say “flexibility is more important than making the most money.”
- Nearly half, 45%, report that they make more money working on their own than they would in a traditional job.
- In 2014, independent workers generated more than \$1.15 trillion of revenue—equal to nearly 7% of U.S. GDP.
- 16% of the self-employed workforce, or about 2.8 million, plan to build a bigger business over the next 2-3 years.
- By 2020, the number of independent workers in America is expected to grow to 37.9 million.
- In 2015, 43% of those currently working full-time as Independents report that they feel more secure working independently, up from 33% in 2011.
- The percentage of independent workers who are worried about their future has decreased markedly, from 40% in 2011 to 27% in 2015.
- Millennials accounted for 30% of Full-Time Independents in 2015—up from 12 percent in 2011.
- 64% of women said flexibility was a key reason they chose to become independent, compared with 53% of men.
- 43% of Part-Time Independents say they are working solo to pursue a passion or interest.

## MEET THE INDEPENDENTS

The 5th Annual MBO Partners State of Independence workforce study shows the number of independent workers aged 21 and over held firm in 2015 at 30.2 million, despite expectations that the independent workforce would shrink as the overall job market steadily improved.

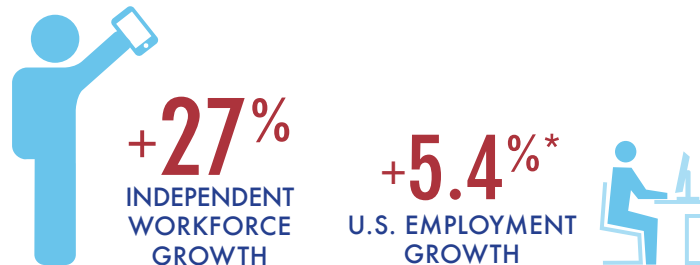
Since MBO Partners launched this annual research in 2011, the number of Full-Time Independents (defined as people who work 15 or more hours per week) has risen from 15.9 million to 17.8 million in 2015. Of those, nearly 64%, or two out of three, work more than 35 hours per week. The number of Part-Time Independents (those who work between one and 15 hours per week as Independents) grew more rapidly, rising 2.5 percent from 12.1 million in 2014 to 12.4 million in 2015.

The unemployment rate has fallen sharply, from 6.1 percent in August 2014 to 5.1 percent in August 2015. Through August 2015, the U.S. economy had added full-time payroll jobs for 59 straight months; since the low point in February 2010, U.S. employers have added 12.6 million payroll jobs. According to the Bureau of Labor Statistics, there were 5.75 million job openings at the end of July 2015. And yet independent work maintains its appeal. The independent workforce is growing at a rate that is more than four times greater the growth rate of the overall workforce.

The rising ranks of both Full-Time and Part-Time Independents increasingly assert that independent work is both an important income stream and a way to diversify their households' financial risk. They are disenchanted with the rigidity of work schedules and assignments found in traditional employment. And they are increasingly wary of the financial vulnerability of relying on a single employer relationship. As Independents hire, and work with, one another, the ecosystem and infrastructure buttressing such efforts continues to strengthen--providing further support for growth.

“Since MBO Partners launched this annual research in 2011, the number of Full-Time Independents (defined as people who work 15 or more hours per week) has risen from 15.9 million to 17.8 million in 2015.”

The independent workforce is growing more than five times faster than overall workforce growth.

