

The State of Independence in America

2019: The Changing Nature of the American Workforce

FULL-TIME INDEPENDENTS EMERGE AS A PERSISTENT, CONFIDENT, AND TECHNOLOGICALLY SAVVY CORE

The MBO Partners State of Independence report presents an annual snapshot of a rapidly evolving and increasingly important component of the U.S. economy: the independent workforce. In 2019, the 9th annual report and the industry's longest running comprehensive study shows that the independent workforce is strong and confident.

Independents are the 41 million adult Americans of all ages, skills, and income levels—consultants, freelancers, contractors, solopreneurs, temporary, or on-call workers—who work independently to build businesses, develop their careers, pursue passions, and/or supplement their incomes. Together, they combine to make a powerful economic force. Over the past year, independent workers generated roughly \$1.28 trillion of revenue for the U.S. economy—equal to about 6.28 percent of U.S. GDP (2018), or the entire economic output of Spain.¹



Significant cyclical and structural forces influence the desire, need, and ability of people to engage in independent work. In 2019, the total number of independents was essentially flat, at 41.1 million, compared with 41.8 million in 2018. Powerful structural forces shaping the world of work, including technological advances, the growth of marketplaces, and companies' continued need for both talent and flexibility, are providing support and structure for the large and stalwart core of Full-Time Independents—those working more than 15 hours each week—who chose this path and wish to stay the course. This core of independents remains stable, which signals that even in the midst of a historically tight payroll jobs market, these workers are satisfied, optimistic, and committed to their path as independents.

At the same time, the most powerful cyclical force—the very strong payroll jobs market, characterized by an

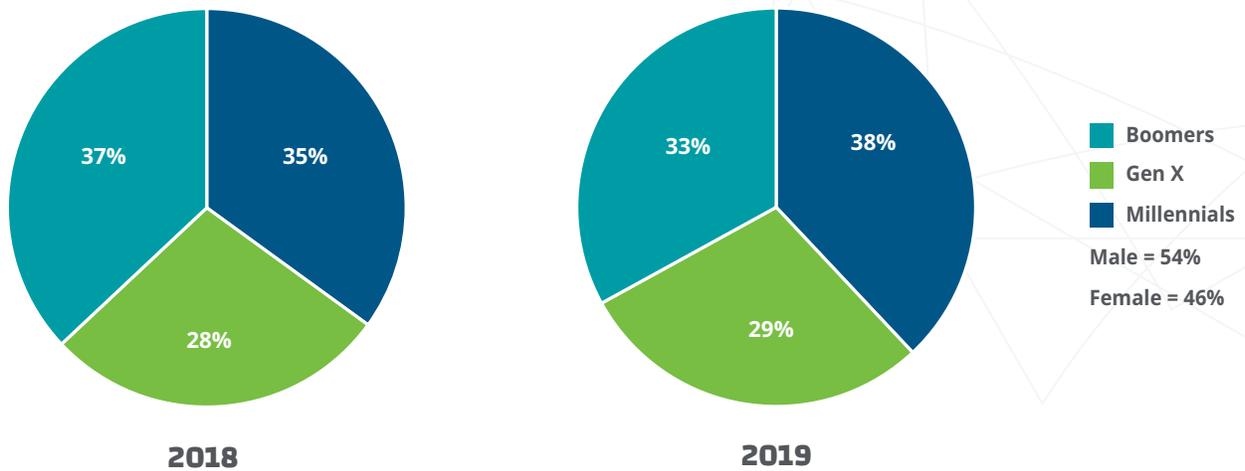
¹ Desjardins, J. (2019, January 04). The \$80 Trillion World Economy in One Chart. Retrieved from <https://www.visualcapitalist.com/80-trillion-world-economy-one-chart>

unemployment rate at a 50-year-low and 7.5 million open jobs²—acted as a magnet, pulling Reluctant Full-Time Independents (people who work independently but would prefer to have payroll jobs) back to traditional jobs. This movement caused a slight decline in overall Full-Time Independent headcount. The number of Full-Time Independents fell 3.1 percent in 2019 to 15.3 million, with nearly 80 percent of those leaving identifying as Reluctant. This is consistent with data we've seen during strong economic cycles.

Demographics are another powerful structural force impacting the American workforce. Millennials, having replaced Baby Boomers as the largest cohort, are growing into prominence as a significant component of the independent worker landscape. These digital natives are comfortable working in our increasingly networked world. And as they mature into the workforce—the oldest Millennial is 39 and the youngest Millennial, by our definition, is just 19—they are influencing the shape and trajectory of the overall independent economy.

FULL-TIME INDEPENDENT WORKERS

Boomers' share declines as they start to age out of the workforce



There's a third structural force at work. Persistent challenges surrounding stagnant wages,³ the hollowing out of middle-wage jobs, and workers' continuing economic insecurity are contributing to the growth in the ranks of the Occasional and Part-Time Independents, who seek supplemental income.

The combination and intersection of these cyclical and structural forces create changes that may be subtle from year to year. But, when examined in context and over time, significant shifts are evident. The picture that emerges as we sharpen and readjust the lens is that independent work is a compelling way to make a living, build skills,

² O'Brien, M. (2019, May 03). Unemployment is at a 50-year low, and it might drop a lot further. Retrieved from <https://www.washingtonpost.com/business/2019/05/03/unemployment-is-year-low-it-might-drop-lot-further/>

³ DeSilver, D. (2018, August 07). For most Americans, real wages have barely budged for decades. Retrieved from <https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/>

KEY FINDINGS:

- **Full-Time Independents: A Solid Core Amidst a Very Strong Job Market**
- **The Rise of Occasional Part-Time Independents**
- **Youth Will Be Served: The Rise of the Millennials**
- **Working in a Networked World: Technology, Platforms, and Globalization**
- **The Financial Well-Being of Independents**

find satisfaction, and contribute to economic security for a growing number of Americans. While the numbers may ebb and flow from year to year, independent work, in some way, shape, or form, is becoming a norm. Some 47.8 percent of U.S. adults report either currently working or having worked as an independent at one time during their career. Over the next five years, we project 53 percent of the U.S. adult workforce will either be working or will have worked as an independent.

THE BEST OF TIMES: A STRONG ECONOMY MEANS INDEPENDENTS ARE HERE BY CHOICE

Workers and employers are confronting a unique set of macroeconomic conditions. In June 2019, the U.S. economy entered its 120th month of expansion, equaling the record for the longest expansion in modern U.S. history.⁴ Payroll job creation has likewise notched a record run. Through May, the economy has created jobs⁵ for a record 104 straight months, adding nearly 21 million payroll positions. The unemployment rate, at 3.6 percent, stands at a level not seen since 1969. The demand for payroll workers seems to outstrip the supply. At the end of April, the most recent month for which data are available, there were 7.4 million jobs open in the U.S., up five percent from April 2018.⁶ There were only 0.8 unemployed people per job opening.

