



EMBARGOED UNTIL: 6AM AEDT, THURSDAY, 20 OCTOBER 2022

SUPERANNUATION WARNING AS AUSTRALIA'S 1.5M-STRONG ARMY OF SOLE TRADERS CUTS BACK ON CONTRIBUTIONS IN FACE OF SOARING BILLS

**INDEPENDENT EARNERS ARE MORTGAGING THEIR TOMORROWS,
WARNS FINTECH HNRY**

**TRADIES WORKING LONGER HOURS AND SLASHING SPENDING TO
COPE WITH RISING COST OF LIVING**

**SOLE TRADERS MORE PESSIMISTIC ABOUT THE MEDIUM-TERM
OUTLOOK FOR THE ECONOMY THAN DURING THE DEPTHS OF COVID-19
LOCKDOWNS**

**WOMEN'S EARNINGS AND CONTRIBUTIONS PERFORMING WORSE ON
ALMOST EVERY MEASURE**

Thursday, 20 October 2022 – Australia's sole traders have been warned they are mortgaging their futures as they cut back on superannuation contributions in the face of the soaring cost of living.

According to the Hnry Sole Trader Pulse, the only nationwide survey of self-employed people in Australia, around a quarter of independent earners (24%) plan to cancel or delay planned super contributions to cope with skyrocketing costs and surging inflation.

Women are also more likely than men to cut back on super – 31% versus 20%.

The figures are especially stark given that superannuation is not compulsory for sole traders, the 1.5M individuals with an ABN who make up around three quarters of the nation's small businesses. A full 43% said they had never made a superannuation contribution as sole traders.

Despite this, the number of sole traders is currently growing at a rate of 50, 000 a year because they value the freedom and flexibility that independent earning can bring.

The survey also found:

- While quarterly income continues to improve from the nadir of the Covid lockdowns, economic conditions are biting;
- Sole traders are having to work additional hours, cut rates (to land contracts) and make substantial cost savings in order to cope with inflation;

- This is beginning show up in declines in their wellbeing. Fewer individuals believe they have the right work-life balance than 12 months ago when the survey began. According to one respondent, a sole trader in the health sector: “Mental health is a booming industry, unfortunately”;
- Sole traders are more pessimistic about the medium-term outlook for the economy than they were during the depths of lockdown;
- Sole traders are drowning in paperwork, spending seven hours – or effectively one working day – per week managing their financial and tax affairs. Additionally, around half have yet to submit their tax returns and their levels of stress are rising as the October 31 deadline for lodgement nears.

As the survey marks 12 months, it provides a compelling snapshot of the sentiment of self-employed people in Australia, such as tradies, freelancers, and consultants – the fastest growing sector of the economy.

The research was carried out by Resolve Strategic between 4-10 October on behalf of award-winning fintech Hnry, Australasia’s largest and fastest-growing digital accountancy service which caters expressly to sole traders.

Commenting on the survey results, **Karan Anand, Hnry Australia Managing Director**, said:

“Sole traders have started to see the hard won financial gains that were crucial lifeline post COVID start to plateau this quarter,” Mr Anand said.

“With increasing inflationary and interest rate pressure, uncertainty in the economic outlook and financial admin taking them out of action for a full day every week or forcing them to find these hours last at night, it is no surprise that almost half of the self-employed – and vastly more women than men - are not contributing to their super.

“These pressures are compounded by the data that shows that just three weeks out from the tax filing deadline, only 50 per cent have completed their tax returns.

“That’s why Hnry plays such an important role in the lives of sole traders. They are the engine room of the economy, dynamic and diverse. Hnry saves them time, money and hassle so they can focus on their businesses and their lives: we make it easy for them to manage their finances by automatically paying their taxes for them on time and in full, and streamlining their super.

“We also know that, overwhelmingly, sole traders consciously choose working for themselves because of the myriad positive benefits it brings: lifestyle, flexible working conditions, a chance to pursue their passion and choose their own future.

“Most Australians are facing tougher economic time at the moment and we really admire how the self-employed are pushing through. We are here to support them.”

The Hnry Sole Trader Pulse is Australia’s only regular, comprehensive regular snapshot of self-employed people in Australia, such as tradies, freelancers, and consultants.

Some 1.5 million Australians classify their primary occupation as “self-employed”, with total estimated earnings of around \$90 billion a year.

Hnry – which streamlines tax, accounting and invoicing for sole traders by paying and filing taxes as a person receives income, with taxes are paid automatically and in real time - recently won the People’s Choice Award at the 2022 FinTech Australia Finnie Awards.

