



Hnry Sole Trader Pulse

New Zealand
October 2022



Key talking points

- **NZ Sole traders are enjoying the benefits of self employment.** Two-thirds of sole traders said they valued the degree of freedom in running their own business, while over 60% (61%) said that their level of personal satisfaction in running their own business was good or very good. It appears the benefits of being self employed increase with age, with a higher proportion of older sole traders (55+) reporting they enjoyed the degree of freedom and the work life balance of being self employed
- **Outlook on the economy is slightly less pessimistic, but still not positive.** 35% of sole traders noted that they felt the health of the economy right now was either poor or very poor, down from June 2022, where almost half of all sole traders (44%) said the same thing. Tradies were the most optimistic about current economic conditions, with 40% saying they felt the health of the economy to be 'good', double that of other sole traders (18%). By contrast, only one in ten contractors said the same thing
- **The recovery in financial performance from COVID appears to have plateaued.** Under half (47%) of all sole traders reported that turnover was higher in Oct 2022 than in the previous quarter. This is down from 55% in June 2022 who said the same thing. Those that set up their business just prior to Covid were the ones reporting the poorest recent financial performance
- **Inflation is driving the decline in financial performance.** An increasing proportion of sole traders are facing the effects of inflation, 90% reporting they are avoiding taking on additional debt (up from 85% in June 2022), 85% paying more for supplies and services (up from 82% in June 2022) and 79% paying themselves more to cover higher living costs (up from 71% in June 2022)
- **These inflationary pressures have resulted in a number of outcomes for sole traders:**
 - **Reduced profit margins and cost absorption:** Half of all sole traders said they had worked below minimum wage in the past 6 months. This was most common across those that used gig platforms. In addition, only 32% noted they had increased their prices in the last few months (down from 56% in June) - suggesting that they have reached the limit of combating higher living costs with price increases or that they are content with reduced profit margins through cost absorption
 - **Increased working hours to cope with higher costs:** Over a quarter (27%) of all sole traders reported that they were seeking to work more hours to cope with higher costs. Freelancers were the profession with the highest proportion of sole traders saying the same thing, with almost a third of them (31%) saying that they had tried to win more business or work more hours to cope with increasing costs in the last few months
 - **Impacts on mental health of those struggling financially:** Sole traders with poor financial performance were over 4 times more likely to report poor mental health than those whose finances were better off. Younger sole traders were three times more likely to report poor mental health
 - **Tax and financial admin takes away critical time that could be spent earning more or supporting their wellbeing:** Sole traders are spending 4 hours a week and \$200 every month managing their tax and financial admin. Those that use modern, online accounting services to manage their tax and financial admin are spending half of the average amount of time as other sole traders, at just 2 hours per week and \$108 per month



How the Henry Sole Trader Pulse was conducted

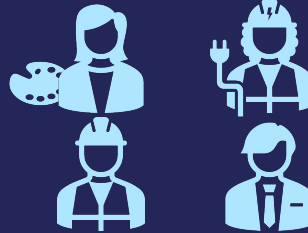
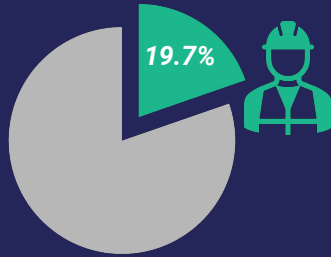
Henry commissioned Resolve Strategic to conduct polling to measure and regularly track the sentiment, views and experiences of sole traders in Australia and New Zealand. This report contains the results of the fourth survey in New Zealand, with methodology and topics as follows

- This survey polled 502 sole traders between 11th – 15th October 2022 (excluding those trading as companies) across New Zealand, 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 (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 COVID and working from home experiences, the impacts of inflation, gig economy wages and minimum wage



Sole traders are a significant part of the NZ economy

There are over **400,000 sole traders** in New Zealand, making them **19.7% of the working population**¹



Sole Traders are a large and diverse group, comprising freelancers, contractors, tradies, gig workers and wellness professionals - **over 35% of whom have more than one job**