Alongside cyclical macroeconomic forces, powerful structural forces driven by demographics, technology, and changing norms are shaping the labor market. These cyclical and structural forces interact in ways that have significant effects on the independent workforce. For example, in the early years of this expansion, between 2011 and 2015, these forces worked in concert to support

4 (2010, September 20). Retrieved from <https://www.nber.org/cycles.html>

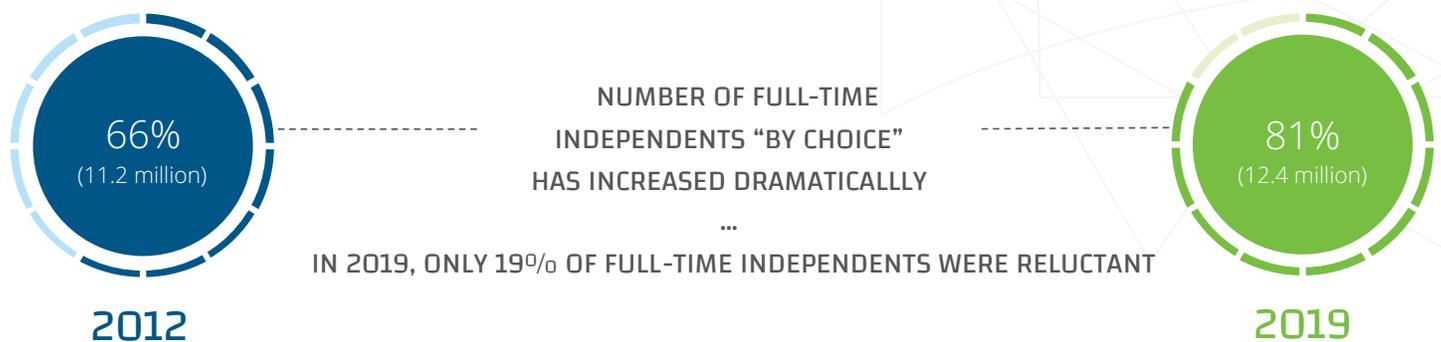
5 Employment Situation Summary. (2019, June 07). Retrieved from <https://www.bls.gov/news.release/empsit.nr0.htm>

6 Bureau of Labor Statistics Data. (n.d.). Retrieved from <https://data.bls.gov/timeseries/JTS0000000JOL>

growth in the number of Full-Time Independents. With the payroll jobs market still recovering from the recession, many people were pushed into independent work by necessity.

Concurrently, powerful structural developments supported this new mode of working. These included: the rise of a cadre of highly-skilled independents, companies developing a greater tolerance for (and greater reliance on) independent workers, the expansion of platforms and marketplaces, and significant demographic changes including the aging of the Baby Boomers and the growing number of working-age Millennials.

In the past few years, as the expansion has persisted, cyclical forces have pulled people away from full-time independent work and back onto payrolls. At the same time, as the number of job openings has risen sharply, companies are making more aggressive offers to fill positions. The number of Full-Time Independents fell 3.1 percent in 2019, to 15.3 million—the fourth straight year of decline. Many of those leaving were Reluctant Independents. In the early years of this decade, when the jobs market was weak, Reluctants accounted for 34 percent of the total number of Full-Time Independents. But in 2019, fewer than one in five (19 percent) Full-Time Independents are Reluctants. In absolute numbers, the number of Reluctants fell from 3.4 million in 2018 to 2.9 million in 2019. In fact, over the past five years, our research has found that four out of five independents who left the full-time independent workforce were Reluctant.

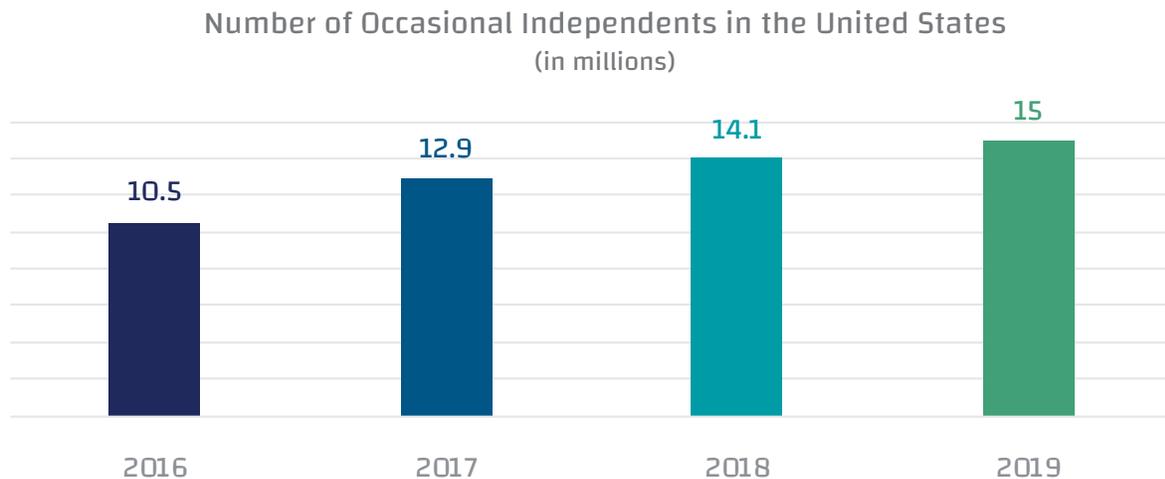


The changes over the past several years reveal a core of Full-Time Independents that is solid, optimistic, persistent, and thriving. The number of Full-Time Independents who work this way by choice has remained quite steady, and rose marginally last year, from 12.36 million to 12.4 million. Many of them are doing quite well. Some 3.14 million Full-Time Independents, about 20 percent of the total, earn more than \$100,000 per year.

Full-time Independents today have overwhelmingly chosen to pursue this path over traditional employment, are happier doing so, and plan to keep doing so.

THE RISE OF THE OCCASIONAL INDEPENDENT AND THE SIDE HUSTLE

A second structural phenomenon affects a population much broader than the Full-Time Independents and is spurring growth in one large category of independent workers. It is by now a well-known story that wage growth has been weak in the U.S.—not just over the last few years, but over the past 20 years. For a variety of reasons, companies have been able to keep a larger share of revenues to themselves instead of sharing them with employees. In the 12 months between May 2018 and May 2019, even as companies added more than 2.3 million payroll jobs and the unemployment rate fell sharply, average hourly earnings rose only 3.1 percent.⁷



Many workers up and down the income ladder are finding that their compensation simply doesn't keep up with the rising costs of education, health care, and housing. Accordingly, they have a difficult time saving money for retirement or emergencies. A Federal Reserve survey found that faced with an unexpected \$400 expense, 39 percent of Americans wouldn't be able to pay it with ready cash.⁸ With the memory of the 2008-2009 financial crisis and recession fresh in their minds, many Americans still feel vulnerable to financial shocks such as unexpected expenses associated with health care or family costs, reduced earnings due to job loss, or a sharp decline in the value of assets like homes.