- ENDS -

For information and interview requests, contact:
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See also <https://hnry.com.au/au/soletraderpulse/>

About the Hnry Sole Trader Pulse

The survey was commissioned by Hnry and undertaken by Resolve Strategic to measure the sentiment, views and experiences of sole traders in Australia. In October 2022, Resolve Strategic conducted an online quantitative survey, interviewing a nationally representative sample of 500 sole traders with an ABN including contractors, consultants, freelancers, gig economy workers and tradies.

About Hnry

Hnry is an all-in-one digital accountancy service designed expressly for independent earners such as contractors, freelancers, tradies and the self-employed. Hnry takes care of all the financial admin, including invoicing, expenses, payments, taxes and filings, enabling sole traders to get on with the job rather than having to worry about tax and compliance.

Founded by James and Claire Fuller, the company launched in New Zealand in 2017, expanding into Australia in 2020. A \$15m capital raise earlier this year is spearheading Hnry’s growth in Australia, supported by the appointment of Karan Anand as Managing Director of Hnry Australia.

Hnry won the People’s Choice Award at the 2022 FinTech Australia Finnie Awards and Supporting Gold at the 2020 Wellington Gold Awards in New Zealand.

Visit <https://hnry.com.au/> for more information.

Executive Summary

- **Australians love the benefits of being self-employed.** Sole traders most value the flexibility (70% of them) in how they do their work and the control over their business that being a sole trader gives them.
- **Sole Traders' quarterly financial performance has improved, but is starting to plateau.** While around half (54%) of sole traders reported higher income in this quarter compared to the previous quarter, the long term improvement from COVID seems have plateaued since June.
- **However inflation is increasingly impacting sole traders.** Sole traders have continued to avoid taking on debt and are increasingly paying themselves more to cover higher living costs (74%, up from 64% in June). Interestingly, only 28% noted they had increased their prices in the last few months (down from 56% in June) - suggesting they may have reached the the upper limit of their pricing.
- **Tax & financial admin remains a significant time & cost burden.** Sole traders only spend around half (55%) of their working week undertaking their core job. The remainder of their time is spent on finding work (15%), administration and tax (18%) and other activities such as travel (12%).
- **Increasing inflationary and interest rate pressure, uncertainty in the economic outlook and financial admin are all being felt by sole traders:**
 - **Superannuation is an afterthought for sole traders.** 25% of all sole traders are looking to make delays / cancellations in their superannuation payments. 46% don't contribute to their super from their sole trading income.
 - **There is pressure to take work below the minimum wage.** Almost half (45%) of all sole traders believed that they had worked for less than the minimum wage in the past 6 months.
 - **Sole trader wellbeing and mental health has been impacted.** Sole traders with poor financial performance were over 7 times more likely to report mental health than those whose finances were better off.
 - **Female sole traders are doing it tougher.** Female sole traders were almost twice as likely as males in rating their current wellbeing as poor or very poor, with 19% saying so, compared with 11% of male sole traders. Women are also more likely than men to cut back on super – 31% versus 20%.





How the Henry Sole Trader Pulse was conducted

An independent poll was conducted by Resolve Strategic™ between 4th–10th October 2022.

- The survey polled 502 sole traders (excluding those trading as companies) 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 (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 administration and tax compliance burdens, the impacts of inflation, superannuation, gig economy wages and minimum wage.



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 health and wellness professionals - **over 40%** of whom have **more than one job**



Sole traders **contribute over \$90B** to Australia's GDP¹ per annum

Sole traders are spending over **10 million hours every week** on tax and financial admin. That represents **\$28 billion in lost productivity every year**. As such they are turning to tools and services (such as Hnry) 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

Australians love the benefits of being self-employed

Sole traders most value the flexibility in how they do their work and the control over their business that being a sole trader gives them. The majority of sole traders (70%) rate the degree of freedom they have in running their own business to be good or very good, and almost two-thirds of them highly rate their level of personal satisfaction in running their own business