Inflation and other economic pressures have impacted some types of sole traders more than others. Issues around **sole trader mental health** are also a focal point, as well as those tools and services (such as Hnry) that help to ease that burden. Given the wider potential of a recessive economy, minimising unnecessary cost and hassle is a big priority for New Zealand's sole traders

Notes: (1) Based on OECD Employment Data [<https://data.oecd.org/emp/self-employment-rate.htm>]



How the Henry Sole Trader Pulse works

The questionnaire employs several core questions asked in every Pulse, 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

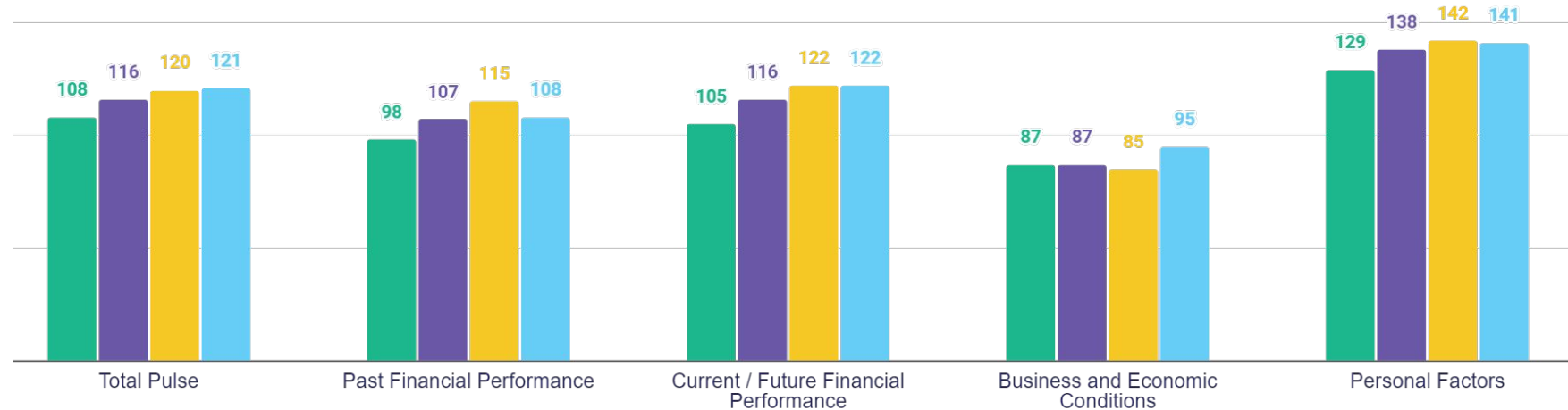


Overview of Henry Sole Trader Pulse results

While outlook on business and economic conditions has improved, it is still not seen as being positive. Past financial performance has been impacted by inflation pressures. Despite this personal factors, including degree of freedom, work-life balance and current level of wellbeing remain strong across sole traders

Sole Trader Sentiment: Overall Index

Chart: Sole trader sentiment towards financial performance, economic conditions and personal factors (including wellbeing, work-life balance and personal satisfaction and enjoyment of being self employed). Refer to index explanation below for details on what the index figures mean



KEY: ■ Oct 21 ■ Mar 22 ■ Jun 22 ■ Oct 22



Kiwis enjoy the benefits of being self employed

Two-thirds of sole traders said they valued the degree of freedom in running their own business, while 61% said that their level of personal satisfaction in running their own business was good or very good. It appears the benefits of being self employed increase with age, with a higher proportion of older sole traders (55+) reporting they enjoyed the degree of freedom and the work life balance of being self employed