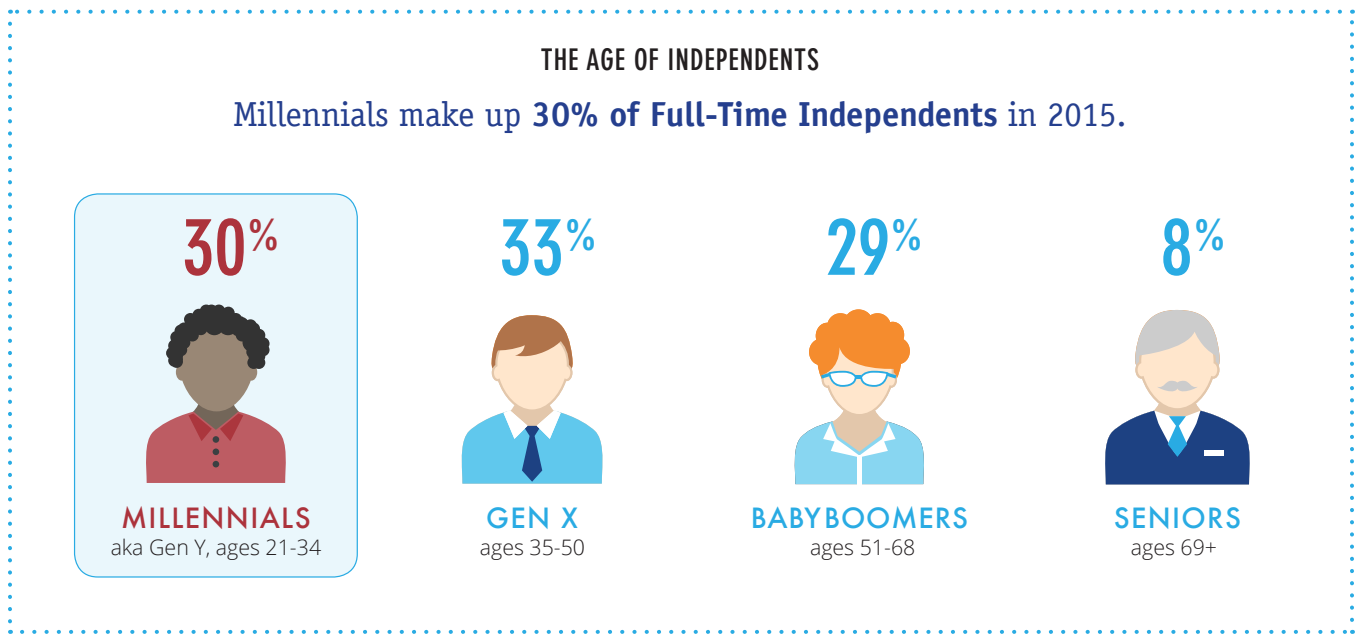


\*Bureau of Labor Statistics

The 2015 MBO Partners State of Independence study paints a three-dimensional picture of a diverse cohort. These are not just Uber drivers. Independents represent all ages, professions, educational levels and geographies, and work in a wide array of industries. They're actively contributing to virtually every sector of the economy. No one title fits the whole category; these Independents are contractors, freelancers, consultants, temps, self-employed, solopreneurs, side-giggers and on-call workers. They work anywhere from a few hours per week to 60-hour weeks, and earn incomes ranging from the low five figures into the mid six figures. And they tell us a wide range of factors motivates them. Some do it for fun and to supplement their income, while others do so because they have to. But most do so because it enables them to do the work they love, when and where they want to do it, and for the compensation they desire.

Full-Time Independents are found in all 50 states: about 40% say they live in urban and close-in suburban areas, 30% live in outer suburbs within commuting distance to a major city, and another 30% live in small towns or rural areas. By contrast, part-timers tend to be city-dwellers, with close to 6 in 10 in residing in urban areas or in close-in suburbs. A little over 20% of part-timers live in outer suburbs within reach of a major city, and only 19% live in small towns or rural areas. The big-city concentration among Part-Time Independents could be explained by a combination of the need for incremental income to offset the higher costs of living in cities and the greater concentration of businesses that need part-time labor in urban areas.

The age of Independents runs the full adult gamut, from 21-year-olds who have just entered the workforce to octogenarians who may still work more than 15 hours per week. As they mature, Millennials (aka Gen Y, ages 21-34) are carving out a significant niche in the workforce. Millennials comprise 30% of Full-Time Independents in 2015. With their immediate elders Gen X (ages 35-50) accounting for another 33%, these two younger cohorts form a solid majority (63%) of the independent workforce. While Baby-Boomers (ages 51-68) constitute 29% of the independent workforce, Seniors (ages 69+) are starting to choose full retirement over reduced hours; in 2015, Seniors account for just 8 percent of independent workers, down sharply from 15 percent in 2014.



## CONSISTENT OVER TIME: INDEPENDENT BY CHOICE

For the 5th consecutive year, well over half of Full-Time Independents say they chose to be independent and are very satisfied with their style of work. The fact that independent workers actively choose this path – and don’t fall into it by default -- is a very loud and consistent message of our research. Only 9% said they were doing independent work for reasons beyond their control, like downsizing, layoffs, or illness. That’s down significantly from the 15% who reported such motivating factors in 2011, when the economy was still beginning to heal. Nearly 6 in 10 (58%) report that independent work was their choice completely, with another 32% saying that personal choice played a significant part in the decision to work solo.

Independents tell us that their career choices stem from an impulse to have greater freedom, flexibility, and purpose. Regardless of the precise wording they use, the impulse speaks to a desire to have greater control over their lives and careers. This year, the top four reasons individuals cited most frequently as factors for working independently were: the ability to control my own schedule (61%), more flexibility (58%), like being my own boss (54%) and the ability to do what I love (48%).

Many independents reap higher compensation—the average Full-Time Independent earns more than the average traditional full-time American worker – and have more opportunity to choose to work on what they like. In fact nearly half, 45%, report they make more money working on their own than in a traditional job. And 3 out of 4 full-time Independents say they want to stay on their path.

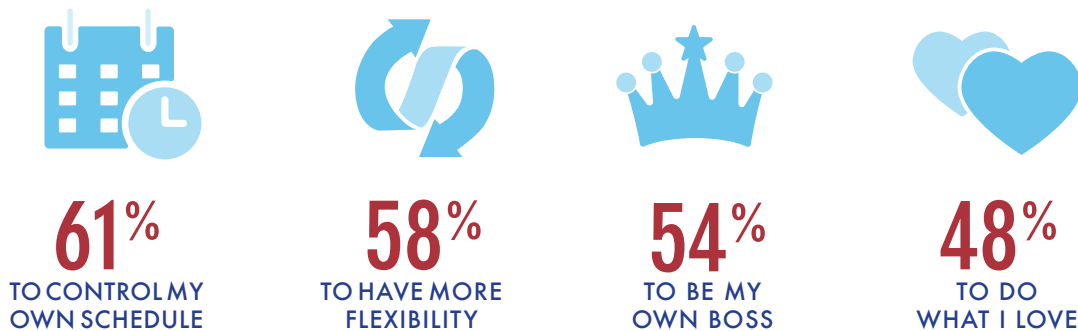
This leads to another interesting finding that recurs in every year of the study. Obviously, people are driven to work – and work hard – by the prospect of financial returns. But money isn’t everything. In fact, money just barely makes the Top 5 list of key factors for becoming independent. In 2015, only 38% report earning more income as a motivation – at least 20 points below those reporting the desire for more “flexibility” or to “control my schedule.”