For a large chunk of the American population, part-time independent work has become crucial to making ends meet and to shore up shaky finances. The market is supplying a solution in the form of platforms and marketplaces that enable occasional work or side gigs. And so even as the other categories (Full-Time and Part-

⁷ Employment Situation Summary. (2019, June 07). Retrieved from <https://www.bls.gov/news.release/empsit.nr0.htm>

⁸ O'Brien, S. (2018, May 23). Fed survey shows 40 percent of adults still can't cover a \$400 emergency expense. Retrieved from <https://www.cnbc.com/2018/05/22/fed-survey-40-percent-of-adults-cant-cover-400-emergency-expense.html>

Time Independents) have been falling slightly in recent years, the number of Occasional Independents—those working irregularly or sporadically as independents at least once per month—has continued to boom.

In 2019, the number of Occasional Independents rose 6.3 percent to 15 million, from 14.1 million in 2018; the number is up 43 percent from 10.5 million in 2016. These occasional gigs could consist of driving for rideshare companies like Uber to supplement income, starting a passion business, testing the prospect of going independent with part-time work, or simply trying to develop some new skills. At the same time, the number of Part-Time Independents, those who regularly work less than 15 hours in an average work week, fell 2.7 percent in 2019 to 10.8 million.

MEET THE INDEPENDENTS

The 2019 MBO Partners State of Independence report presents a textured view of the 41.1 million Americans who pursue independent work. No longer an unusual niche or a matter of pure economic circumstance, independent work is a mainstream way of working, one with which an increasing number of Americans are familiar. Nearly one in two adults report that they are either currently working as an independent or have done so in the course of their career; this number should rise to more than half of American adults in the coming years.

The independent workforce is like a hotel, in which groups of people are continually checking in and checking out. The reasons for cycling in and out are many; some are spurred by the strong jobs market, while others prefer the security of benefits and a steady paycheck. Others shift to independent work so they can be more available to care for children or aging parents. This activity is spurred in part by one of the other large structural shifts—demographics. Some workers are aging out of traditional jobs and into independent work, while others just starting out view independent work as a way of getting a foothold in the labor market. Indeed, over time, the aging of both Baby Boomers and Millennials is changing the makeup of the independent workforce and influencing the way they choose to work.

BOOMERS CEDE LEADERSHIP TO MILLENNIALS

In many ways, the independent workforce resembles the workforce at large. It skews male, with 54 percent male and 46 percent female, and continues to get younger. The oldest Baby Boomers are now 73, and they are simply retiring or beginning to age out of the workforce. In 2019, Millennials composed 38 percent of the Full-Time Independent workforce, up from 37 percent in 2018, while Gen X rose from 28 percent to 29

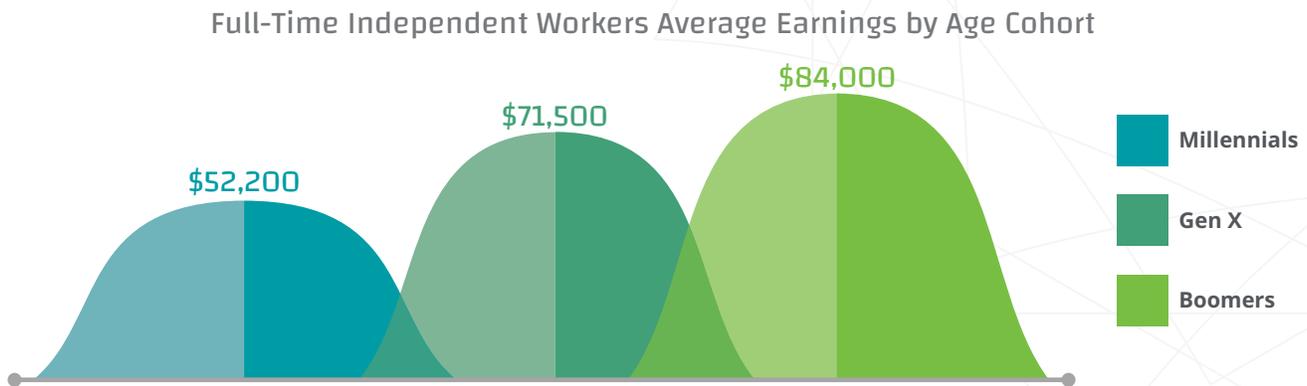
In the U.S., in popular culture, electoral politics, and in the workforce, the next great generational cohort, Millennials—people born between 1980 and 2000—are displacing Baby Boomers, as Gen Xers, destined to always be stuck in the middle of this demographic sandwich, continue to plug along.

percent, and Boomers fell from 35 percent to 33 percent. Boomers have certainly peaked as a percentage of such workers and will continue to decline in number.

The demographic mix of the independent workforce will continue to change as Generation Z, those born in 2001 or after, start to enter the workforce next year and as Gen Xers, starting to approach the latter part of their careers, roll out of traditional jobs and into independent work.

INCOME: HIGHER EARNINGS

The average income for Full-Time Independents, at \$68,300, is higher than the median family household income in the U.S. (\$59,039) and is essentially unchanged from \$69,100 in 2018. As expected, there is a big difference in income by age, as older workers tend to have more skills, experience, and fully-developed networks. Millennial Full-Time Independents reported an average income of \$52,200, compared with \$78,000 for the older cohorts.



The number of high-earning Full-Time Independents, those making more than \$100,000 annually, fell slightly in 2019, to 3.14 million from 3.3 million in 2018. The figure remains up sharply, however, from 1.95 million in 2011. About 20 percent of Full-Time Independents report earning more than \$100,000. The likely explanation for the small decline is that independents with high incomes and in-demand skills are being offered attractive opportunities for traditional jobs as the labor market tightens.

