

# Henry Sole Trader Pulse

## Australia

March 2022

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# Key talking points

- The **Henry Sole Trader Pulse** suggest sole traders across Australia have seen a marked improvement in their economic circumstances, confidence in the business environment and outlook since the easing of restrictions across Australia. This is being led by confidence in the major states - NSW and Victoria.
- However, it was **not all good news** across the country - **WA & QLD sole traders** aren't happy with the economy, **creatives** and **gig workers** are going backwards financially and “**lockdown-like**” **consumer behaviours** are negatively impacting sole trading businesses nationwide.
- **Financial and taxation burden:** Sole traders are spending ~6 hours a week and \$330/month (~\$4k/year) on managing tax and financial admin. Specifically, the average self-employed tradie is spending \$700/month (\$8.4k/year) on tax & financial admin and about 1/3 are spending more than 10 hours a week. 33% of sole traders expressed that they are already stressed about the EOFY - 3+ months away.
- The average sole trader also spends **almost one working day per week** (6 hours) on managing their tax and financial admin, resulting in an approximate **\$17.2 billion** in lost productivity for AU sole traders every year <sup>1</sup>.
- **Federal Budget requests:** Given the amount of time spent on admin, the #1 request of sole traders of the Federal Government is to make the tax system simpler, followed by encouraging training and upskilling and reducing income tax. Government Handouts were not top of mind.

Notes: (1) Based on surveyed average sole trader quarterly income of \$21,545. Assumes 45 hour working week.

# Executive Summary



- There are ~**1.5 million sole traders** in Australia, growing at ~**50,000 per year** making it the fastest growing economic segment and contributing over **\$90B** per annum to Australia's GDP.
- The **Henry Sole Trader Pulse** suggest sole traders across Australia have seen a marked improvement in their economic circumstances, confidence in the business environment and outlook since the easing of restrictions across Australia.
- However, it was **not all good news** across the country - **WA & QLD sole traders** aren't happy with the economy, **creatives** and **gig workers** are going backwards financially and "**lockdown-like**" **consumer behaviours** are negatively impacting sole trading businesses nationwide.
  - **WA & QLD:** WA and QLD sole traders reported negative sentiments - more QLD & WA sole traders rated the economy as "poor" rather than "good", in spite of recently or imminently opening state borders.
  - **Creatives and Gig workers:** 36% of creative freelancers rated the performance of their business as "poor" last quarter and expressed similar negative sentiments on the economy. Gig workers had a really tough time - almost 60% reported their business performance as "poor" last quarter and almost half reported current business conditions as "poor". Concerningly, 34% reported their mental health as "poor".
  - **Impacts of Omicron:** ~50% of sole traders across the country said they had clients "cancel or defer work due to Omicron" and 53% said "although nowhere is officially in lockdown, business conditions are similar to being in lockdown". These numbers increased to 58% and 61% respectively for tradies and 65% and 69% for gig workers.
- **Financial and taxation burden:** Sole traders are spending ~6 hours a week and \$330/month (~\$4k/year) on managing tax and financial admin. Specifically, the average self-employed tradie is spending \$700/month (\$8.4k/year) on tax & financial admin and about 1/3 are spending more than 10 hours a week. 38% of first year sole traders are spending >10 hours/week on tax and financial admin. 33% of sole traders expressed that they are already stressed about the EOFY - 3+ months away.
- The average sole trader also spends **almost one working day per week** (6 hours) on managing their tax and financial admin, resulting in an approximate **\$17.2 billion in lost productivity** for Australian sole traders every year.
- **Federal Budget requests:** Given the amount of time spent on admin, the #1 request of sole traders of the Federal Government is to make the tax system simpler, followed by encouraging training and upskilling and reducing income tax. Government Handouts were not top of mind.