In fact, 70% of all Independents we surveyed this year report “doing something I like is more important than making the most money,” while 65% say “flexibility is more important than making the most money.”

**“For the 5th consecutive year, well over half of Full-Time Independents say they chose to be independent and are very satisfied with their style of work.”**

#### WHY PEOPLE GO SOLO

This year, the top four reasons individuals cited most frequently as factors for working independently were:



### INDEPENDENTS GET WHAT THEY’RE LOOKING FOR

The 2015 data shows again that most Independents are getting what they want out of their work. On a 10-point scale of satisfaction, nearly 2 out of 3 respondents give a “highly satisfied” score of 8 or above. Only 2% said they are very dissatisfied, down from 4% in 2011. Even though this work style has its challenges, most Independents feel the advantages of being in control of their lives far outweigh the hurdles of building their own work opportunities.

**“Close to 80% reported that they were happier working on their own; and a solid majority—59%—indicated that working on their own was better for their health.”**

#### HEALTH & HAPPINESS ARE KEY

In 2015, for the first time, we asked about health and happiness in addition to satisfaction. And the results were overwhelming. Close to 80% reported that they were happier working on their own; and a solid majority – 59% – indicated that working on their own was better for their health.

Why is that? To an impressive degree, Independents report that their work isn't just a way to pay the bills. It's a means to invest in their future: 58% report they plan to continue as Independents, while 16% plan to build a larger business. The sense of optimism may be driven in part by the strengthening economy. But it also reflects the tenacity and can-do spirit that Independents possess. And it could also indicate that more flexible working arrangements leave Independents with greater opportunities to exercise and lead a healthy lifestyle.

Longevity and tenure are consistent traits for Independents. The average full-time Independent has been working solo for 8.8 years. The commitment and motivation to do what they love – along with high levels of satisfaction, health and happiness – run in stark contrast to the low satisfaction statistics found across the country today in traditional employment. According to the Conference Board's 2014 Job Satisfaction survey, only 47 percent of American workers said they were satisfied with their jobs.



## INDEPENDENCE SEEN AS SAFER AND MORE SECURE

One of the most interesting trends uncovered by our research is that a growing number of independent workers view independent work as more secure than traditional employment. Such a finding may have seemed paradoxical several years ago, but it is an intuitive conclusion today. And it marks something of a tipping point.

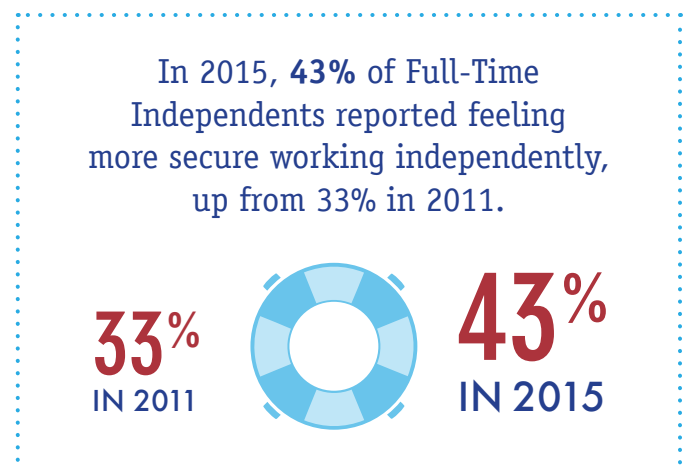
In fact, in 2015 less than half – 48% – said traditional employment was less risky than independent work; by contrast, in 2011, a majority (54%) still felt that traditional employment was less risky than working as an independent. In 2015, 43% of those currently working full-time as Independents report that they feel more secure working independently, up from 33% in 2011. For Independents earning more than \$100,000, that number jumped to 56% in 2015 from 49% in 2014.

A sizeable group of independent workers – 37% in 2011 and 32% in 2015 – believe that independent work is neither more or less secure than traditional employment.

Reflecting these shifting views on security and risk, the percentage of independent workers who are worried about their future has also decreased markedly, from 40% in 2011 to 27% in 2015.

Improving economic conditions no doubt contribute to independent workers' stronger sense of security. But there are several reasons why a growing group of independent workers think independence is becoming less risky and more secure, especially when compared to traditional employment.

The traditional stability of employment has declined, and it's increasingly up to the individual to ensure his or her own employment security. Disruptions, restructurings, mergers, downsizing and business failures—all of which can result in sudden job loss – are relatively common occurrences. The primary reason independent workers give for their choice is that working for themselves means they are not under the control of a single employer or boss. Because they have multiple clients and/or revenue streams, they feel they are much less likely to lose all of their income in one fell swoop. As the shifting of risk from institutions to individuals continues,





“As the shifting of risk from institutions to individuals continues, people are increasingly tuning in to the fact that independence allows them to spread employment risk across multiple sources and streams of income.”

people are increasingly tuning in to the fact that independence allows them to spread employment risk across multiple sources and streams of income.

Independents cite other reasons for feeling more secure on their own: freedom from office politics and the vagaries of a mercurial boss; limited risk of losing a job due to uncontrollable corporate actions such as mergers or large layoffs; and more flexibility to adjust as economic conditions and/or opportunities change. Put another way, many Independents feel they are better off being in control of their careers and livelihoods rather than ceding this responsibility to an employer.