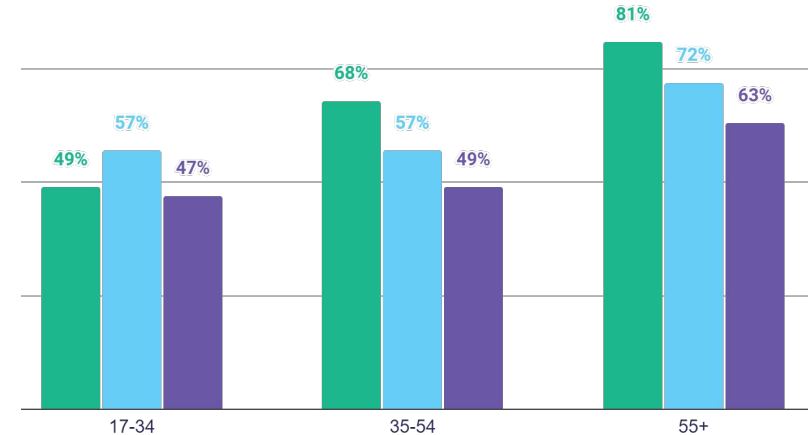
Value Aspects of Being Sole Traders: Total

Chart: Proportion of sole traders that reported that the following aspects were what they value most about being a sole trader over working for a larger organisation



Value Aspects of Being Sole Traders: By Age

Chart: Proportion of sole traders that reported that the following aspects were what they value most about being a sole trader over working for a larger organisation



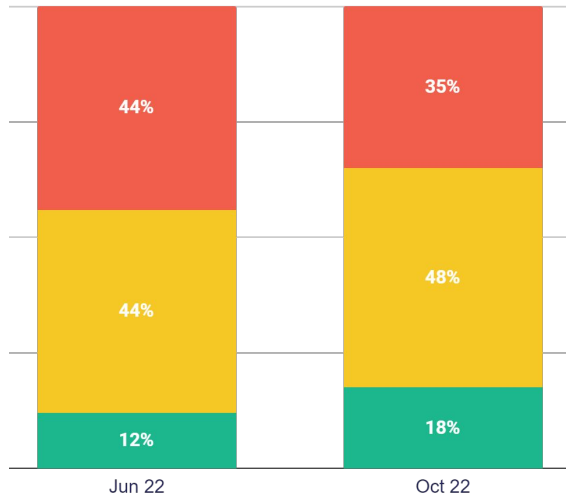
KEY: ■ Degree of freedom in running my own business ■ Personal satisfaction in running my own business ■ Work-life balance, ability to spend time with family and relax

Outlook on the economy is slightly less pessimistic, but still not positive

35% of sole traders noted that they felt the health of the economy right now was either poor or very poor, down from June 2022, where almost half of all sole traders (44%) said the same thing. Tradies were the most optimistic about current economic conditions, with 40% saying they felt the health of the economy to be 'good', double that of other sole traders (18%). By contrast, only one in ten contractors said the same thing.

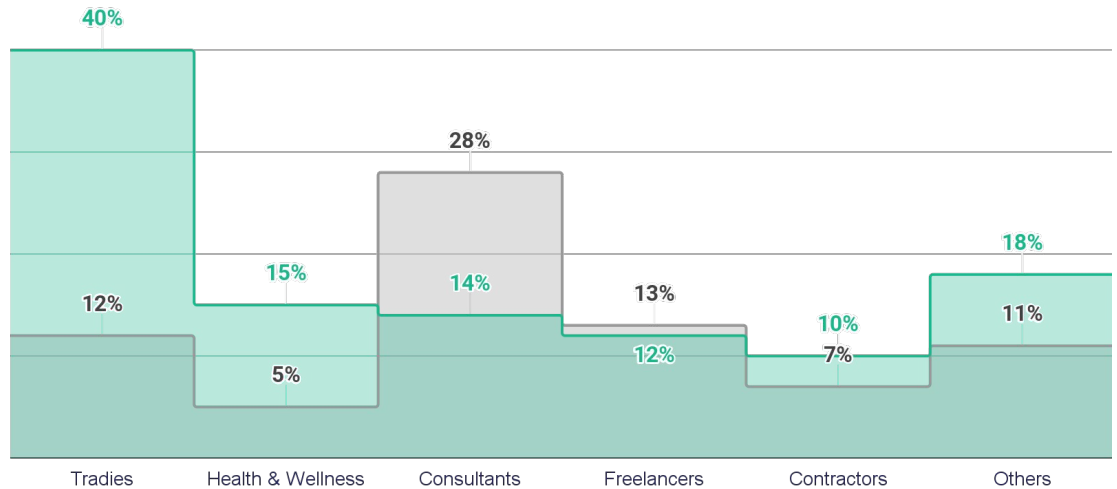
Sole Trader Economic Outlook

Chart: Proportion of sole traders that reported they felt the current health of the economy was 'good', 'neutral' or 'poor'