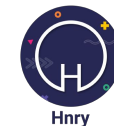
# How the Henry Sole Trader Pulse was conducted



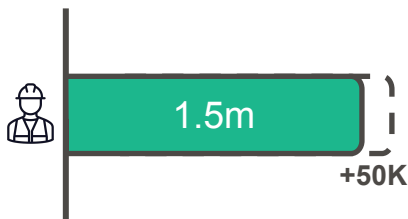
An independent poll was conducted by Resolve Strategic<sup>TM</sup> between 28th Feb – 6th March 2022.

- The survey polled 504 sole traders across Australia, with a maximum error margin of +/-4.4%.
- The poll was conducted online via reputable business and general population panels, with respondents screened to ensure they are sole traders (using a personal ABN and including contractors, consultants, freelancers, gig economy workers, tradies, etc.).
- A representative sample by age, sex, area and tenure when compared to known population parameters using minimum quotas and/or weighting where required.
- In this track the poll also asked a series of ad hoc questions about the effects of Omicron, requests of the Federal Government's budget and comfort with managing financial and tax affairs.

# Sole traders are Australia's fastest growing segment



There are **1.5 million sole traders** in Australia, growing at **50,000 per year** making it the largest and fastest growing segment of the Australian economy



Sole Traders are a large and diverse group, comprising freelancers, contractors, tradies, gig workers and wellness professionals - **over 40%** of whom have **more than one job**



Sole traders **contribute over \$90B** to Australia's GDP<sup>1</sup> per annum

COVID has impacted some types of sole traders more than others. Issues around sole trader **mental health** are a focal point, as well as those tools and services (such as Henry) that help to ease that burden



Notes: (1) Based on the median earnings of owner managers of incorporated enterprises. Source: ABS: Counts of Australian Businesses, including Entries and Exits, June 2017 to June 2021, Characteristics of Employment, Australia, August 2020



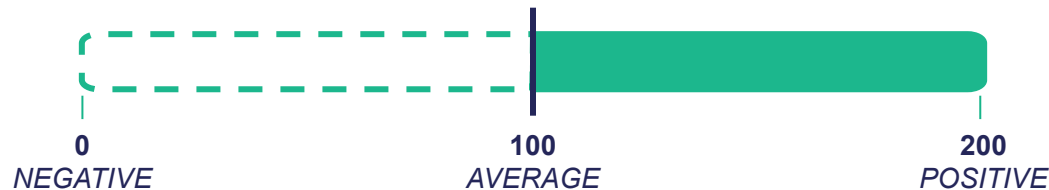
# How the Henry Sole Trader Pulse works

The questionnaire employs several core questions asked in every track, notably:

- A pulse figure of sole trader sentiment, with 100 being 'average', 0 'negative' and 200 'positive', that can be tracked over time and broken down by sole trader groups. It is calculated using 12 variables, each grouped into current / future business performance, personal factors, business / economic conditions, and past business performance (using an average weighted in descending order).
- A series of attributes, such as sex, age, area, tenure, turnover, industry and whether have another job.

The headline measures include:

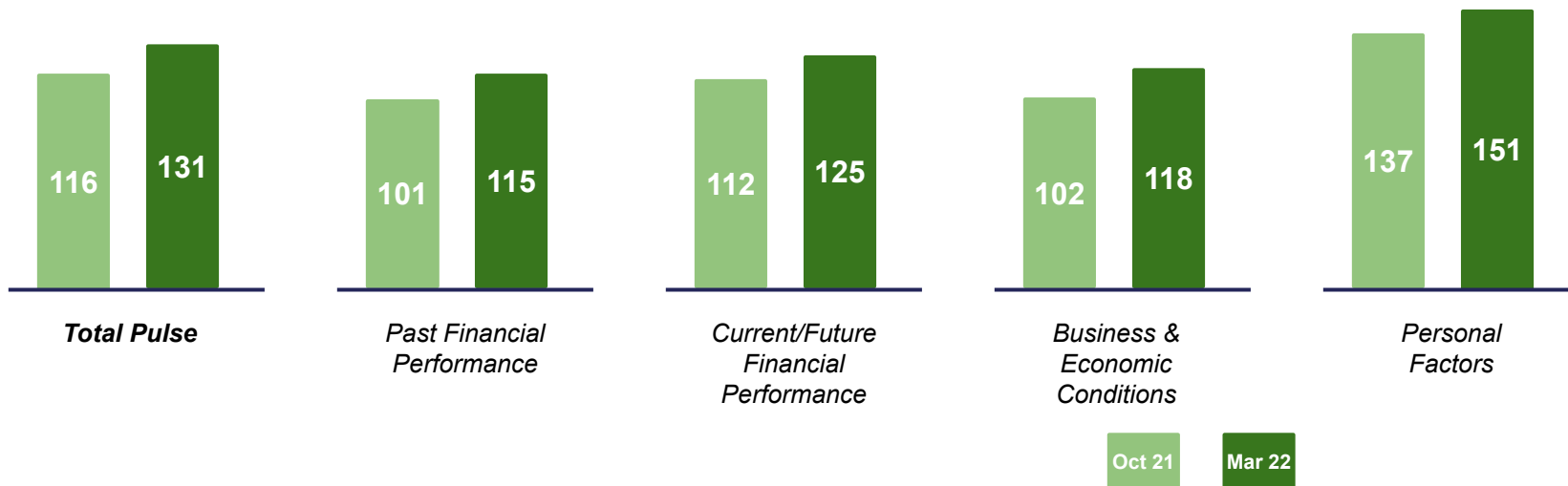
- **Past financial performance:** A combination of sole traders' financial performance in the last 12 months and the last quarter
- **Current/future financial performance:** A combination of sole traders' financial performance right now and expectations for financial performance in the next quarter and the next year
- **Economic conditions:** A combination of sole traders' perspective on business conditions right now, economic conditions right now and expected economic conditions in 6 months
- **Personal conditions:** A combination of sole traders' personal satisfaction, mental well-being, work life balance and degree of freedom



# Overview of Henry Sole Trader Pulse results



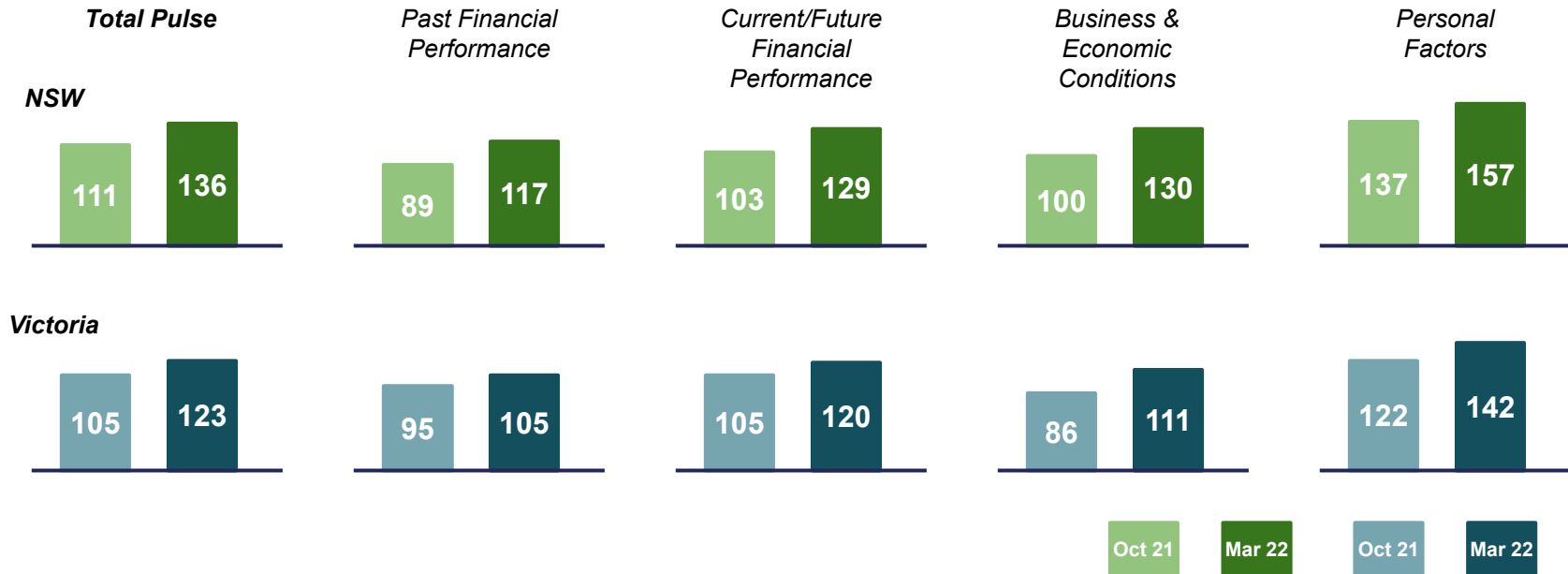
Sole traders across Australia have seen a marked improvement in their economic circumstances, confidence in the business environment and outlook since the easing of restrictions across Australia





