

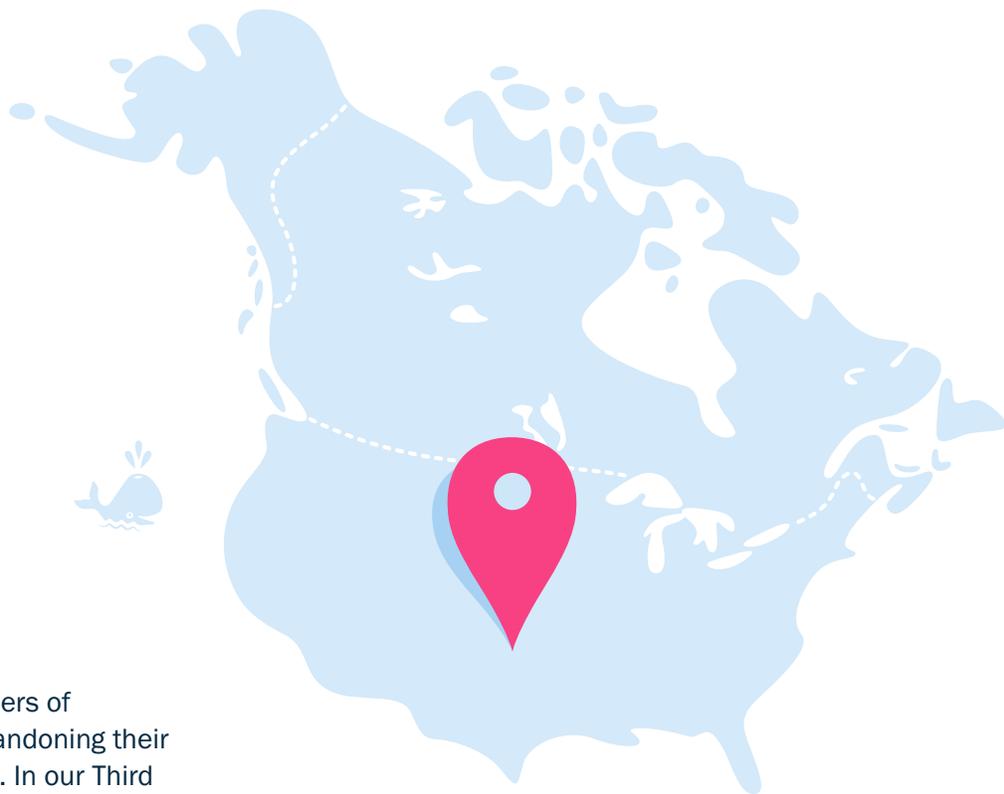
2019

FRESHBOOKS THIRD ANNUAL
**SELF-EMPLOYMENT IN
AMERICA REPORT**



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Introduction

As we first reported in 2018, large numbers of American workers are thinking about abandoning their full-time jobs in favor of self-employment. In our Third Annual Self-Employment Report, we estimate this number to be a staggering 24 million people. Such a shift, if realized will be profoundly consequential to the economy.

And yet, this year's study also finds that only a fraction of these would-be small business owners have recently taken the plunge.

Why the discrepancy? Our third annual study digs deep into survey data from nearly 4,000 American workers to answer this and many other key questions regarding the self-employed economy. To review a summary of key findings from the report, [see our press release](#).

What are the primary motivations that propel people to become their own boss and what sorts of barriers sometimes get in the way? Where will the next generation of entrepreneurs come from and how are they planning for success?

How are newly self-employed professionals working differently, and to what extent are they leveraging digital tools and platforms to do so? What are their expectations, not just from a career but also a quality

of life perspective, and how do these line up with the experiences of veteran small business owners?

Something else we've learned along the way: while self-employed professionals and small business owners have much in common, there is also incredible diversity within this group. Some have embarked on their career independence journey via baby steps, while others have made wholesale changes to how they earn a living. Many are laser-focused in their professional service or small business offerings, while others thrive by juggling multiple unrelated small business enterprises. This report identifies what we believe are the most interesting and important emerging self-employment archetypes.