Independents may be finding greater comfort in the prospect of choosing their path because of the growing support infrastructure of products, services and programs that make it easier, cheaper and less risky to become independent. The MBO Partners business operating system for the solopreneur is one example. Others include low-cost cloud-based tools for collaboration, professional development and business development. The fact that health insurance was often tied to payroll employment often acted as an inhibiting factor against independent work. But the Affordable Care Act, which set up exchanges and subsidies to help individuals purchase policies, has removed that obstacle for many Independents.

## HIGH-EARNING INDEPENDENTS

The number of High-Earning Independents – defined as those making more than \$100,000 per year – has skyrocketed over the past 5 years. In 2015, fully 2.9 million full-time independents – 16% – fall into this category. That’s up dramatically from 2 million in 2011. From 2011-2015, the number of independents earning \$100,000 or more grew by about 45% – that represents a compound annual growth rate of about 7.7%. Independents continue to prove that self-guided careers can provide significant earnings that, in turn, yield a strong contribution to the national economy. In this year’s study, high earners reported mean revenues of \$192,000, up 4% from 2014.

While the six-figure-earning Independents share many attributes with lower-earning independents, this slice of the workforce exhibits different demographic characteristics. As in the traditional workforce, high earners are more likely to be men. While men and women are equally represented among the Full-Time Independents overall, 35% of the six-figure earners are women and 65% are men. High-earners are also more likely to have more experience. Only 1 out of 10 full-time Independents working as an independent for less than 2 years makes more than \$100,000. Yet for those with more than 25 years of experience, 1 in 4 ranks in the over \$100,000 category.

Several factors are driving the impressive growth of High-Earning Independents:

- Consistent economic growth is creating more opportunities for independent workers in all industries, but particularly for those in high-growth industries such as technology, biosciences and finance.
- The shift to contingent workers by companies large and small is creating more work for independent professionals who serve businesses.
- Corporate “wars for talent” -- demand for highly skilled and/or specialized talent – in high-growth industries such as technology and healthcare, and in-demand job categories is leading to higher fees and increased revenue for many Independents.

Growing demand is causing more highly skilled people to choose independent work over traditional jobs. Our data shows most High-Earning Independents have been independent for at least 7 years and relatively few have been

independent for less than 2 years. But in each year of the study, we have seen growth in the number of new six-figure Independents who have been independent for less than 2 years.

These forces will lead to the continued growth of Independents making more than \$100,000 per year. We forecast that their numbers will reach 3.8 million by 2020.

## MILLENNIALS – THE WORK TO LIVE GENERATION

Within the rising group of increasingly confident Independents, we are seeing the formation of a powerful new bloc. Millennials, the 75 million Americans born between 1980 and 2000, have long been recognized as a force in popular culture and media. Now this cohort is increasingly asserting itself in the workplace. In 2015, Millennials surpassed Baby Boomers to become the second-largest independent worker generation after Generation X.

As they mature into the workforce, Millennials are pursuing independent career paths like no other group before. In fact, the number of Full-Time Millennial Independents (21-35 years of age in our study) has grown from 1.9 million in 2011 to 5.35 million in 2015 – a nearly three-fold increase. Millennials have grown from just 12% of the full-time independent workforce in 2011 to 30% in 2015. Already the largest generation in the overall workforce, Millennials will likely pass Gen X and become the largest independent worker generation within the next 2 years.

“As they mature into the workforce, Millennials are pursuing independent career paths like no other group before.”

Millennials are attracted to independent work for a variety of reasons. Like their older colleagues, they value the flexibility independent work provides as well as the opportunity to do work they enjoy. But they also stand apart, to a degree. Millennials see independent work as a way they can make a difference in the world. And their familiarity with technology allows them to pursue a wide range of independent work opportunities. For example, 1 in 5 Millennial Full-Time Independents self-describe as creative professionals, compared with only 1 in 10 of non-Millennial Full-Time Independents. Many of these young creatives are working online as web designers, writers and graphics professionals.

Most Millennials report they are quite satisfied with independent work. Forty-nine percent say they are “highly satisfied” (8 on a scale of 1-10) and an additional 24% report they are satisfied (7 out of 10 on that same scale). The high level of satisfaction is also reflected in the fact that 61% indicate they plan to stay independent either as solopreneurs (40%) or in order to build a bigger business (21%).

Despite these positive overall numbers, many more Millennials (29%) plan to seek traditional jobs over the next two years than non-Millennials (12%). This finding can likely be ascribed to younger workers’ relative lack of work experience and limited professional networks. In fact, Millennials consistently report being more challenged by independent work than other age groups do. These challenges include a lack of predictable income (reported by 57% of Millennials, compared with 48% of non-Millennials), a lack of job security (48% for Millennials, 28% for non-Millennials) and concerns about benefits (46% for Millennials, 30% for non-Millennials).