EDUCATION: GRADUATED ACHIEVEMENT

Full-Time Independents are well-educated. In 2019, 40 percent of independents had 4-year college degrees or higher, including 17 percent with advanced degrees. That compares favorably with the 34 percent of Americans who have 4-year college degrees and the 12 percent who have advanced degrees.⁹

⁹ US Census Bureau. (2017, May 16). Educational Attainment. Retrieved from <https://www.census.gov/topics/education/educational-attainment.html>

INDEPENDENT WORKFORCE SEGMENTS: FULL-TIME INDEPENDENTS

Overall, the number of independent workers remained relatively flat in 2019, falling just 1.7 percent from 2018, from 41.8 million in 2018 to 41.1 million in 2019. This is within the survey's margin of error. When we examine the numbers over time, and in more granular detail, a clearer picture emerges, the same way that viewing mosaic tiles from a distance brings an image into focus. And here is what we see.

The number of Full-Time Independents, those working more than 15 hours weekly as an independent, fell 3.1 percent in 2019, to 15.3 million from 15.8 million in 2018. This was the fourth straight year of decline, from the peak of 17.8 million in 2015. That decline of 2.5 million is, of course, noteworthy. It is evident that the strong payroll jobs market is pulling people back into traditional employment.

But drilling down, it is clear that many of those leaving are the so-called Reluctant Independents, a group we have been identifying since we began charting this trend in 2012. In the early years of this decade, when the jobs market was weak, they accounted for 34 percent of the total, roughly one in three. But Reluctant Independents' share of the full-time sector of the independent workforce has declined sharply, to 22 percent in 2018 and 19 percent in 2019, or fewer than 1 in 5. In fact, 79 percent of those who left the full-time independent workforce since 2015 were Reluctant.

Put another way, the proportion of Full-Time Independents who are pursuing this path by choice has risen from 66 percent in 2012 to 81 percent in 2019. In numeric terms, the number of Reluctant Full-Time Independents has fallen from 5.7 million in 2012, to 3.4 million in 2018 and only 2.9 million in 2019.

The number of what might be called Full-Time Independents by choice—those who indicate that going (and staying) independent was their choice completely—has remained quite steady, rising from 11.15 million in 2012 to 12.8 million in 2015. This year, even as the traditional jobs market surged to historic highs, the number of Full-Time Independents by choice rose slightly from 12.36 million to 12.4 million.

The number of independents providing services to businesses rose to 7.7 million in 2019 from 7.4 million in 2018. Full-Time Independents can be found in all professions, with no single profession accounting for more than 11 percent of the population.

PART-TIME AND OCCASIONAL INDEPENDENTS

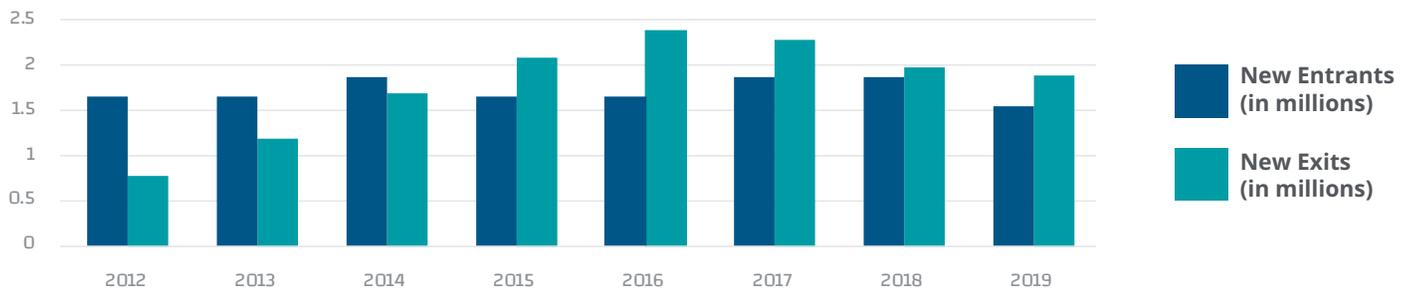
Full-Time Independents, who account for about 40 percent of the total independent population, are at the center of our research. But the same structural and cyclical dynamics that affect their decisions and ability to work independently are influencing the larger independent labor force. The reality is that there is a much broader

universe of individuals who engage in independent work. For every person pursuing independent work on a full-time basis, at least one person does so on a part-time or occasional basis.

The number of Part-Time Independents, those working as an independent regularly but less than 15 hours per week, fell 2.7 percent to 10.8 million in 2019 from 11.1 million in 2018. Again, this is likely because people who had been working reluctantly in this way found new traditional positions. The number of Occasional Independent workers rose 6.3 percent to 15 million, up from 14.1 million in 2018. These are people who are looking for supplemental income when and where they can, or as needed.

It is important to understand the motivation and activities of these cohorts because the borders separating the different categories of independent work—Full-Time, Part-Time, and Occasional—are porous. And there is constant churn. Someone working as an Occasional Independent in 2018 may have found more consistent work and thus classified themselves as a Part-Time Independent this year. In the full-time sector, the number of new entrants has stayed steady at around 1.5 million annually since 2011. But the number of exits, which is most likely tied to the cyclical power of the economy and the jobs market, has varied widely. In 2012, only about 800,000 exited, but in 2016 some 2.4 million did. The number of exits has fallen in each of the past 3 years, to about 1.9 million in 2019. People are leaving because of the strength of the payroll jobs market.

Full-Time Independent Entrants and Exits



Broadly speaking, however, those engaged in part-time and occasional independent work may have a different set of goals and motivations than Full-Time Independents. Rather than building a career, they may instead simply be seeking to supplement their income (driving Lyft on the weekends or picking up some freelance editing work while they are in a Master’s program). Given the volatility in their financial lives—the possibility of a job loss, or unexpected health care costs—they may be seeking greater security by generating additional income. For some, it is a way to pursue a passion on the side—coaching runners while working as a mortgage broker, for example.

Others who have taken some time away from full-time work to raise a child or help care for a parent, find that working a small number of hours per month is a way to regain their professional footing. Some professionals may take on freelance assignments while they still have full-time jobs to build new skills, or to get a sense of

whether they want to strike out on their own. For those at the end of their careers, Part-Time or Occasional Independent work can be a way of remaining engaged and maintaining some income in what is supposed to be their retirement. Whatever the end goal of such work is, and however their numbers fluctuate, there is a strong and steadfast core of both Part-Time and Occasional Independents in the U.S.