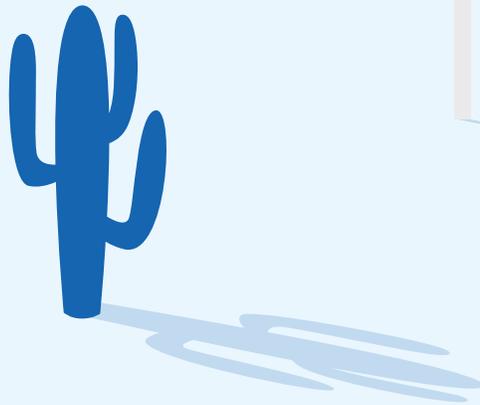
To start, let's take a closer look at how the world of self-employment and small business ownership has evolved over the past few years.

Trends in Self-Employment

FreshBooks has been tracking the evolution of small businesses (and their owners) since 2017. Here's what we've found:




**Approaching
Self-Employed City**

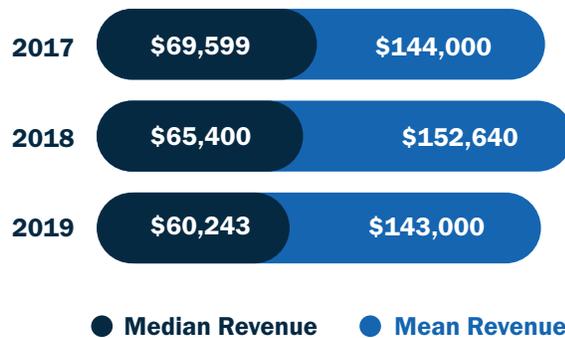


Small businesses (and their owners) are getting younger

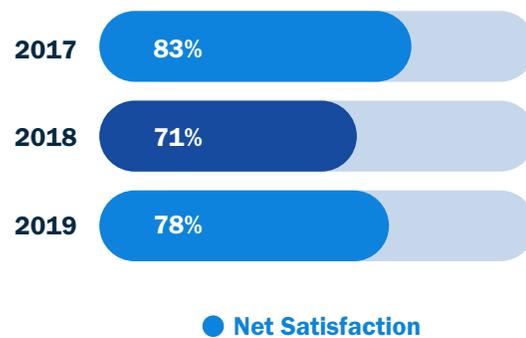
Where two years ago the ‘typical’ self-employed professional was a tail-end Baby Boomer, we’re fast approaching the point where Millennials become the dominant generation. This is not simply due to inevitably changing demographics, but also because entrepreneurs are choosing independence earlier in their careers.

	2017	2018	2019
Mean Owner Age	45	41	41
Mean Age of Business	7	6	6
Owner Age at Inception	38	35	34

Average annual self-employment or small business revenue



Self-employment/Small business owner satisfaction



Median revenue has declined

Lower average revenue is exactly what we would expect given a decline in average small business age and experience. Less clear is the relationship between self-employment income and career satisfaction. Past studies have shown older and more financially successful small business owners to be the most satisfied workers overall (i.e., whether traditionally or self-employed.) This year’s rebound in satisfaction despite lower earnings may be indicative of shifting motivations away from the financial and towards career control, fulfillment and other non-monetary considerations.

College education is becoming less of a prerequisite

Should current trends persist we might soon see the majority of self-employed professionals and small business owners thriving without the benefit of a college degree.

Percent of self-employed professionals with college degrees

2017
64%

2018
60%

2019
56%

Fact #1:

Among small businesses founded in the last two years there's no difference in revenue earned comparing those with and without college degrees.

Fact #2:

1 in 20 small business owners without a college degree has never had a traditional full time job (vs. 1 in 50 with a degree).

Percentage of self-employed who are male and female

	2017	2018	2019
Male	65%	60%	65%
Female	35%	40%	35%



Men continue to be over-represented among self-employed professionals and small business owners. This may change, however, as more women explore career independence as a response to discrimination in the workplace.

[Learn More](#)

A Snapshot of Self-Employed Professionals

Many self-employed professionals say they are driven to work for themselves by the liberating opportunity to completely change their career, or work in untraditional ways that even the most progressive corporate environments don't allow. Others choose to work in the same field, serve the same clients, and in some cases, even work for the same company that employed them full-time.

So who are the 15 million plus Americans who have eschewed the comforts and stability of traditional employment to work for themselves full-time? While they may share the drive and passion to be their own boss, their paths (and approaches) to self-employment differ in some interesting ways.



83% chose their own destinies as self-employed professionals. That choice is empowering and they embrace it, full-on.

VS

On the other hand, 17% say it wasn't their choice to work for themselves, but they are forced to do so because they were let go from their job, or the company they worked for went out of business.

