a significant shift in the american workforce is underway.

Climbing the corporate ladder is no longer the American dream. Over the last few years a significant mindset shift has taken place, and with it has emerged a workforce which values flexibility over stability.

Today tens of millions of American employees say it’s likely they’ll become self-employed within the next couple of years. The way they work will affect everything from government policy (tax regulations and healthcare) to private institutions (banking and education), yet little is known about them.

In recent years, conversations about the American workforce have largely centered around the emergence of “Gig Economy Workers” — individuals who use online platforms to find temporary work. Gig economy workers command an immense amount of attention yet they only make up a tiny fraction of the U.S. workforce, comprising a mere 0.5% of U.S. workers. In the meantime, a much more profound shift in the American workforce has been quietly underway.

FreshBooks second annual Self-Employment Report finds that one of the most dramatic workforce shifts in American history could happen in as little as two years — with potentially 27 million Americans leaving traditional work in favor of self-employment by 2020. This shift would triple the current population of full-time self-employed professionals bringing the total number of workers to 42 million. Although self-employed professionals and gig economy workers are profoundly different, historically they’ve been categorized as a single entity, making it difficult to get a feel for the size and power of either group. That’s why The Self-Employment Report chose to focus specifically on self-employed professionals whose primary income is from independent client based work. As the American workforce undergoes the transformation from 9-5 to full time self-employment, everything from how lawmakers approach policy to how employers hire and retain talent will be impacted.

The Self-Employment Report has defined the millions of Americans leaving traditional work for self-employment as next wave independent workers. They’ll join an existing workforce of 15 million self-employed professionals who live and work in a world not yet designed for them. From tax regulations to retirement, favor tends to traditional employees over self-employed professionals.

self-employment: a paradigm shift in the American workforce.

With the next significant shift in America’s workforce set to take place in as little as two years, the Self-Employment Report analyzes who is leaving traditional employment, their motivations for doing so, how they’re preparing to work for themselves and what they’re expecting from self-employment.

1. 27 million Americans are poised to abandon traditional work for full-time self-employment in the next two years, nearly tripling the current population of independent workers.

2. Like today’s self-employed professionals, next wave independent workers are strongly motivated by the desire for control over their careers. They’re also highly motivated by the need for career change. 1 in 5 next wave independent workers plan on completely switching their careers once self-employed.

3. Tomorrow’s self-employed workforce will be younger, more educated and more ethnically diverse. Notably however, the majority of the self-employed workforce will continue to be male.

4. More than half of next wave independent workers prepare for self-employment by saving money or paying down debt and learning new skills. Men and women are preparing for self-employment differently: women focus on developing skills and seeking professional advice, whereas men reach out to prospective customers.

How next wave independent workers are preparing for self-employment:

- 58% saving money or paying down debt
- 52% learning new skills
- 45% reaching out to potential clients
- 42% advice from other entrepreneurs
- 36% building a personal brand online
- 26% taking courses in person or online
- 26% living up to internet or viral partners
- 6% none of the above

Why traditional employees are choosing to become self-employed:

- 43% control over their career
- 43% career change
- 33% financial reasons
- 32% family reasons
- 15% health reasons
Next wave independent workers expect to work harder, earn more money and have more career certainty in self-employment compared to traditional employment. Based on the experiences of self-employed professionals, some of these expectations will be more difficult to realize than others.

<table>
<thead>
<tr>
<th>Expectation</th>
<th>Expect (%)</th>
<th>Reality (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work Harder</td>
<td>74%</td>
<td>59%</td>
</tr>
<tr>
<td>Make More Money</td>
<td>67%</td>
<td>54%</td>
</tr>
<tr>
<td>Have Less Stress</td>
<td>43%</td>
<td>49%</td>
</tr>
<tr>
<td>Have More Work/Life Balance</td>
<td>66%</td>
<td>68%</td>
</tr>
<tr>
<td>Have More Career Certainty</td>
<td>58%</td>
<td>47%</td>
</tr>
<tr>
<td>Have Better Health</td>
<td>62%</td>
<td>55%</td>
</tr>
</tbody>
</table>
**self employment: satisfying but not without challenges**

Living and working in a world which favors the traditional employee results in significant challenges for the 15 million Americans who are currently self-employed. Despite these challenges, they’re more satisfied than traditional employees and not inclined to return to full-time employment.