SATISFACTION: INCREASINGLY GUARANTEED

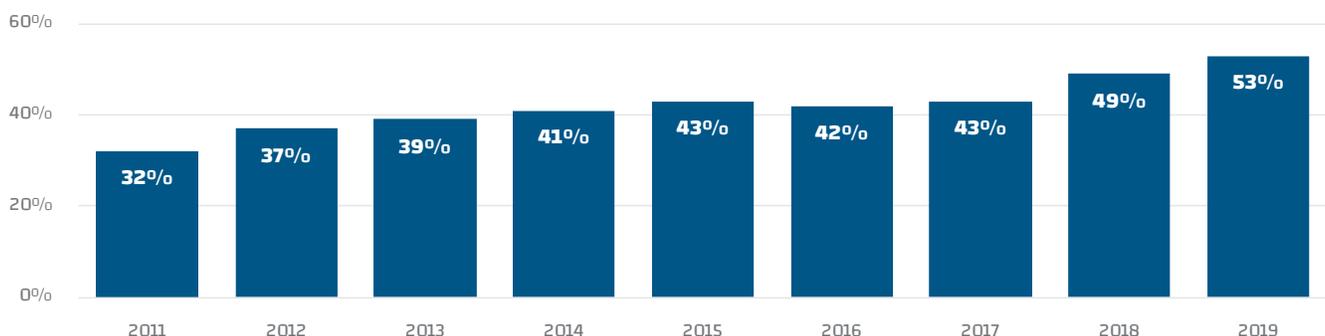
While the overall number of Full-Time Independents hasn't grown much in the last few years, we're seeing the crystallization of an increasingly satisfied, optimistic, passionate, and engaged core. One of the most salient and telling trends is that those who pursue work as Full-Time Independents are largely doing so by choice. In 2019, 67 percent of Full-Time Independents said it was their choice completely to work in this way, up from 63 percent in 2018, and up from the low of 53 percent in 2016. The proportion of those saying it was due to other factors beyond their control fell to just 7 percent in 2019—half the rate seen in 2013.

This may help explain why the level of overall satisfaction has been steadily increasing. Given this, it is not surprising that those doing so say they plan to continue. In 2019, 70 percent of Full-Time Independents said they plan to continue on their path, up from 64 percent last year, and up from 58 percent in 2015, while just 7 percent said they plan to seek a permanent full-time job (compared with 11 percent last year, and 15 percent in 2015).

In 2019, some 76 percent of Full-Time Independents said they were very satisfied with their choices and path, up from 72 percent in 2018, and up sharply from 63 percent in 2015.

Full-Time Independents are convinced that continuing on this path is better for them professionally and personally. Eighty-two percent of Full-Time Independents say they are happier working on their own, while 69 percent say it is better for their health. More than half—53 percent—say they feel more secure as independents than at a traditional job (up from 49 percent in 2018), and 53 percent say they will not go back to a traditional job (up from 48 percent in 2018).

Percent of Full-Time Independent Workers Who Report Feeling More Secure Working Independently

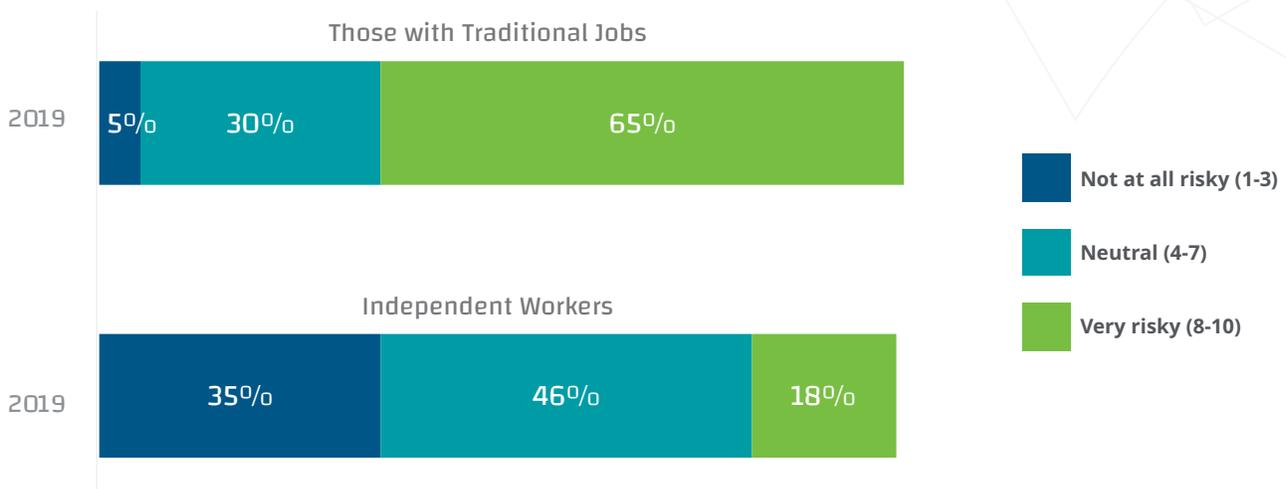


While independents acknowledge challenges, it is clear that their concerns are falling over time and that they regard those challenges as becoming less acute. The percentage of those reporting the most common worry, not having enough predictable income, fell from 56 percent in 2014 to 47 percent in 2019. Only 28 percent of Full-Time Independents cite planning for retirement as a challenge (down from 42 percent in 2016), while 26 percent are concerned about setting boundaries on work so that it doesn't become 24/7 (down from 34 percent in 2014). Only 30 percent of Full-Time Independents cite a lack of job security as a major concern.

As the core solidifies—the idea that people who work independently are those who have chosen to do it, who like to do it, and plan to keep doing it—the difference of opinion between Full-Time Independents and traditional workers continues to crystallize.

In 2019, 35 percent of Full-Time Independents said it was not at all risky to run your own business, while 18 percent said it was very risky. By contrast only five percent of traditional job holders said running your own business was not at all risky, while 65 said it was very risky. People with traditional jobs continue to believe there is something inherently more challenging and fraught about working independently. Although, perhaps because they are seeing more of their friends, colleagues, and family members work in this way, their views are changing. In 2019, when asked about the disadvantages of working independently, 51 percent of traditional job holders cited a lack of predictable income (down from 62 percent in 2016), while 41 percent cited a lack of affordable health benefits.

Riskiness of Being an Independent Worker / Running Own Business



Overall, the reported satisfaction with pay by Full-Time Independents (69 percent) and traditional job holders (66 percent) is roughly the same. But there are sharp differences on other measures of satisfaction and control. Full-Time Independents are more than three times as likely than traditional job holders to say they

have control over where and how they work—74 to 24 percent.

While 57 percent of Full-Time Independents say they have interesting work, only 37 percent of traditional job holders say they do. Full-Time Independents are also significantly more likely to report that their clients or employers acknowledge the quality of their work (60 percent, compared with only 39 percent of payroll workers). And while 65 percent of Full-Time Independents say they are optimistic about the future of their career, only 55 percent of payroll job holders believe the same. There is one key difference, however. Only 38 percent of Full-Time Independents say they get paid well, compared with 48 percent of traditional job holders. The willingness and desire to persist even if they don't feel they are necessarily maximizing income highlights another difference in outlook between Full-Time Independents and payroll job holders.