30% are serial entrepreneurs, self-employed professionals who have run more than one business. On average, serial entrepreneurs have run three businesses over their careers. They are smart and rally for new beginnings.

VS

The majority (70%) of self-employed professionals are running their first business. They've dedicated themselves to its success and for many, the goal is to continue to grow the business.

16% have made a significant career pivot, working in a completely different field or industry than they did while employed. They're adaptable professionals who appreciate the opportunity to expand and transition their skillset.

VS

84% have chosen to take their expertise independent, and work in the same field or industry they did while traditionally employed.

21% maintain a connection to their career past by doing work for previous employers and/or clients. They capitalize on their familiarity and expertise, while enjoying the freedoms of self-employment.

VS

79% have cut the cord to their past employment entirely by pursuing new client relationships.

9% are tapping into the gig economy to stay busy full time, relying heavily on platforms like Uber or Task Rabbit to find work or clients.

VS

91% are not presently taking advantage of gig economy platforms to find clients or work. But we're predicting this will change as self-employment demographics shift to digital savvy Millennials.

12% earn revenue from a portfolio of different small businesses or service offerings. They are expert multitaskers who make use of their many skills.

VS

88% of self-employed professionals are highly focused on a smaller and more integrated set of services as they seek growth and prosperity.

How do small business owners feel about self-employment?

63%

say money is less important than quality of life

61%

would be satisfied with their achievements if their career ended today

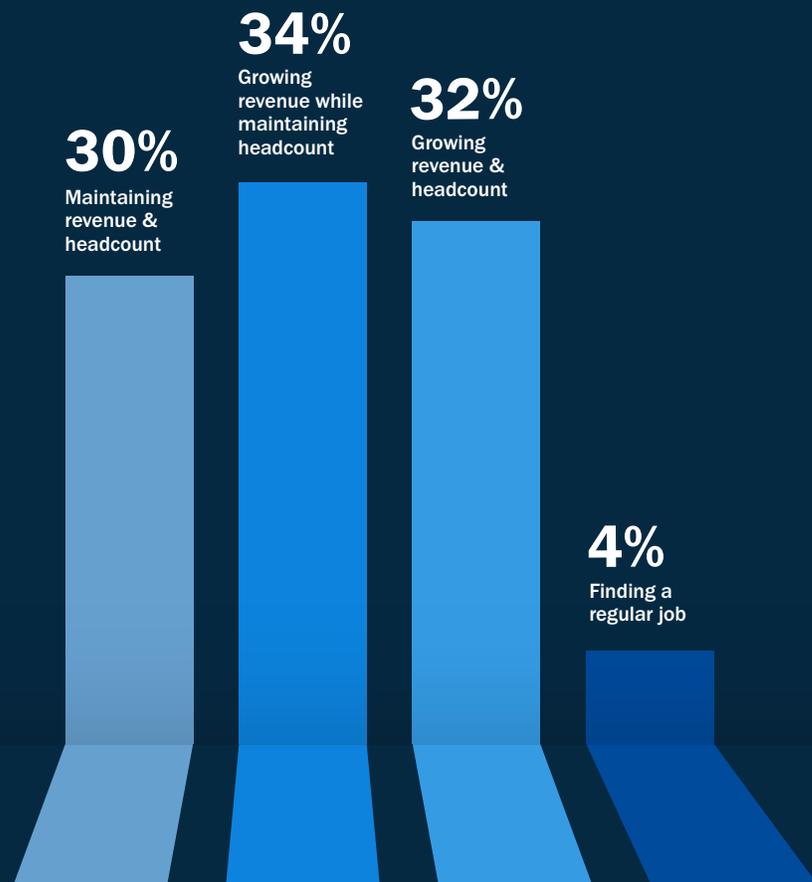
59%

will likely work past 65 because they want to (vs. have to).