Sole Trader Economic Outlook, By Profession

Chart: Proportion of sole traders that reported they felt the current health of the economy was 'good'



KEY: ■ Poor ■ Neutral ■ Good

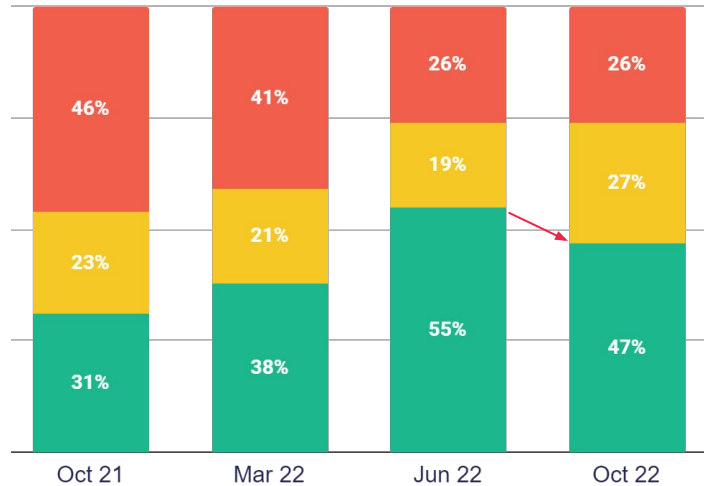
KEY: ■ Jun 2022 ■ Oct 2022

Financial performance recovery from COVID has plateaued

Under half (47%) of all sole traders reported that turnover was higher in Oct 2022 than in the previous quarter. This is down from 55% in June 2022 who said the same thing. Those that set up their business just prior to Covid were the ones reporting the poorest recent financial performance, with 41% of those established for 3-5 years noting that the financial performance of their business right now was poor

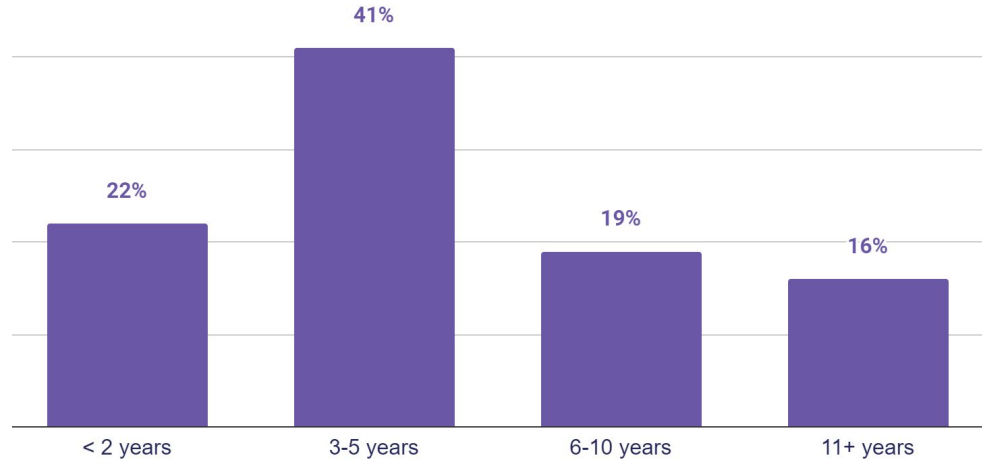
Financial Performance: Quarterly Income Change

Chart: Proportion of sole traders that noted income was 'higher' 'lower' or 'about the same' as the previous quarter



Poor Financial Performance: By Tenure

Chart: Proportion of sole traders that noted the current financial performance of their business was poor