Comparing Work Satisfaction Between Full-Time Independent Workers and Traditional Job Holders (asked of respondents who scored 6 or higher on satisfaction)



Work Attributes

	Independent Worker	Traditional Job Holder
I have control over where and how I work	79%	24%
I have interesting work	57%	37%
My clients or employer appreciates the quality of my work	60%	39%
Provides benefits	N/A	55%
I get paid well	38%	48%
I have regular income	32%	74%



Satisfaction with Pay / Income

	Independent Worker	Traditional Job Holder
Very satisfied or satisfied	69%	66%
Neither satisfied or dissatisfied	16%	16%
Very dissatisfied or dissatisfied	15%	18%

In our study, 72 percent of Full-Time Independents said that flexibility is more important than making the most money, compared with 46 percent for traditional job holders. And 77 percent of Full-Time Independents said that doing something they like is more important than making the most money, compared with 56 percent for traditional job holders.

To a degree, whether it is by virtue of their experience or their nature, Full-Time Independents are wired differently. Some 75 percent of Full-Time Independents said they always wanted to be their own boss, compared with only 44 percent of traditional job holders; 66 percent of Full-Time Independents don't like answering to a boss, compared with 39 percent for traditional job holders.

Only 55 percent of Full-Time Independents believe traditional jobs are more secure than independent work, compared with 70 percent for traditional job holders.

While compensation matters, of course, it is far from the only important factor. For Full-Time Independents, the allure of a way of working has a lot to do with how it makes them feel, who they work with, how it allows them to live, and how it jibes with their self-perception.

WORKING IN A NETWORKED WORLD

Comfortable with new technology and eager to cast a wide net, today's independents are reaping the benefits of working in an increasingly networked world. While they may lack the support and infrastructure of large companies, they are nonetheless able to tap into powerful networks that enable and abet collaboration—both at home and abroad. Accordingly, we are seeing a shift in the way Full-Time Independents seek and secure work, and in the places where they find it.

These shifts are influenced by the rising power and presence of Millennials. With each passing month, Millennials account for a larger share of the workforce. And just as with consumption, popular culture, and leisure, their habits and characteristics are shaping the workforce. Millennials are digital natives, people who came of financial and economic age after the recession, and who are more comfortable with social media and technology. Across the board, their habits and interests are becoming the norms—including in the way they find work.

FINDING WORK

As has been the case since the beginning of this study, word-of-mouth remains the most commonly cited way Full-Time Independents find work, with 46 percent citing it as the top way and 64 percent citing it among the top three. But there has been a significant change over time in the reliance on online methods for finding work, especially social media and online platforms and marketplaces.

SOCIAL MEDIA, PLATFORMS, AND MARKETPLACES

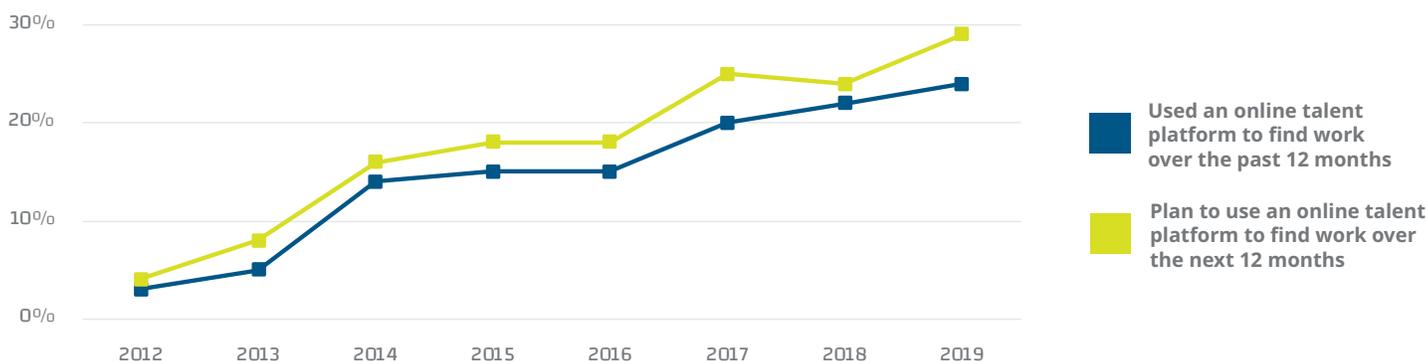
In 2019, 11 percent of Full-Time Independents cited social media as the top way of getting work (up from 9 percent in 2018), while 28 percent cited it among the top three ways. This could include anything from selling goods through Facebook (social selling and multi-level marketing are good examples) or pitching themselves to clients on LinkedIn. The percentage relying on social media as the top way has risen each year since 2014, when only 3

percent cited it. By contrast, former employers, who had been often cited as a good source of securing work in the past, were named by only 6 percent as the top way in 2019.

One of the interesting findings revolves around the use of online talent marketplaces. There is a procyclical dynamic at work here. The more these platforms and marketplaces grow, whether the item being sold is a craft or programming skills, the more people will begin to use them. As more digital natives enter the workplace, they are more likely to regard these platforms as staples.

For the last eight years, we have asked people (1) whether they have used such marketplaces in the past 12 months; and (2) whether they plan to use one in the next 12 months. In 2012, only 3 percent had used one in the past 12 months, while 8 percent said they planned to do so in the coming year. Since then, the figures of both reported and intended use have risen consistently. And there has been a strong correlation between one year's intentions and the next year's reported results. In 2019, some 24 percent of Full-Time Independents said they used an online talent platform to find work in the past 12 months, while 29 percent said they intended to do so in the next 12 months.

Percentage of Full-Time Independent Workers Reporting Finding Work Via Online Marketplaces



These marketplaces, which not too long ago were start-ups or regarded as novelties, are becoming more mainstream. As a result, many independent workers regard them as another sales channel. These are channels that offer a hassle-free way to test or experiment with new areas, clients, and modes of working. Few use them as their primary source of work. Based on our interviews, we find that people use them primarily to fill in gaps in schedules, find new clients—especially for those who are new or just getting started—or to learn new skills and explore new markets.