Future goals for small business owners or self-employed

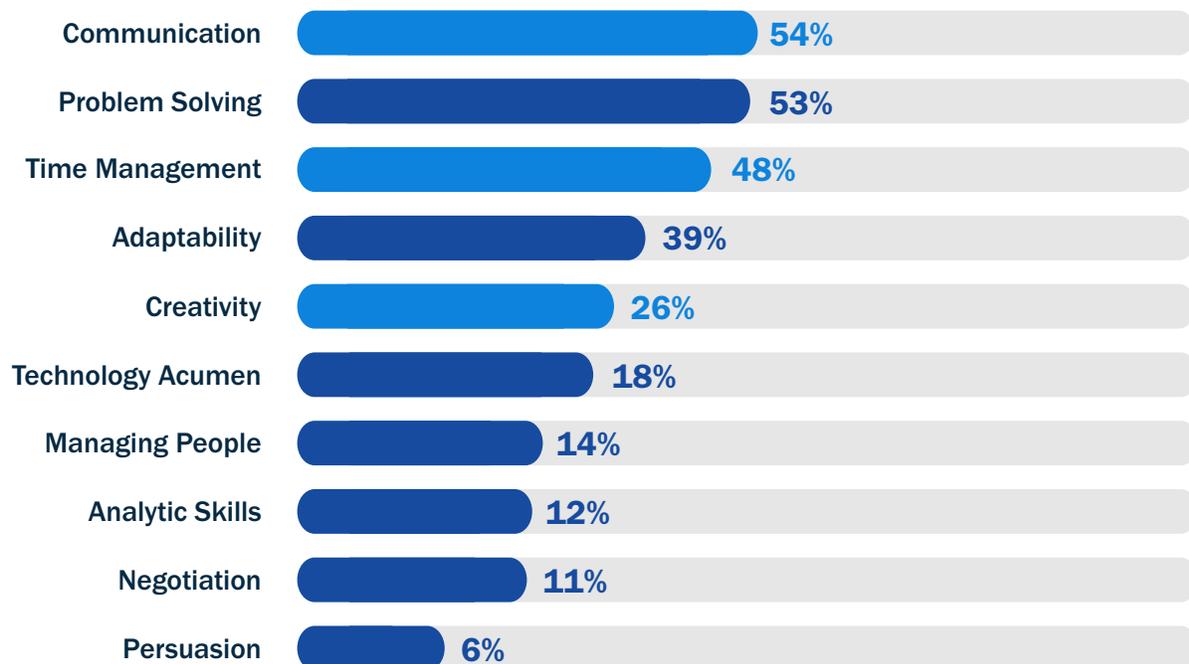
Where do self-employed professionals want to take their businesses in the future? The majority want to grow their revenues, headcounts or both. Very few have any interest in getting a 'real' job.

How will they get there? By leveraging soft skills like communication, problem solving, time management and adaptability that they know (from experience) are the keys to small business success.



Top skills required for small business or self-employment success

(According to today's self-employed professionals and small business owners)

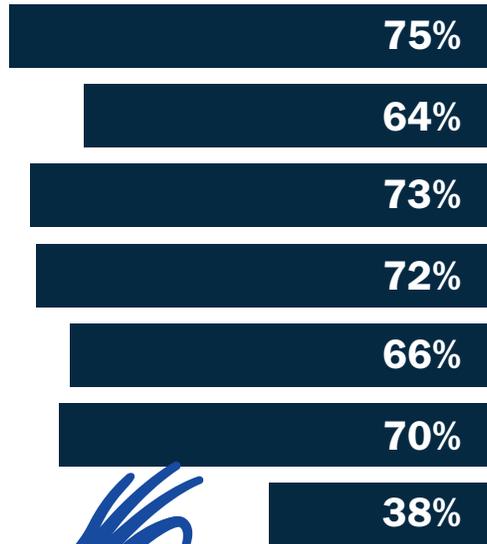


How Self-Employment Changes How People Work and What They Experience

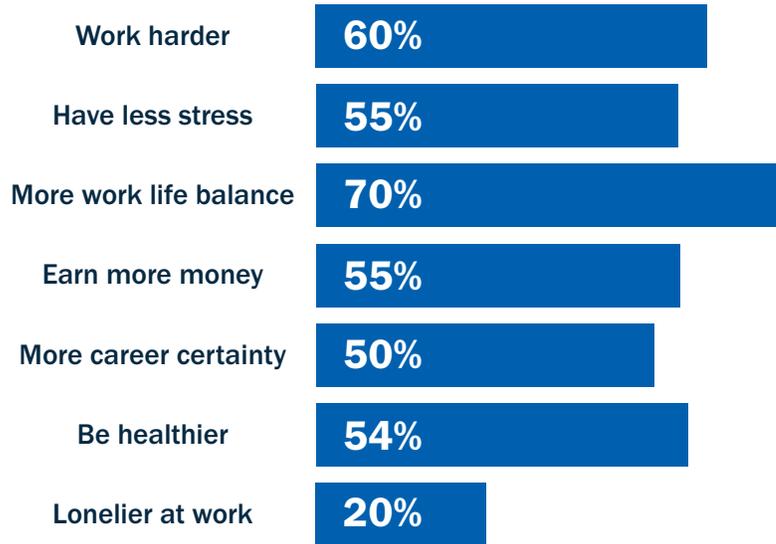
Here's the thing: there are a lot of misconceptions about self-employment, which is why it's so important for aspiring entrepreneurs to connect with and learn from other entrepreneurs before they make the leap. So what do people expect once they become self-employed, and how does that compare to the reality of presently self-employed professionals?