Value Aspects of Being Sole Traders

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



Sole traders by choice

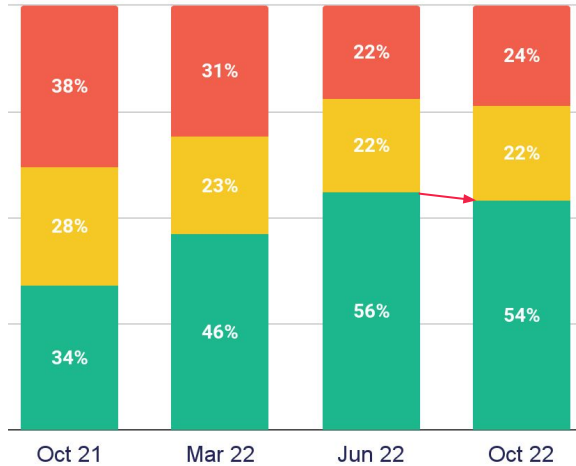
A key finding in the June 2022 Sole Trader Pulse was that almost two thirds (63%) of sole traders report that it was a conscious decision to avoid larger companies and organisations when they started their sole trader business

Financial performance has improved, but has started to plateau

While around half (54%) of sole traders reported higher income in this quarter compared to the previous quarter, this long term improvement from COVID seems have plateaued since June. Health & Wellness workers and Tradies were the most optimistic about future performance, with 57% and 54% respectively expecting good financial performance over the coming quarter. By contrast, only 19% of gig workers said the same thing

Financial Performance: Quarterly Income Change

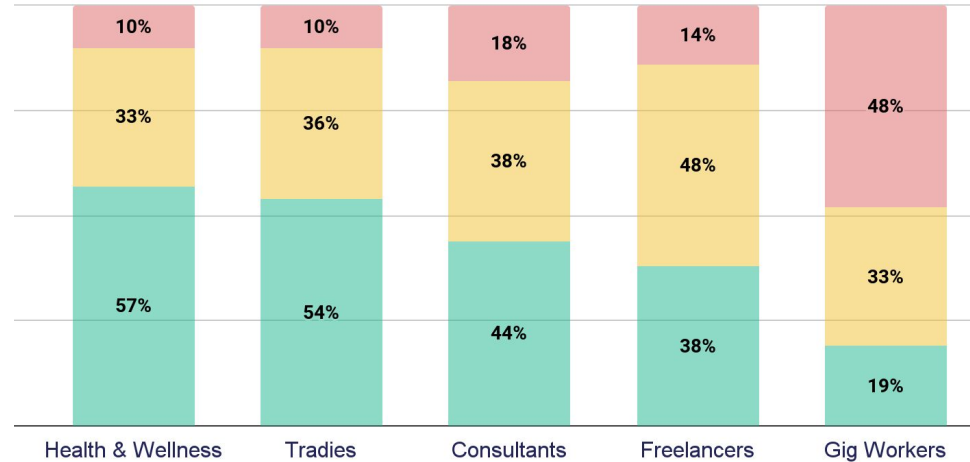
Chart: Proportion of sole traders that noted income was 'higher', 'lower' or 'about the same' as the previous quarter



KEY: ■ Lower ■ About the Same ■ Higher

Financial Performance: Forecast for Next Quarter (By Profession)

Chart: Proportion of sole traders that noted they expected financial performance to be 'higher', 'lower' or 'about the same' in the next quarter



KEY: ■ Poor ■ Neutral ■ Good

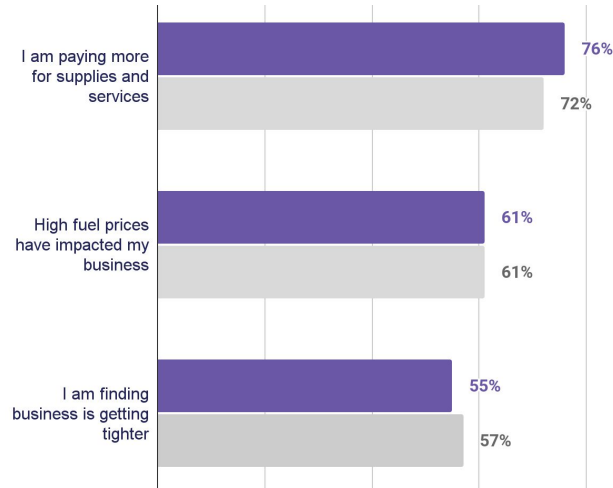


However inflation is increasingly impacting sole traders

Sole traders have continued to avoid taking on debt and are increasingly paying themselves more to cover higher living costs (74%, up from 64% in June). Interestingly, only 28% noted they had increased their prices in the last few months (down from 56% in June) - suggesting that either 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