# Overview of Henry Sole Trader Pulse results

The improvement in the Total Pulse score is largely driven by strong results in NSW and Victoria





# However, not all the results had good news

**WA & QLD sole traders** aren't happy with the economy, **creatives freelancers** and **gig workers** are going backwards financially and **“lockdown-like” consumer behaviours** are negatively impacting sole trading businesses nationwide.



WA & QLD Sole  
Traders

Rest of Australia



Creative  
Freelancers  
& Gig  
workers



Other sole  
traders



“Lock-down  
like” consumer  
behaviours

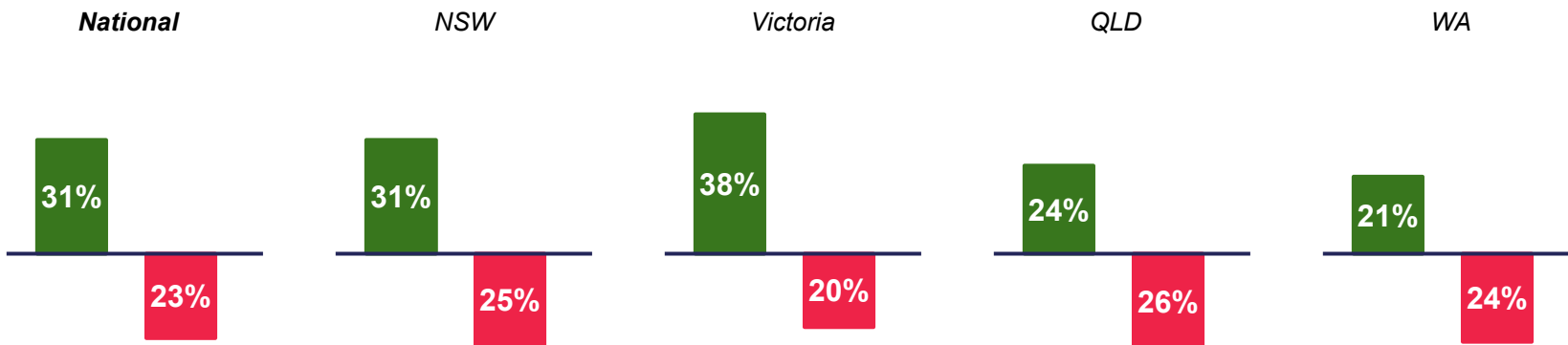
Post-lockdown  
economic  
improvement

# Sole Trader quarterly performance



In Queensland and WA, more sole traders stated that they performed worse financially this quarter than better

Q: Was the financial performance of your business over the last quarter (3-months) better or worse?