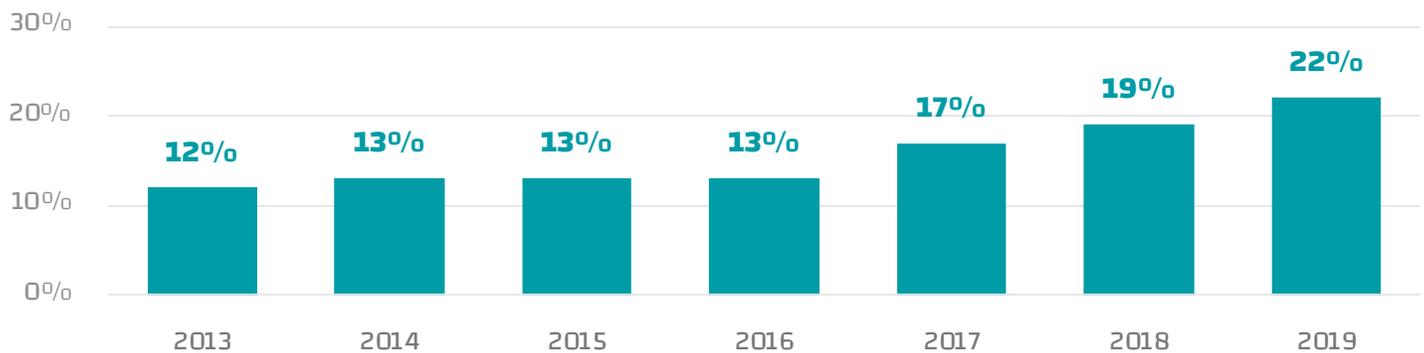
As might be expected, digitally native Millennials are far more likely than their elders to jump onto these platforms. In our survey, 38 percent of Full-Time Independent Millennials use online talent marketplaces, while only 15 percent and 13 percent of Gen X and Baby Boomers, do so respectively. Millennials are nearly three times as likely as Baby Boomers to use marketplaces to find work.

TECHNOLOGY MATTERS. Some 61 percent of Full-Time Independents said that their work depends on being digitally connected to customers, while 59 percent say they use technology to make them more competitive. Fifty-two percent of Full-Time Independents say their technology adoption rate is quick, while only 16 percent say it is slow.

A GLOBAL MARKET

Platforms, marketplaces, and the rise of outsourcing are improving the global reach of independent workers, whether that entails selling to Australian consumers on Etsy, getting assignments for programming from European clients, or writing an article for a website in the U.K. While trade wars, tariffs, and the erection of other barriers to cross-border commerce continue to garner headlines, independents are continuing to find work outside U.S. borders. In 2019, 22 percent of Full-Time Independents said they provided goods or services to customers outside the U.S., up from 19 percent in 2018, and up from just 13 percent in 2016, meaning the proportion has nearly doubled in three years.

Independents Who Provide Goods / Services to Customers Outside the U.S.



The uptick can be ascribed to several factors. People are getting more ambitious and sophisticated, and the marketplaces through which buyers and sellers of goods and services meet are expanding and growing more robust. In the broader economy, small businesses are having more success exporting. As of 2015, 97 percent of the businesses that exported from the U.S. were small businesses, and they accounted for 32.9 percent of exports.¹⁰ What's more, a suite of services has built up around these platforms and websites to simplify and facilitate payments and transactions.

¹⁰ U. (2018). United States Small Business Economic Profiles for 2018. Retrieved from <https://www.sba.gov/sites/default/files/advocacy/2018-Small-Business-Profiles-US.pdf>

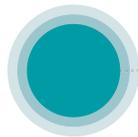
CHANGING NORMS

Independent work is becoming more mainstream in part because the way independents work is becoming more mainstream. As workforce demographics change, and as the structure of the economy and the nature of work evolves, traditional companies are bending in the direction of independent work, rather than the other way around. From dress codes and discretion over vacation and scheduling, to the tolerance and encouragement of remote work and the integration of life into work, the mores and practices surrounding payroll jobs are changing. This year, some 47 percent of traditional full-time employees report working remotely at least some of the time, while 19 percent report working remotely more than half of the time and 12 percent report working remotely full-time. Remote work is much more common among independents, of course. Some 83 percent of full-time independent workers report working remotely at least some of the time, with 51 percent report working remotely more than half of the time and 37 percent report working remotely full-time.

DIGITAL NOMADS

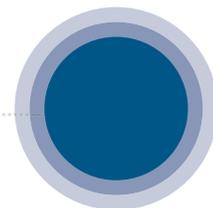
Remote working can mean working in your home, or in a coffee shop, or a co-working space—at a fixed location, in other words. But part of the appeal—even romance—of remote work is that people who may lack the commitments that tie them to a single place (homeownership, school-age children, etc.) can create an entirely different lifestyle. That is to say, they can work remotely from several different locations. They could spend three months of every year in Argentina, for example, or pursue project work in different locations as it arises.

These are the so-called Digital Nomads: people with a location-independent lifestyle that allows them to travel and work anywhere with internet access. In 2019, some 4.1 million independent workers identify as Digital Nomads, while 3.2 million traditional workers identify as digital nomads. Of course, working as a Digital Nomad is something people are more likely to say they would like to do than actually do. Some 16.1 million Americans say they plan on working as Digital Nomads over the next 2-3 years, while another 41 million Americans say they are considering it. Most, however, won't. Regardless, a significant and growing core of Digital Nomads are taking their place in the independent workforce.



4.1 million

independent workers identify
as digital nomads



16.1 million

Americans say they **will**
become digital nomads over
the next 2-3 years

THE FUTURE OF INDEPENDENT WORK

Independent work continues to expand and gather strength. Though sometimes working at cross-purposes, the cyclical and structural forces that have forged this new mode of work also abet its growth. Independent work has become part of the normal routine experience for a significant number of American individuals, families, and companies. We expect this trend to continue with independent work becoming even more common in the future.

Looking ahead five years, we believe that by 2024, the total number of independent workers in America will rise to 47.2 million, up from 41.1 million today. That represents a 2.8 percent annual growth rate, which is more than 3 times the overall employment rate of growth projected for this period by the U.S. Bureau of Labor Statistics.¹¹

All independent worker segments are forecast to increase in number, with Occasional Independents expected to grow the fastest.

Five broad trends are driving this growth:

1. Technology continues to enable and empower independent workers. Digital technology improves customer connections and independent worker efficiency; social media and online marketplaces make it easier to find new customers; and technology has made working remotely—a staple for many independent workers—more acceptable and commonly adopted.
2. Workers increasingly want the autonomy, control, and flexibility independent work provides. This is especially true for three groups: (1) skilled professionals, who are in demand due to the strong economy and the growing number of areas experiencing talent shortages; (2) aging Baby Boomers, who are looking for more flexible, independent encore careers; and (3) Millennials, many of whom are choosing the “work to live” rather than the “live to work” ethos of prior generations.
3. Using independent workers improves business flexibility and agility for employers. Hiring independent workers also provides access to in-demand, scarce talent that is not easily hired on traditional terms. And because independent talent can be hired on an as-needed basis, it often can lower employment costs. For these reasons, organizations of all types and sizes are increasing their use of independent talent.
4. The need for supplemental income continues to grow due to stagnant wages and increasing costs, especially for housing, health care, education, and retirement. This is resulting in more Americans adding side gigs and second jobs, most of which are independent.
5. A growing support infrastructure of products, services, and programs is making it easier, cheaper, and less risky to become independent. MBO Partners is one example, but other examples include low-cost, Internet-based tools and services for everything from billing and project management to marketing.