Expectation
What the next wave of self-employed professionals expect.



Reality
What today's self-employed professionals have experienced.



Next wave self-employed professionals expect to work harder, earn more money and be healthier once they work for themselves — but the experience of presently self-employed professionals indicates that some of these expectations will be more difficult to achieve.

On the bright side, the reality for most self-employed professionals is overwhelmingly positive. The majority say they're less stressed, have more work-life balance, earn more, and are healthier than in a traditional job. They're also less lonely than expected, which could be due to a number of factors, such as the rise in popularity of co-working spaces. Which leads us to our next question:

How are self-employed professionals working differently compared to when they were employed?

They Manage Their Time Differently

- 58% say they work irregular or odd hours
- 41% work in shorter bursts of time
- 39% work fewer hours, but say they're more productive

They Pursue Lifestyle Changes

- 29% travel more
- 27% spend more time outdoors
- 45% connect to their businesses from anywhere using mobile devices

They Push Their Career Comfort Zones

- 44% perform a much wider variety of tasks on a daily basis
- 42% rely more on creative instincts to make decisions
- 41% learn new things almost daily
- 35% take more risks

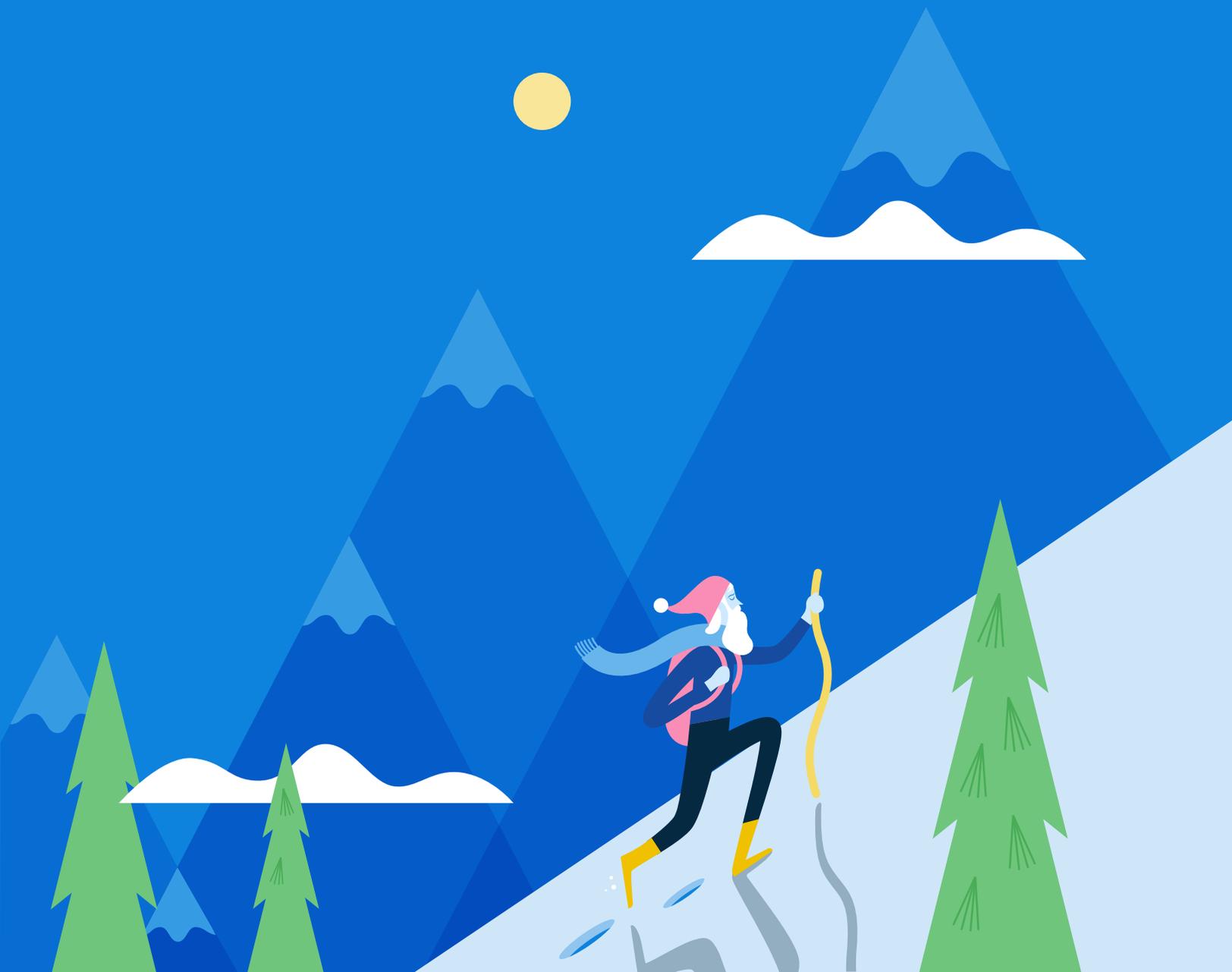
Transitioning from traditional to self-employment has given millions of Americans the opportunity to not only do different work, but also to work differently. Analysis shows that working differently—including working irregular or odd hours, traveling more, and spending more time outdoors—is linked with higher career satisfaction.