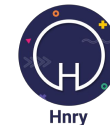


Better

Worse

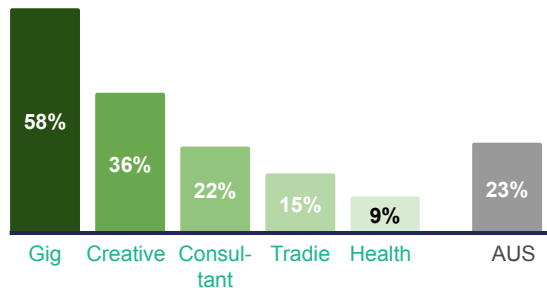
Note: The % not accounted for respond with "about the same"

# Creatives & Gig workers hit hardest



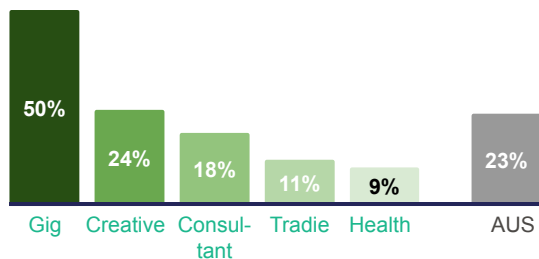
Creatives and Gig workers reported having worse business performance in the midst of poor business conditions

### Financial performance last Quarter - "Poor"



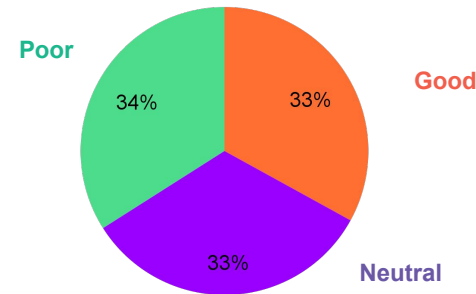
58% of gig workers said their business performed poorly last quarter, compared to only 19% that said it performed well. Similarly, 36% of creatives said their business performed poorly as compared to 28% that said it performed well

### Conditions for doing business now - "Poor"



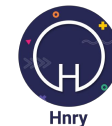
50% of gig workers rate current business conditions as poor, along with 24% of creatives. The other segments are a lot more positive around business conditions with restrictions having eased

### Gig workers mental health



34% of gig workers reported poor mental health as compared to the national average of 15%. Concerningly more rated themselves as "poor" vs "good" or "neutral"

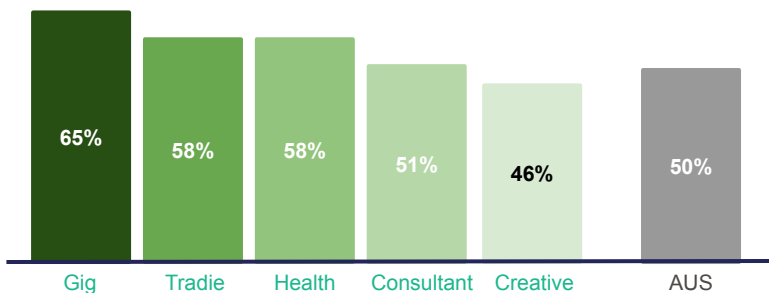
# Impacts of Omicron



Sole traders across the country said they had clients “cancel or defer work due to Omicron” and that “although nowhere is officially in lockdown, business conditions are similar to being in lockdown”

## Clients have cancelled or deferred work due to Omicron

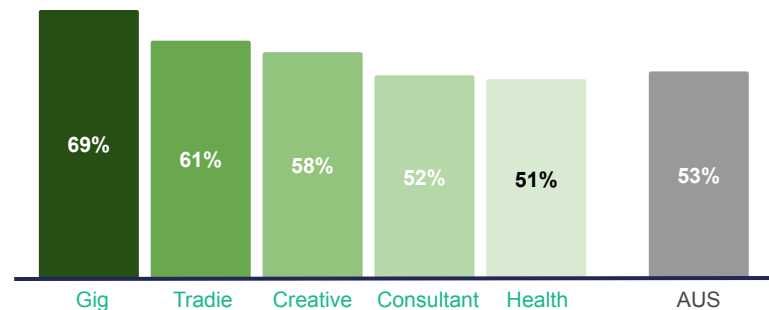
Q: Have clients cancelled or deferred work due to Omicron?