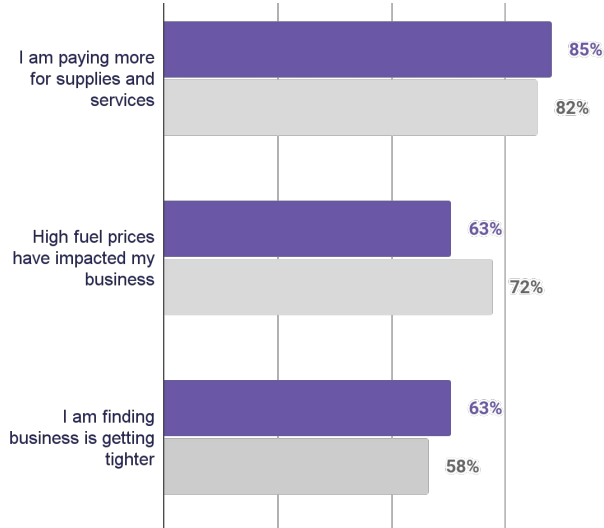
KEY: Lower About the Same Higher

Inflation is driving the decline in financial performance

An increasing proportion of sole traders are facing the effects of inflation, 90% reporting they are avoiding taking on additional debt (up from 85% in June 2022), 85% paying more for supplies and services (up from 82% in June 2022) and 79% paying themselves more to cover higher living costs (up from 71% in June 2022)

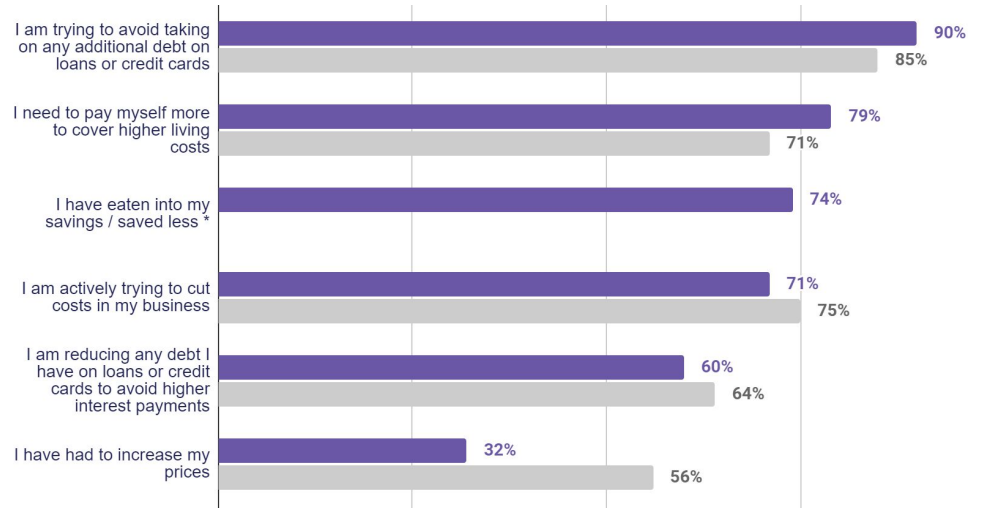
Inflation Impacts on Sole Traders

Chart: Proportion of sole traders that said 'yes' to being affected by the following effects of inflation



Inflation Responses by Sole Traders

Chart: Proportion of sole traders that said 'yes' to undertaking the following actions in response to inflationary pressures



KEY: ■ NZ (Oct 2022) ■ NZ (Jun 2022)

Notes: (*) Not asked in June 2022 Sole Trader Pulse

Inflation is the primary driver of other pressures



Reduced profit margins and cost absorption

Sole traders have been accepting to work below minimum wage due to increased financial pressures at the moment. They have also reached the limit of being able to combat higher living costs with price increases



Increased working hours to cope with higher costs

Over a quarter of all sole traders reported that they were seeking to work more hours to cope with higher costs. Freelancers were the profession with the highest proportion of sole traders saying the same thing



Wellbeing and mental health impacts

Sole traders with poor financial performance were over 4 times more likely to report mental health than those whose finances were better off. Younger sole traders were three times more likely to report poor mental health



Focus on reducing time wasted on admin

Tax and financial admin takes away critical time that could be spent earning more or supporting their wellbeing. Sole traders are spending 4 hours a week and around \$200 every month managing their tax and financial admin