Also, many Millennials turn to independent work because they lack or are unhappy with other options. Millennials, it should be recalled, were the age cohort whose job prospects were most harmed by the Great Recession, and they are still feeling its effects disproportionately. One out of 4 Millennial independent workers is pursuing independent work because he or she can’t find traditional employment, 31% said they left jobs they were unhappy with, and 19% did so because they lost jobs. Millennials are also more likely to turn to temporary/on-call work (16%, compared with 8% for non-Millennials) and fixed contract work (21%, compared with 9% for non-Millennials). In both of these types of work, satisfaction ratings and a sense of personal control are typically lower than in other types of independent work. These factors help explain why 19% of Millennials have a higher comparative dissatisfaction rate with independent



**1 in 5 Millennials** self-describe as creative professionals, compared with only 10% of non-Millennials. Many of these creatives are working online as web designers, writers and graphics professionals.

work; more than double the 8% of non-Millennials who say they're dissatisfied.

Still, independent work fits well with the Millennials' desire to "work to live." Rather than balancing work and life, younger Americans are looking to integrate the two into one interesting journey where they present

the same "self" in all aspects of life. This impulse is evident in Millennials' persistent and pervasive use of social media to document both work and personal events seamlessly. To Millennials, events at work ARE their personal events. And this sensibility is trickling upward. More and more members of older generations are adopting this mentality for themselves.

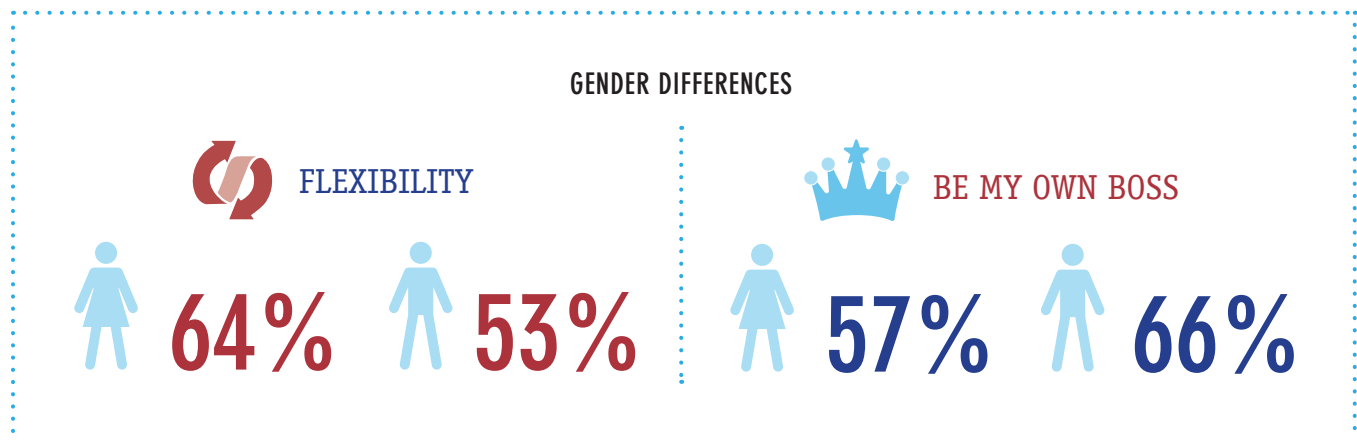
Despite the challenges, Millennials nonetheless seek work where they can both earn a decent living and be stimulated and fulfilled. They also enjoy the work/life flexibility independence provides. As a result, we expect the number of Millennials seeking independent work will continue to grow.

## WOMEN – PERSONAL FULFILLMENT & FLEXIBILITY ARE KEY

Gender-based differences add additional facets to our understanding of the independent workforce. Women and men decide to go independent in roughly equal numbers. This is a common and significant finding for all five years of research. And it held again in 2015.

On one level, men and women tend to hold similar views of independent work. Their overall satisfaction with independence is about the same and they plan on staying independent at similar rates. Men and women also have consistent views on the challenges associated with being independent, although more women report being challenged by a lack of predictable income (56%) than men do (47%).

But there is one area where men and women's attitudes differ significantly. Women tend to value independence as a viable career path that leads to fulfilling work and that fits with their lifestyle at a higher rate than men. Men, on the other hand, tend to focus more on the positive attributes of being their own boss, being in control and maximizing their income.



For example, women are more interested than men in flexible work. Among women, 68% said flexibility is more important than making the most money, compared with 58% of men. In addition, 64% of women said flexibility was a key reason they chose to become independent, compared with 53% of men.

Women also indicate a greater interest in work fulfillment: 72% responded that “Doing something I like is more important than making the most money.” This compares to 63% of men who responded in the affirmative to the same question. And 78% of women – ten points higher than men — said they like feeling that they make a difference with their work.

Men are more likely (48%) to say they earn more working on their own than women are (41%). Men said they always wanted to be their own boss (66%) at higher rates than women (57%). Additionally, more men than women said they choose independent work to better control their career, by a 47% to 32% margin.