50% of Australian sole traders indicated they had clients cancel or defer work due to Omicron - this number increased to 58% for healthcare workers and tradies and 65% for gig workers

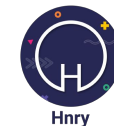
## Although nowhere is officially in “lockdown”, business conditions are similar to lockdown

Q: Although nowhere is in lockdown, do business conditions feel like lockdown?



53% of Australian sole traders indicated that whilst “nowhere is officially in lockdown, business conditions are similar to lockdown”. This was significantly higher for creatives at 58%, tradies at 61% and gig workers at 69%

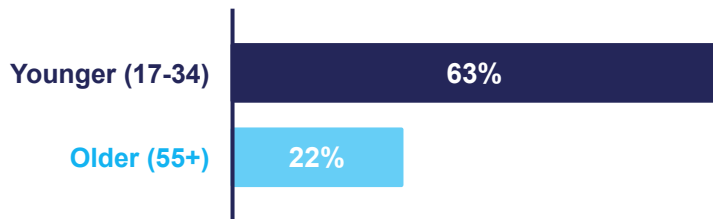
# Young vs Old



Younger sole traders feel much more at risk of catching COVID while at work, whereas older sole traders seem less concerned. Additionally, younger sole traders are more positive about the Federal Government's handling of the pandemic

## Risk of catching COVID while at work

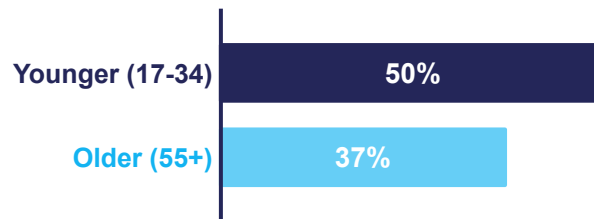
Q: Do you feel that you are often at risk of catching COVID when working?



63% of young Australian sole traders feel they're at risk of catching COVID while at work, while on 22% of older Australians feel the same - this may both be related to the awareness of COVID and life experience associated with its negative impacts

## Supportive of the Federal Government's pandemic response

Q: Has the Federal Government handled the pandemic well in the last 3 months?



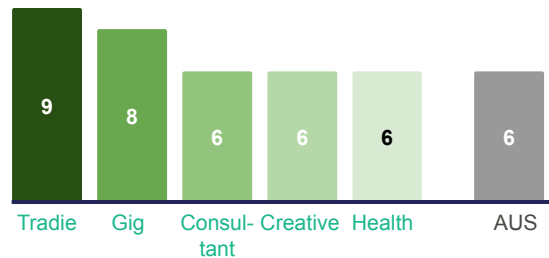
Younger Australian sole traders were more likely to be supportive of the Federal Government's COVID response over older Australians - connected to the graph on the left hand panel, probably because of the health and safety first focus

# Managing tax and financial admin

Australian sole traders are spending almost a business day a week and ~\$4,000 a year on tax and financial admin

## Hours spent on tax & financial admin/week

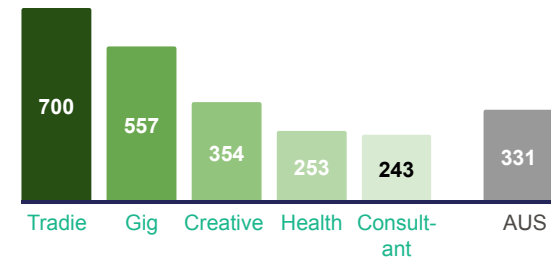
Q: How many hours a week do you spend on tax admin?



Australian sole traders are spending almost a full business day (6 hours) on tax and financial admin each week - this goes up to 8 hours for gig workers and 9 hours for tradies. The total impact of this is about \$17.2B in lost productivity annually

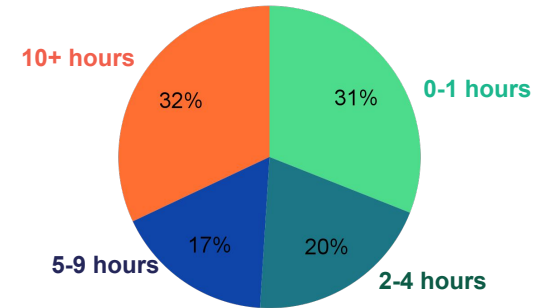
## Monthly expenditure on finance & tax admin

Q: How much money do you spend a month on tax admin?