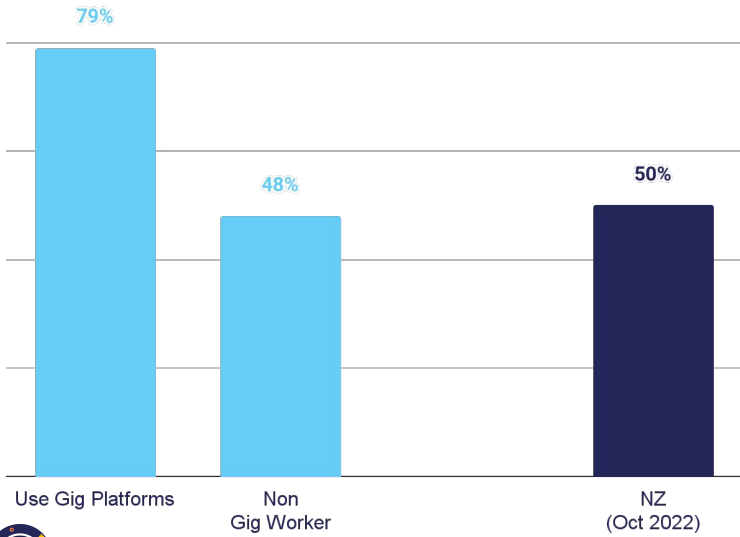


Reduced profit margins and cost absorption

Half of all sole traders said they had worked below minimum wage in the past 6 months. This was most common across those that used gig platforms. In addition, only 32% noted they had increased their prices in the last few months (down from 56% in June) - suggesting that they have reached the limit of combating higher living costs with price increases or that they are content with reduced profit margins through cost absorption

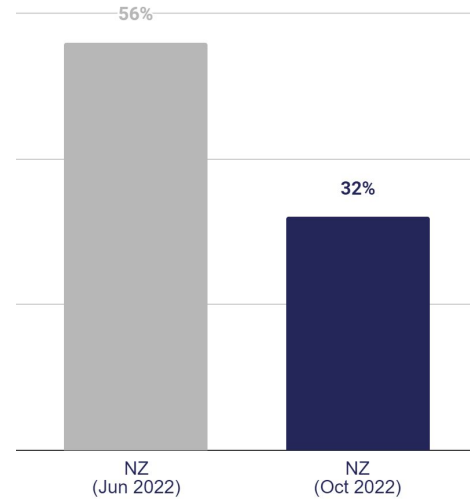
Sole Traders That Worked Below Minimum Wage

Chart: Proportion of sole traders that responded 'yes' when asked whether they had worked for below minimum wage in the past 6 months



Price Increases by Sole Traders

Chart: Proportion of sole traders that said 'yes' to increasing prices in the past 6 months to cope with increasing costs