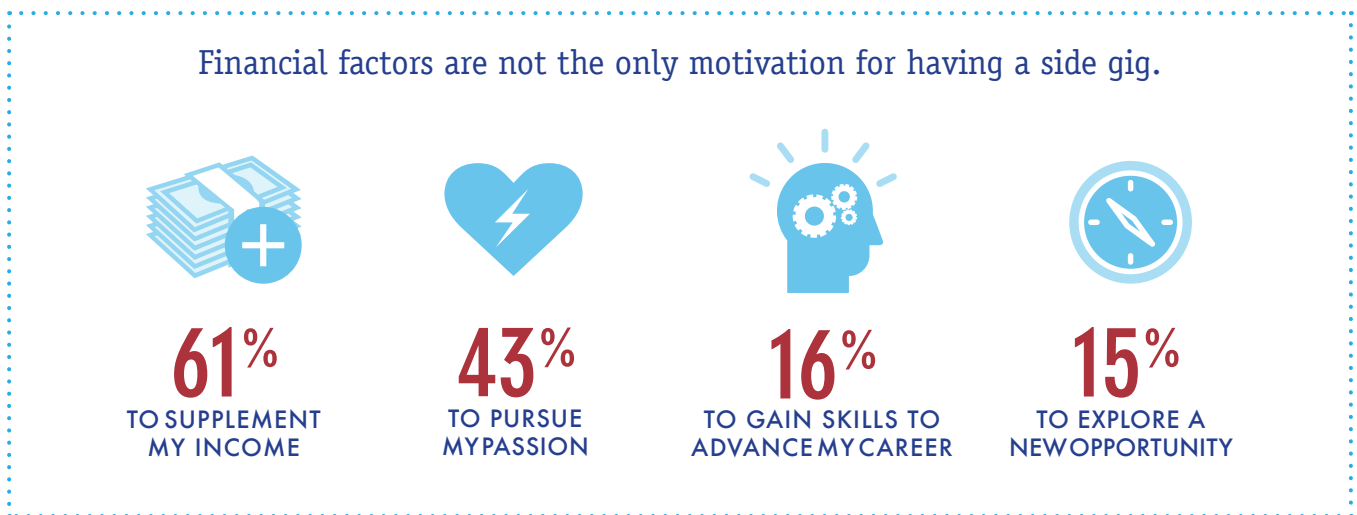
Far more women (20%) than men (9%) report being able to have time for children as a key reason for becoming independent. Men and women also differ when it comes to income. As a group, women earn less than men working independently. But women also report working less than men, with 59% of women working 35 or more hours per week while 71% of men work 35 hours or more. This difference in hours worked explains a significant amount of that income difference. It also reflects the greater emphasis women report placing on work/life flexibility and their need to spend time on non-work matters of importance.

## SIDE-GIGGERS: WORKERS IN SEARCH OF NEW EXPERIENCES & INCOME STREAMS

To provide further depth to our understanding of Independents, for the second straight year the MBO State of Independence in 2015 looked at Part-Time Independents – those workers are 21 and over who pursue independent work between one and 15 hours per week on a regular basis. The results are interesting: workers in America are increasingly turning to part-time independent work as an additional source of income, a way to learn new skills and an avenue for building a resume in a new area of interest.

In many ways, the 12.4 million people working as Part-Time Independents look a lot like the full-timers. Most chose to be independent (72%), are highly satisfied with their path (74%) and plan to continue as independent workers or build a bigger business (85%). Like their full-time counterparts, part-timers say they enjoy being their own boss and value the flexibility and control such work provides.

But there’s one big difference. Unlike the Full-Time Independents, almost three quarters (71%) of part-timers have jobs: 53% have traditional full-time jobs while 18% have part-time jobs. Virtually all (91%) part-timers report they



have a traditional job instead of relying entirely on their independent work because it provides a steady source of income. Other widely cited reasons for holding on to a traditional job include access to health insurance and other benefits (48%) and security (38%).

The fact that they have traditional jobs is the top reason Part-Time Independents work less than 15 hours independently in an average workweek; 34% cite this factor. Family obligations (26%), being retired and not wanting to work more (12%) and not needing to work more hours (36%) are other widely mentioned reasons part-timers cite for their status.

While most Part-Time Independents list supplementing their income (61%) and/or earning more money (50%) as the reason they work as a part-time independent, financial factors are not the only motivation. Over 4 in 10 (43%) report they're working part-time to pursue a passion or interest. The potential for further education, experience and exploring new opportunities also comes into play. About 1 in 6 part-timers (16%) reports working part-time to gain skills to advance their career, while a similar proportion (15%) is using part-time work to explore a new opportunity or business. Based on our interviews and focus groups, these last two reasons are becoming increasingly popular reasons for having a side gig.

Another interesting data point is that 1 out of 8 part-timers (12%) report having a side gig as "a back-up in case something happens to my regular job." This "lifeboat" view of independent work reflects the growing lack of job security associated with traditional employment. It may also be a driver for Part-Time Independents to diffuse economic risk by taking on more gigs and shifting to full-time independent work in the long run.

## THE UNSATISFIED INDEPENDENTS

The majority of independents report high levels of satisfaction with their style of work. But the feeling isn't universal. In fact, a meaningful chunk of the people we surveyed feel less enamored with independent work. These workers – the Unsatisfied Independents – report that they don't have control over their careers, their work, their work schedules or workplaces. Many of the people in this group, which comprises 28% of all independent workers, would prefer a full-time payroll job. Rather than seeing independent work as a personal business and developing a pipeline of business opportunities, they rely on task assignments from contingent employers, brokers or agencies to make ends meet. These task takers effectively work on the employer's terms, not their own – yet without an employer commitment to reliable work schedules, benefits and income. Rather than deriving a sense of empowerment from their work experience, they feel vulnerable and insecure.

Compared to the average self-employed worker, these workers are more likely to have become independent because of job loss (38%) or the inability to find a traditional job (44%), less likely to plan to continue as an independent worker (39%) and most (57%) report they would prefer a traditional job.