Talent Tug of War

Last year 27 million American workers said they were considering a shift to self-employment by 2020. There's clearly a significant mindset shift to a workforce that values flexibility over stability.

However, we estimate fewer than 2 million Americans took the leap full-time in 2018. What's preventing the tens of millions of people who want to become self-employed from actually making the switch?

Self-employed hopefuls identified two distinct types of barriers: hard and soft. Hard barriers are reasons people *can't* become self-employed, and soft barriers are reasons why people *haven't* become self-employed. Barriers, of course, can be overcome with the right support and direction.



Hard Barriers

28%

Don't have cash to invest, or need to pay down debt

21%

Need to complete training

20%

Don't want to give up health benefits

Soft Barriers

35%

Worry about inconsistent income

27%

Worry about earning less

27%

Lack a complete business plan

14%

Don't know what they want to do

19%

Are loyal to their current company

Barriers to self-employment also vary by generation

Millennials fear income inconsistency, Gen Xers worry about making less money, and Boomers don't want to lose their health benefits. Notably, what is not keeping people in their current full-time positions is employer loyalty. Just one-in-five traditional employees say loyalty to their current company is stopping them from becoming self-employed.

Which employees are most likely to become self-employed?

If you work at a small business, chances are you're considering self-employment. In fact, 35% of people working at companies with fewer than 50 employees say it's somewhat to very likely they'll become self-employed in the next two years, compared to 25% of people working at larger companies. This corresponds directly with another of our key findings: that small business owners struggle with finding talented staff or contractors more so than any other challenge, including finding new customers.

Specifically, Millennials who work in senior roles, like C-suite execs and company presidents, are most likely to be contemplating a switch to self-employment. Functionally, we find that IT professionals are twice as likely as the average employee to be pondering self-employment in the near term. As many already command higher salaries from traditional employers, large numbers of IT professionals are eyeing self-employment as a means to greater career fulfillment vs. any other reason.

58%

Finding talented staff or contractors is a challenge

51%

Finding new customers is a challenge

Modern Workforce Motivations

What is it, exactly, that propels people to leave the security of a regular paycheck, paid vacation and sick days? The jump to becoming your own boss is risky, to say the least. Which makes the preparation, skills for success and a hefty dose of grit and determination so critical for offsetting the risk.

In 2018, more than 40% of Americans said that having more control over their career was the primary motivating factor for becoming self-employed. In 2019, career control is once again the most cited reason for choosing to pursue self-employment.

What does control over your career mean to you?