1. Very few self-employed professionals (10%) take full advantage of new technologies and client data to help drive business success. Construction, tradespeople and legal professionals are the least likely to take advantage of client data.

2. Nearly 60% of self-employed professionals aged 50-65 want to continue to work instead of retiring. Though decades away, 62% of self-employed millennials have no expectations of retirement at 65.

3. The vast majority (97%) of current self-employed professionals have no desire to return to traditional work and most (70%) are actively working to grow their business.

4. Self-employed professionals say the most significant challenges to running a successful business are finding talented staff or contractors, finding new customers, and finding money to reinvest.

5. In the past year, there’s been a significant decline in the number of self-employed professionals who agree the federal government represents their business needs well (from 17% to 9%). 25% would change political affiliations to support a party that better supports small business.

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**What do you find most challenging about running a business?**

- Finding talented staff or contractors: 27%
- Finding new customers: 23%
- Finding money to reinvest: 22%
- Setting prices or rates just right: 16%
- Managing time effectively: 15%
- Having cash on hand to pay bills: 17%
- Keeping costs down: 12%

**Self-Employed professionals who feel federal government represents their business needs well:**

- In 2016: 17%
- In 2017: 9%

**Self-Employed professionals who would change political affiliations to support a party that better supports small business:**

- In 2016: 20%
- In 2017: 25%

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**I make the most out of the data my small business generates:**

- Strongly Agree: 10%
- Agree: 40%
- Undecided: 30%
- Disagree: 17%

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**The percentage of self-employed professionals who will work through retirement by choice:**

- Millennials: 45%
- Generation X: 47%
- Baby Boomers: 61%
Self-employed professionals overall enjoy more career satisfaction than those with traditional jobs (71% vs. 61%). This satisfaction gap grows with age as the majority of self-employed professionals realize one or more of the following: more work life balance, better health, higher incomes.
### Participant Profile

#### Self-Employed

<table>
<thead>
<tr>
<th>Gender</th>
<th>60% Male</th>
<th>40% Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>18% Millennial</td>
<td>33% Gen X</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>71% White</td>
<td>10% Hispanic</td>
</tr>
<tr>
<td>Education</td>
<td>Masters: 23%</td>
<td>Bachelors: 65%</td>
</tr>
<tr>
<td>Income (Self-Employed Professionals)</td>
<td>20% Less than $30K</td>
<td>21% $30K-$50K</td>
</tr>
<tr>
<td>Professions (Self-Employed Professionals)</td>
<td>Consulting: 10%</td>
<td>Real Estate: 10%</td>
</tr>
<tr>
<td>Business Size (Self-Employed Professionals)</td>
<td>62% No Staff</td>
<td>28% 1-5 Employees</td>
</tr>
</tbody>
</table>

#### Next Wave Independent Workers

<table>
<thead>
<tr>
<th>Gender</th>
<th>64% Male</th>
<th>36% Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>42% Millennial</td>
<td>34% Gen X</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>66% White</td>
<td>9% Hispanic</td>
</tr>
<tr>
<td>Education</td>
<td>Masters: 26%</td>
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</tr>
</tbody>
</table>

#### Traditional Employees

<table>
<thead>
<tr>
<th>Gender</th>
<th>52% Male</th>
<th>48% Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>28% Millennial</td>
<td>39% Gen X</td>
</tr>
<tr>
<td>Ethnicity</td>
<td>80% White</td>
<td>6% Hispanic</td>
</tr>
<tr>
<td>Education</td>
<td>Masters: 23%</td>
<td>Bachelors: 65%</td>
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**while the modern workforce continues to rapidly change, one thing remains certain: self-employment is here to stay. With millions of americans already working for themselves and tens of millions set to join them over the next five years it’s apparent america is undergoing a fundamental shift in the way it works.**

however, this massive workforce is fragmented by nature, making it difficult to capture its absolute size and collective views. this results in self-employed professionals being consistently under-represented and leads to systems and policies that strongly favor traditional workers.

since its founding in 2003, freshbooks has been on a mission to reshape the world to suit the needs of self-employed professionals. in order to achieve this mission it’s imperative we continue to evolve our understanding of america’s self-employed workforce.

as a research team within freshbooks, freshbooks data & insights aims to provide customers, partners, policy makers and journalists with timely and relevant data on the self-employed workforce. the self-employment report is the first in a series of research reports freshbooks will be releasing in 2018 on the self-employed workforce.