Australian sole traders spend \$331/month - almost \$4k per year on their taxes. This goes up to \$700 per month for tradies, or about \$8,400 per year

## Tradie weekly hours spent on tax admin



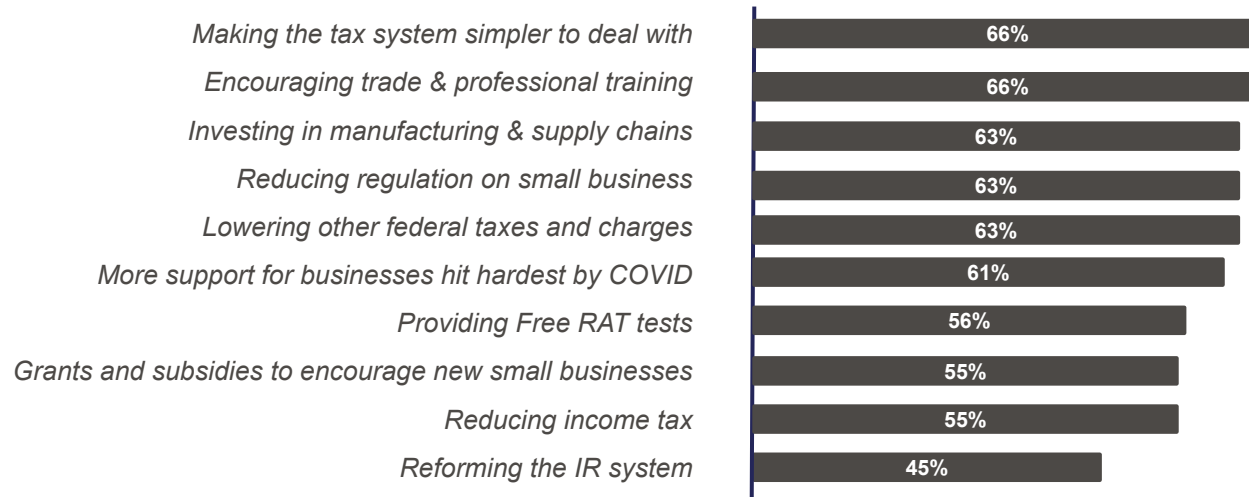
The average tradie spends 9 hours a week on their tax and financial admin, but 32% of tradies are spending more than 10 hours a week - equivalent to at least 1.5 business days



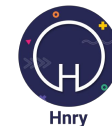
# Budget requests of Government

Sole traders are looking for the government to make the tax system simpler and invest in training and supply chains to support them with their jobs. They are not looking for government handouts.

Q: Please rate how important it is that the Federal Government looks at each of the following areas in the 2022



# About Hnry



*Pictured [L to R]: [Karan Anand](#) (Managing Director, Australia), [James Fuller](#) (CEO) and [Claire Fuller](#) (COO)*

**Hnry was founded in 2016 with a mission make to self-employment simple, affordable and accessible for anyone, taking all the hassle and stress out of earning income independently.**

Since then we have grown to become the largest and fastest growing accountancy service for sole traders across Australia and New Zealand, processing over \$500 million in customer payments annually. The Hnry team has quickly grown to 40+ staff members split between Australia and New Zealand, dedicated to helping the region's sole traders focus on what they do best, whilst Hnry handles their tax and compliance.

Hnry automatically calculates and pays the exact right amount of tax for our customers whenever they get paid, and our expert accountants lodge their BAS and income tax returns whenever they are due. Hnry's revolutionary web and mobile app also allows sole traders to issue quotes and invoices, track deductions, make financial plans, and access reporting to ensure they're always on top of their business.

## Contact us

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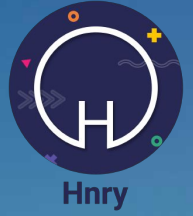
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