Those who have limited industry expertise, have worked less than two years as an independent worker and/or work as temporary workers or on-call workers are much more likely to fall into the Unsatisfied Independent category. Fixed-term contract workers, people employed via contract that lasts less than one year, can fall into this category when they do not feel in control of the contract terms, schedule and day-to-day regimen for which they've been contracted. Resigned to taking on tasks and schedules that offer little creativity or flexibility, they rely on this work for income because they can't find better options.

The share of Unsatisfied Independents fell slightly from 2014 (30%) to 2015 (28%). This is likely because the improving job market is allowing some of them to return to traditional employment.

## ECONOMIC IMPACT – INDEPENDENTS ARE AN IMPORTANT ECONOMIC ASSET

Whatever their age, earnings, feelings, or motivations, independent workers constitute a powerful economic force. Over the past year independent workers generated more than \$1.15 trillion of revenue. That sum, equal to nearly 7 percent of U.S. GDP, was up 5.8% from calendar year 2013 and is 26% higher than the 2011 total. In other words, the independent economy is growing far more rapidly than the economy at large. Independents are both local and global. They generated about 65% of their income, or about \$748 billion, locally over the past year. But they also often work beyond their local area. Revenue derived from outside their local area was about \$402 billion, with \$277 billion coming from outside their home state. Independents even contribute to lowering America’s trade balance deficit. In the past year, they exported \$38 billion worth of goods and services over the past year. To put this in perspective, this is equal to the total value of all U.S. exports to India in 2014.

### INDEPENDENT WORKERS ARE A MAJOR SOURCE OF NEW MULTI-EMPLOYEE SMALL BUSINESSES.

In 2015 16% of Independents, or about 2.8 million, reported they plan to build a bigger business over the next 2-3 years. This percentage has increased each year of the study and is up from just 11%, or about 1.75 million, in 2011.

Younger independent workers are much more likely to grow into employer small businesses than their older colleagues. For example, 21% of Millennial Independents and 19% of Gen X Independents report planning on building bigger businesses compared to only 9% of Baby Boomers and 5% of seniors. These life-stage and age differences make sense. Older independent workers have consistently reported wanting to work fewer hours, and have more free time and more work/life flexibility than younger Independents.

**More than one-half of all U.S. small businesses with employees started with a solopreneur.**

That many independent workers, and especially younger Independents, plan on becoming employers is not surprising. More than one-half of all U.S. small businesses with employees started with a solopreneur. And as these Independents morph into employer businesses, they will create millions of jobs. For policymakers, supporting the growth of solopreneurs as a path to employer business creation is a key takeaway of the five years of our research series. This group is growing and committed. And because they are self-starters, possess grit, and have years of relevant business experience, these solopreneurs may have a greater chance of success than first-time entrepreneurs would as they embark upon efforts to create new businesses.

### INDEPENDENTS HIRE OTHER INDEPENDENTS – AND OFTEN TEAM UP.

Being independent doesn’t always mean going it alone. In 2015 36% of independent workers reported spending about \$101 billion in the past year hiring other independent workers on a contract basis, up 9.8% from \$92 billion in 2014. This is roughly the equivalent of employing 2.4 million full-time workers via traditional hiring.

This data suggests we must look to independent work as not just a source of alternative income but also as a source of jobs. It also suggests there are a large (about 6.4 million in 2015) and growing number of “virtual small businesses.”

**In 2015 36% of independent workers reported spending about \$101 billion in the past year hiring other independent workers on a contract basis.**

Independents’ hiring of other Independents is part of a broader collaboration trend in the new economy. In essence, Independents team up with other Independents to pool their talents and address more complex challenges in the marketplace. Banding together with other Independents allows them to compete more effectively with larger firms and offer a broader range of services than they could individually. Teaming also gives Independents the ability to bid on larger projects than they would be capable of doing on their own.

These teams effectively constitute a new form of project-specific small business that operates with a flexible and agile staffing model. The size and nature of the team expands or contracts depending on project needs. Often run virtually with team members in different locations, these teams rely on the Internet, cloud computing and collaborative technologies to manage themselves and their projects. This combination of flexible staffing and the use of technology make independent teams very efficient and provide cost advantages over traditional businesses.

## THE FUTURE OF INDEPENDENT WORK: TRENDS & FORECASTS

By 2020, the number of independent workers in America is expected to grow from today's base of 30.2 million (17.8 million full-timers and 12.4 million part-timers) to roughly 37.9 million in 2020 (22.1 million full-timers and 15.8 million part-timers). This rate of growth, a bit over 4% at a compound annual rate, is more than 4 times faster than the expected growth rate of the overall workforce expected during this time frame.

Two broad shifts are driving this trend. First, businesses will continue to turn to independent workers to meet their needs for agility and flexibility due to an increasingly volatile, complex, competitive, and always-changing global economy. A variety of recent studies from multiple sources (Ardent Partners, Deloitte, Kelly Services, McKinsey Global Institute) are forecasting that companies large and small will increase their use of independent workers in the coming decade. Such rising demand will make this path more attractive to more workers, especially those with specialized and/or in-demand talent.

Second, people will continue to become more comfortable turning to independent work, especially the growing number of people looking for greater work/life flexibility, autonomy and career control. Two large generational cohorts who are at very different stages of their careers are expressing stronger interest in greater work/life flexibility and control – Baby Boomers and Millennials.