11 Employment Situation Summary. (2019, May 03). Retrieved from <https://www.bls.gov/news.release/empsit.nr0.htm>



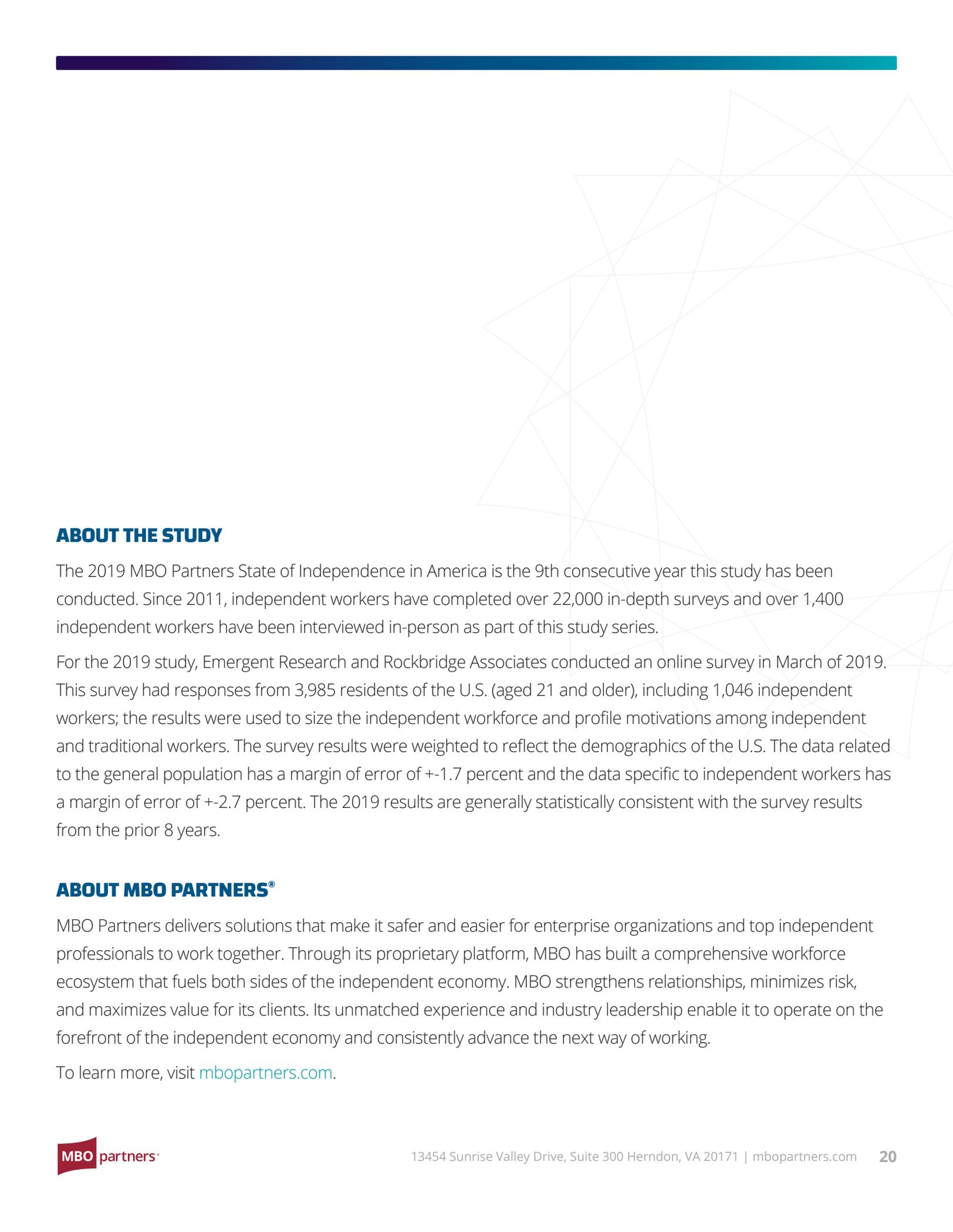
In addition to these trends, the 2017 Tax Cut and Jobs Act provides a substantial tax break for the vast majority of independent workers.¹² This incentive, which is only now becoming widely known, will encourage more people to become independent.

Finally, the very structure of work in America is changing. Work is becoming more team- and project-oriented and the barriers separating traditional and independent work continue to erode. Because of this, for an increasing number of Americans, it's not simply a matter of having a payroll job or working independently. Instead, many will do both, developing their professional lives by shifting back and forth between independent work and traditional employment, depending on the needs and desires of both companies and the workers themselves.

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

With increased movement within and across organizations, a greater share of American workers will spend at least part of their careers as independents. Already almost half (48 percent) of working Americans report spending time at some point in their careers as independent workers. By 2024, over half (53 percent) of the workforce is forecast to have spent time as independent workers at some point in their work lives.

¹² Tax Cuts and Jobs Act, Provision 11011 Section 199A - Qualified Business Income Deduction FAQs. (n.d.). Retrieved from <https://www.irs.gov/newsroom/tax-cuts-and-jobs-act-provision-11011-section-199a-qualified-business-income-deduction-faqs>



ABOUT THE STUDY

The 2019 MBO Partners State of Independence in America is the 9th consecutive year this study has been conducted. Since 2011, independent workers have completed over 22,000 in-depth surveys and over 1,400 independent workers have been interviewed in-person as part of this study series.

For the 2019 study, Emergent Research and Rockbridge Associates conducted an online survey in March of 2019. This survey had responses from 3,985 residents of the U.S. (aged 21 and older), including 1,046 independent workers; the results were used to size the independent workforce and profile motivations among independent and traditional workers. The survey results were weighted to reflect the demographics of the U.S. The data related to the general population has a margin of error of +1.7 percent and the data specific to independent workers has a margin of error of +2.7 percent. The 2019 results are generally statistically consistent with the survey results from the prior 8 years.

ABOUT MBO PARTNERS®

MBO Partners delivers solutions that make it safer and easier for enterprise organizations and top independent professionals to work together. Through its proprietary platform, MBO has built a comprehensive workforce ecosystem that fuels both sides of the independent economy. MBO strengthens relationships, minimizes risk, and maximizes value for its clients. Its unmatched experience and industry leadership enable it to operate on the forefront of the independent economy and consistently advance the next way of working.

To learn more, visit mbopartners.com.