Presently self-employed professionals and small business owners

65%

Freedom to choose when to work

44%

Choice of which projects to work on

47%

Freedom to choose where you work

48%

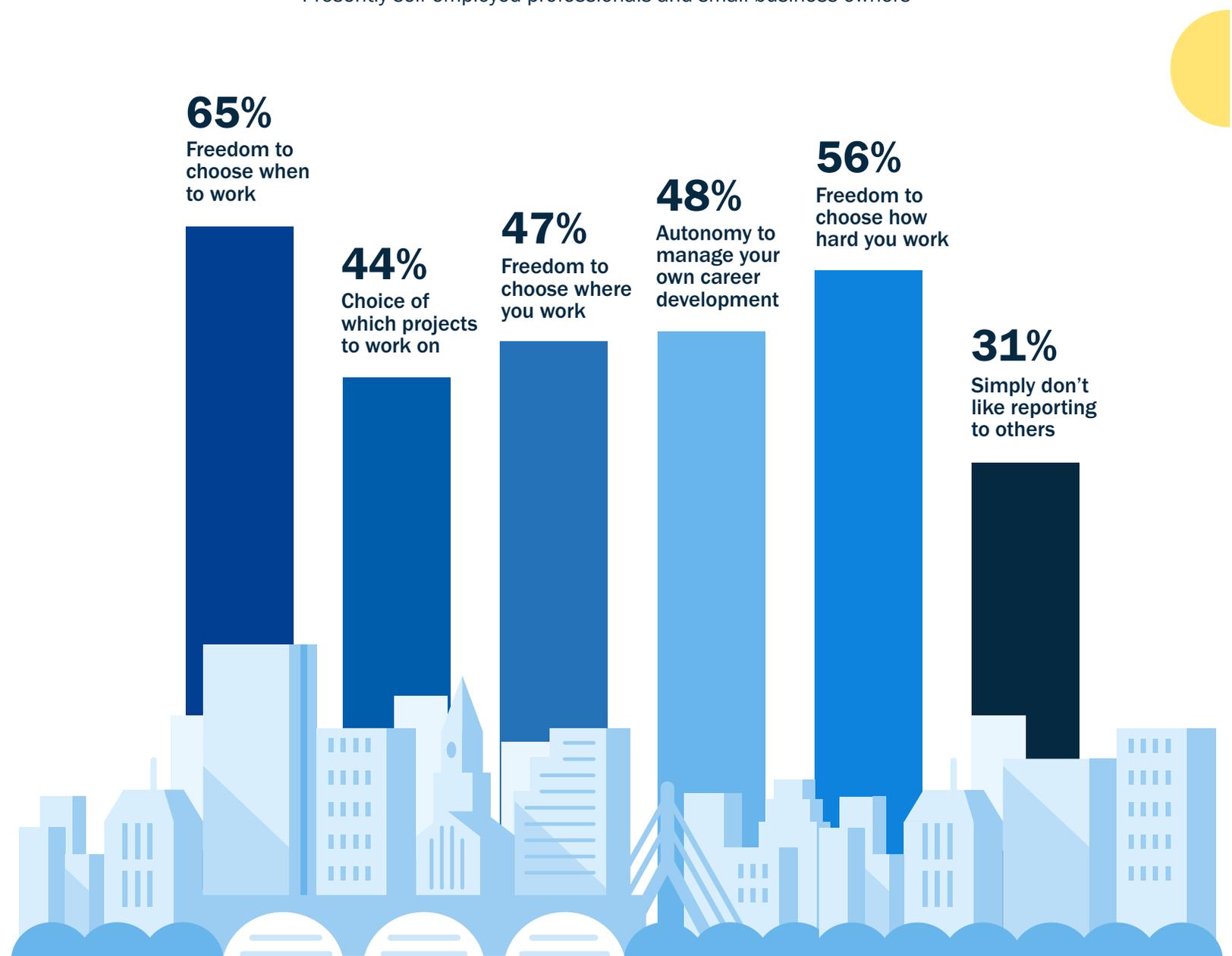
Autonomy to manage your own career development

56%

Freedom to choose how hard you work

31%

Simply don't like reporting to others



While the desire for more career control is the top reason for choosing self-employment overall, motivations are shifting. Consider that among those who've been in business 5 or more years, money was the deciding factor. Which begs the question....

What's truly driving the next wave* of self-employed professionals?

22% Control

- choosing where to work
- choosing when to work
- managing career development

22% Fulfillment

- more day-to-day happiness
- making a difference
- being more challenged

20% Finances

- earning more money immediately
- earning more money at a later time
- having more money for retirement

14% Family

- spending more time with family
- flexibility to care for young children
- flexibility to care for aging dependents

12% Change

- pursuing a different career
- shaking things up
- working with new people

4% Negative Work Environment

- escaping office politics
- feeling underappreciated
- leaving behind a bad boss

6% Health

- address declining physical health
- prevent additional burnout
- address declining mental health

Conclusion

Last year we concluded that a significant shift in the American workforce was underway, as tens of millions of workers seemed ready to take the self-employment plunge. And while many did just that over the past 12 months, many more did not. No doubt record low unemployment and continued economic growth in 2018 have played a role, as desperate employers do all they can to retain their best and brightest. But as we've learned this year, the primary motivators behind the shift are not financial nor are they easily accommodated within the confines of a 'traditional' job. Most are looking for some combination of career control, change and fulfillment that can only be realized by going it alone.