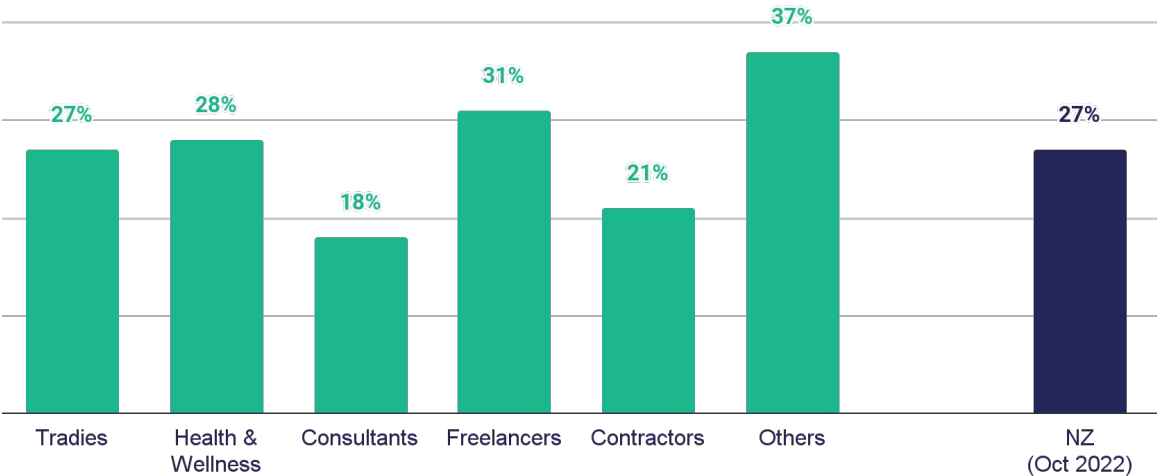


Increased working hours to cope with higher costs

Over a quarter (27%) of all sole traders reported that they were seeking to work more hours to cope with higher costs. Freelancers were the profession with the highest proportion of sole traders saying the same thing, with almost a third of them (31%) saying that they had tried to win more business or work more hours to cope with increasing costs in the last few months

Sole Traders That Worked More Hours

Chart: Proportion of sole traders that responded 'yes' when asked whether they had tried to win more business or work more hours to cope with increasing costs in the last few months



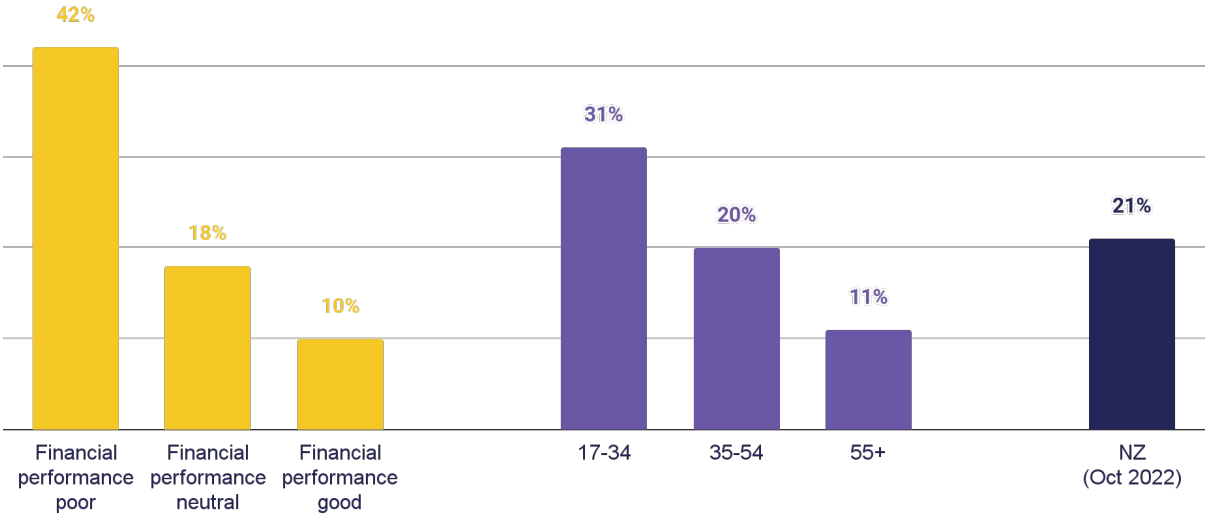


Impacts on mental health of those struggling financially

Sole traders with poor financial performance were over 4 times more likely to report poor mental health than those whose finances were better off. Younger sole traders were three times more likely to report poor mental health as their older counterparts, with 31% of sole traders aged 17-34 saying that their current wellbeing, including mental health was poor compared with just 11% of those aged over 55 who said the same thing

Sole Trader Wellbeing, by Performance and Age

Chart: Proportion of sole traders that rated current wellbeing, including mental health, as 'poor' or 'very poor'



Over 4x

Sole traders with poor financial performance were over 4 times more likely to report poor mental health than those whose finances were better off