Inflation Impacts on Sole Traders

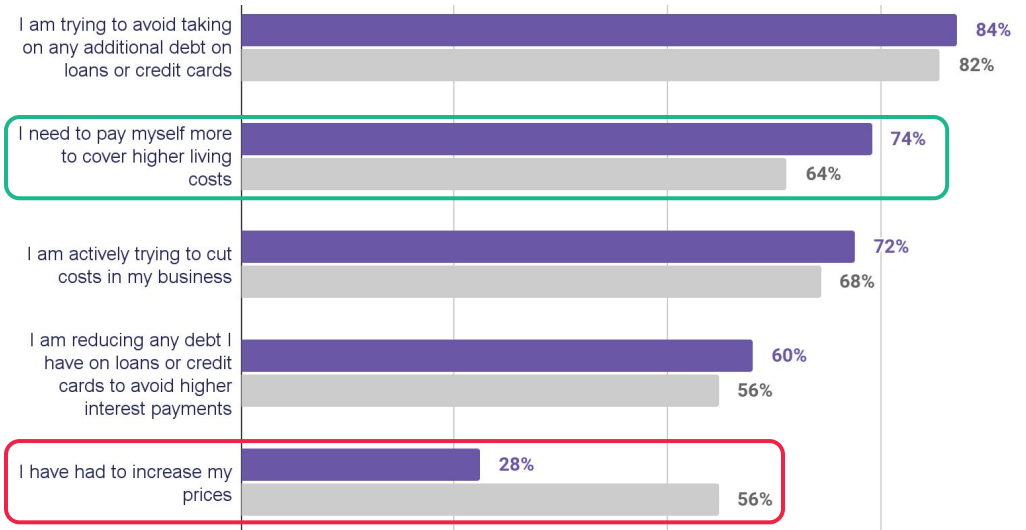
Chart: Proportion of sole traders that said 'yes' to being affected by the following effects of inflation



KEY: ■ AUS (Oct 2022) ■ AUS (Jun 2022)

Inflation Responses by Sole Traders

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

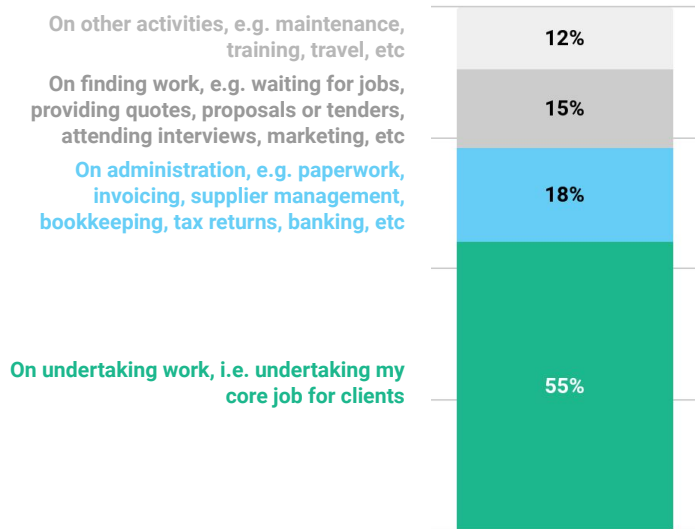


Tax & financial admin remains a significant time & cost burden

Sole traders only spend around half (55%) of their working week undertaking their core job. The remainder of their time is spent on finding work (15%), administration and tax (18%) and other activities such as travel (12%). Sole traders are spending an average of 7 hrs managing tax and financial admin every week

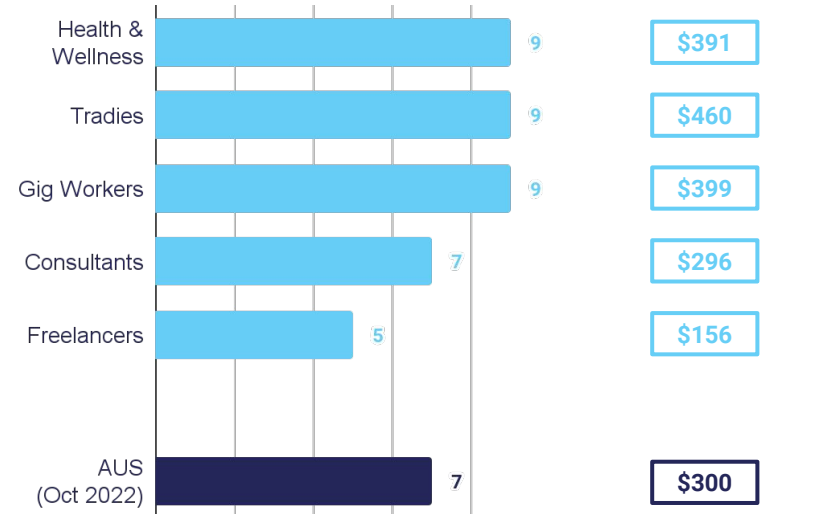
Proportion of time spent on misc. administrative tasks