A vibrant demographic force for decades, Baby Boomers are aging out of the full-time workforce. Every day, approximately 10,000 Baby Boomers turn 65. But most Baby Boomers say they want to continue working – as long as they can do so on their terms. Aging Boomers recognize that independent work offers greater career and life flexibility, autonomy and control than what's found in traditional employment. Because of this, they will continue to turn to independent work in greater numbers. Simultaneously, Millennials have recently become the largest generation in the U.S. workforce and will likely become the largest independent worker cohort within the next 2 years. Millennials are expected to continue to turn to independent work in growing numbers for both the work/life integration it provides and the ability to pursue engaging work.

In addition to these two broad shifts, several other factors are driving the growth of independent work:

- A growing support infrastructure of products, services and programs is making it easier, cheaper and less risky to become independent.
- The rapidly growing on-demand economy, comprised of online apps and talent marketplaces/ private talent networks that connect independent workers with clients, will increase demand and make it easier for Independents to find clients.
- Despite an improving economy and the declining unemployment rate, stagnant wages, automation, and outsourcing, and economic uncertainty make it difficult for many people to find good, secure, traditional jobs.

Due to these trends, non-independent workers continue to show strong interest in becoming independent. Consistent with prior years, the 2015 study shows that about 13% of adult Americans (about 29 million) who are not independent workers are considering a shift to the independence in the next 2-3 years.

Most of these people will not declare career independence within the next few years--aspirational survey questions on topics like these always lead to a higher positive response rate than will actually happen. Still, these results show the strong, continued interest by Americans to join the ranks of independent workers.

## ABOUT MBO PARTNERS

MBO Partners is 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-imagining 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](http://www.mbopartners.com).

## ABOUT THE STUDY

The MBO Partners State of Independence in America research series is based on more than 13,000 in-depth surveys and hundreds of interviews conducted over the past 5 years. Independent workers are defined as those aged 21 years or older who self-describe his/her job status as one or more of the following: an independent consultant/contractor; self-employed; a freelance worker; a temporary worker; a fixed term contract worker; an on-call worker; a small business owner with fewer than 4 employees; and, regularly work as an independent in an average work week.

For the 2015 study two separate online surveys were conducted by Emergent Research ([www.emergentresearch.com](http://www.emergentresearch.com)) and Rockbridge Associates ([www.rockresearch.com](http://www.rockresearch.com)) in May of 2015. 1,065 residents of the U.S. responded to the first survey, and the results were used to size the independent workforce and define the interest in becoming an independent worker by the general population. The data was weighted to reflect the demographics of the US and the margin of error for this survey is +/- 3%. 1,565 independent workers responded to the second survey and the results were used to profile their characteristics and motivations. The margin of error for the second survey is +/- 2%. The 2015 survey results are generally statistically consistent with the survey results from the prior 4 years.



## GLOSSARY

**Baby Boomers** – The 75 million Americans born between 1946 and 1964, still a powerful force in the economy even as they age.

**Freelancer** – Another name for independent workers. Freelancers often work for customers or individuals rather than companies, sometimes pursuing multiple projects simultaneously, but this is not always the case.

**Full-Time Independents** – The 17.8 million Americans who work regularly 15 or more hours as independent workers in an average work week. Their average work week is over 35 hours/week.

**Generation X** – The 66 million Americans born between 1965 and 1980, the third largest demographic cohort in the U.S.

**Gross Independent Product** – The total revenues generated by the independent workforce in a given year. Currently, this totals \$1.15 trillion annually.

**High-earning Independents** – The 2.9 million independent American workers who report income of more than \$100,000 per year from their independent work.

**Independent Consultants** – Independent workers who perform strategic medium and long-term (more than one month) larger projects (over \$10,000) and who generally work across fewer companies sometimes only one at a time.

**Independent Contractors** – A legal term that indicates that the indicia of the work arrangement supports a compliant non-employer-employee relationship.

**Independent Workers in America** – The 30.2 million Americans (21 years or older) who work for themselves on a regular basis as freelancers, contractors, consultants, temporary and on-call workers and those working on fixed term employment contracts of less than 1 year.

**Job Makers** – Entrepreneurial independent workers who seek independence for opportunity and create, manage and control their own work assignments, work place and schedule. They do not want to be anyone's employee or seek entitlements from the companies that they work with.

**Micropreneurs** – Owners of small businesses employing fewer than 4 traditional full or part-time employees.

**Millennials** – Also known as Generation Y, the 75 million strong cohort of Americans born between 1981 and 1997, who are becoming a rising force in the labor market.

**On-Demand Economy** – The expanding number of companies, platforms, apps, and service providers that help link service providers and customers in a range of industries.

**Occasional Independent** – Someone who does independent work, but does not do so on a regular basis and/or in an average workweek.

**Part-Time Independents** – The 12.4 million Americans who work regularly between 1 and 15 hours per week as independent workers in an average work week.

**Side-giggers** – Part-time independent workers who also have some other primary activity such as having a traditional job, going to school, caregiver, etc.

**Solopreneurs** – Business owners that work on their own without traditional employees.

**Task-takers** – Independent workers who rely on task assignments from companies, brokers, or agencies due to the nature of their industry and do not have control over when, where and what kind of work they do.

**Unsatisfied Independents** – Independent workers who would prefer a traditional job.

**Virtual Small Businesses** – Firms or teams of independents that form around project work and look, act and behave like traditional small businesses – including employing workers – but hire their workers on a contract basis instead of as traditional employees.