We've also learned that prospective independents differ in their self-employment 'readiness' and the hard and soft barriers that keep them from pursuing their career aspirations. If there is one certainty though, it's that the tools and resources needed to overcome these barriers will only become better and more accessible in the future. So we're sticking with our prediction that self-employment is redefining the American dream. It just might take a little longer.

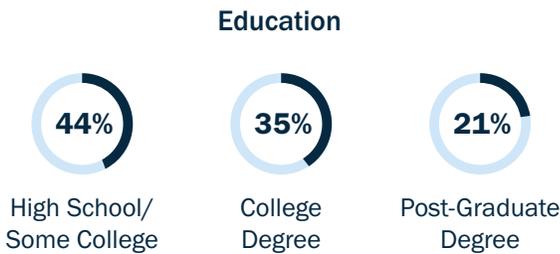
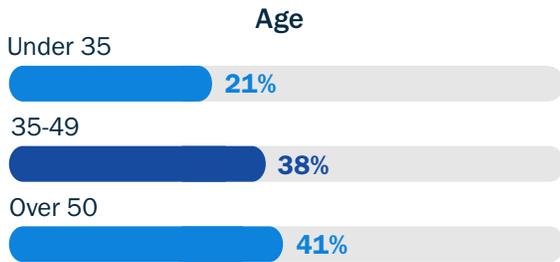


*Next wave self-employed professionals:

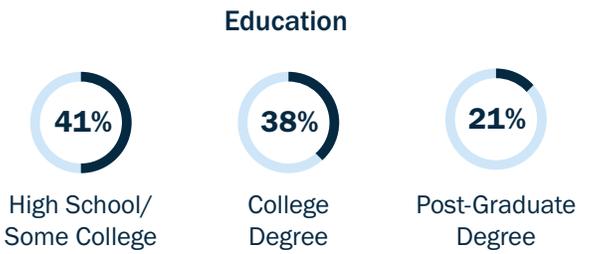
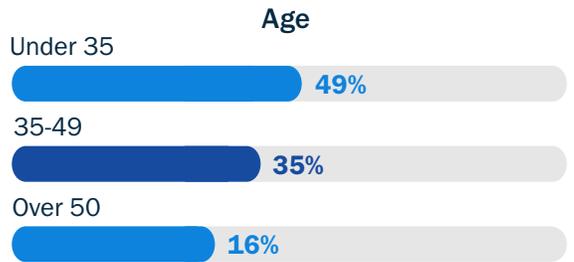
Traditional employees considering self-employment within 5 years

Participant Profiles

Self-employed/small business owners today



Next generation independent workers



Small Business Profiles



- 25% Consulting, Legal & Business Services
- 23% Contracting / Construction / Trades
- 16% Creative Services
- 15% Information Technology
- 13% Retail/Wholesale
- 11% Real estate / Property Management
- 9% Health & Wellness
- 5% Marketing / Advertising / Media
- 11% Other



About FreshBooks Self-Employment in America Report

FreshBooks Self-Employment in America Report started in 2017 as our annual deep dive into the lives of Americans who work for themselves full-time.

Survey Methodology

FreshBooks conducted the study for this report in collaboration with Dynata. More than 3,700 people who work full time—either as traditional employees, independent professionals, or small business owners—were surveyed online in November of 2018. Samples have been weighted (as required) to reflect various characteristics of their target populations (e.g., age, gender and industry) leveraging data from the U.S. Census, U.S. Small Business Administration, the NAICS Association and other sources. The study's margin of error is +/- 2.3% at 95% confidence.

About FreshBooks

FreshBooks is the #1 accounting software in the cloud designed exclusively for service-based small business owners and independent professionals. The company has helped more than 20 million people worldwide process billions of dollars with its ridiculously easy-to-use invoicing, time-tracking, expense management, and online payments features. Recognized with nine Stevie awards for best customer service in the world, the company's mantra is to "execute extraordinary experiences every day." Based in Toronto, Canada, FreshBooks serves paying customers in 160 countries.

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