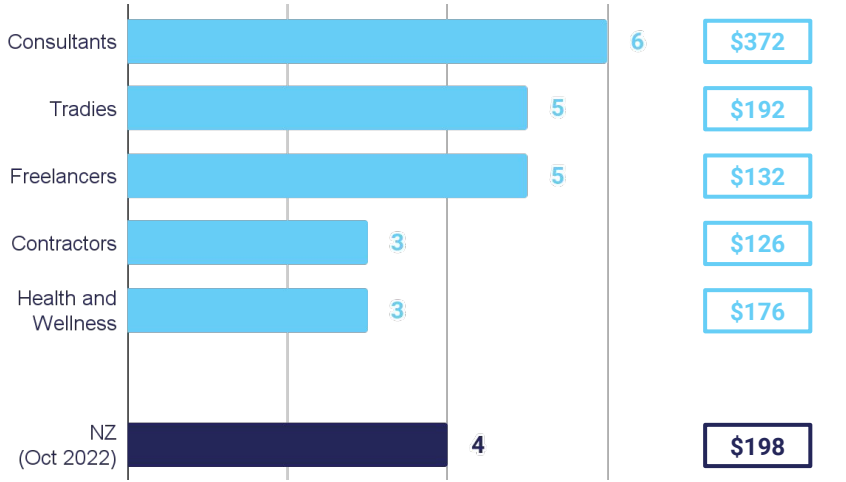


Tax and financial admin burden reduces productivity

Tax and financial admin takes away critical time that could be spent earning more or supporting their wellbeing. Sole traders are spending 4 hours a week and \$200 every month managing their tax and financial admin. Those that use modern, online accounting services to manage their tax and financial admin are spending half of the average amount of time as other sole traders, at just 2 hours per week and \$108 per month

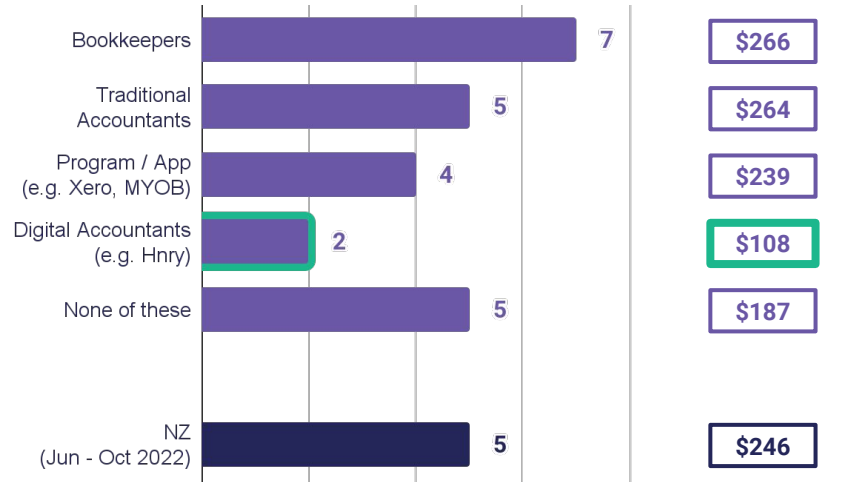
Time and Cost Spent Managing Tax and Financial Admin, by Profession

Chart: Hours spent on tax & financial admin per week Cost (\$) per month



Time and Cost Spent Managing Tax and Financial Admin, by Method of Assistance

Chart: Hours spent on tax & financial admin per week Cost (\$) per month



About Hnry



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

Hnry provides an all-in-one digital accounting service for contractors, freelancers, sole traders and the self-employed, allowing them to focus on getting the job done and never having to think about tax and compliance again. Australasia's fastest-growing accountancy, Hnry, takes care of invoicing, expenses, payments, taxes, and filings in an affordable, pay-as-you-go model and provides expert, on-demand support.

Founded in Wellington in 2017, Hnry has experienced record growth and now helps self-employed people in both New Zealand and Australia. Hnry has continued to win awards and accolades, including 'Emerging Service of the Year' at the 2019 Wellington Gold Awards, being named a finalist for 'Hi-Tech Service of the Year' at the 2019 NZ Hi-Tech Awards, winning 'Supporting Gold' at the 2020 Wellington Gold Awards and People's Choice (FinTech Organisation of the Year) Award at the 2022 Australian Finnies. More recently, Hnry has also won 'Outstanding Supplier' at the 2022 RCSA Awards and 'Best B2B Innovation' at the 2022 Finder Awards.

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