Chart: Proportion of time spent on work and administrative tasks per week



Time and cost spent managing tax and financial admin

Chart: Hours spent on tax & financial admin per week



Impact of these pressures is being felt by sole traders

Increasing inflationary and interest rate pressure, uncertainty in the economic outlook and financial admin has led sole traders to let important things such as their superannuation and taxes become a second priority. In addition to this, sole traders were reporting higher levels of stress and mental health issues, particularly female sole traders and those struggling financially



Superannuation as an afterthought

25% of all sole traders are looking to make delays / cancellations in their superannuation payments



Pressure to work below minimum wage

Almost half (45%) of all sole traders believed that they had worked for less than the minimum wage in the past 6 months



Wellbeing and mental health impacts

Sole traders with poor financial performance were over 7 times more likely to report mental health than those whose finances were better off



Disproportionate impacts on male & female sole traders

Female sole traders were almost twice as likely as males in rating their current wellbeing as poor

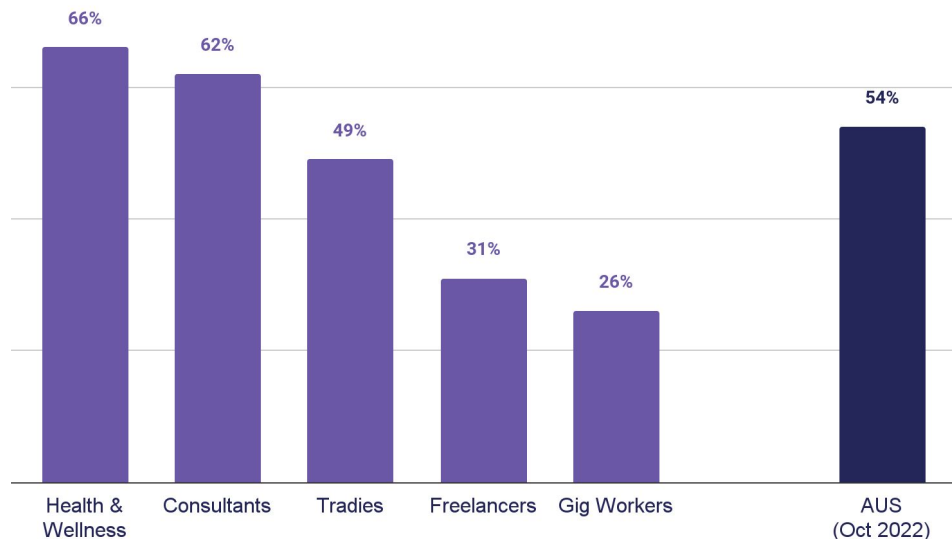


Superannuation is an afterthought for sole traders

Of the sole traders for whom their self-employed job is their only job, 39% noted that they had never made a contribution to their super from their self-employed income. A further 24% are looking to make delays / cancellations in their super payments. Gig workers and Freelancers were the sole traders with the lowest proportion of contributors to superannuation, at only 26% and 31% respectively

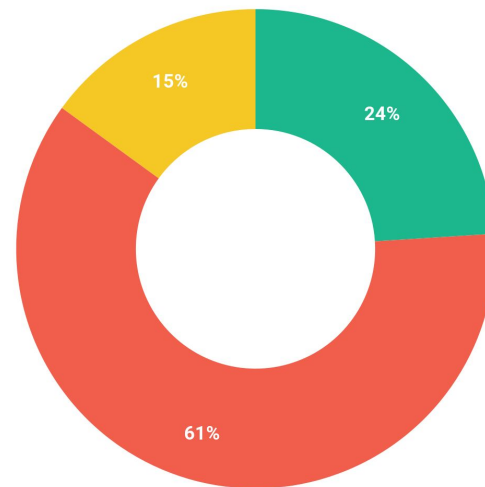
Sole Trader Contributions to Superannuation, by Profession

Chart: Proportion of sole traders that reported they had made contributions to their superannuation funds from their self-employed income



Sole Trader Delays / Cancellations to Superannuation

Chart: Proportion of sole traders that reported they were planning to delay or cancel contributions to their superannuation funds



KEY: ● Yes ● No ● Undecided

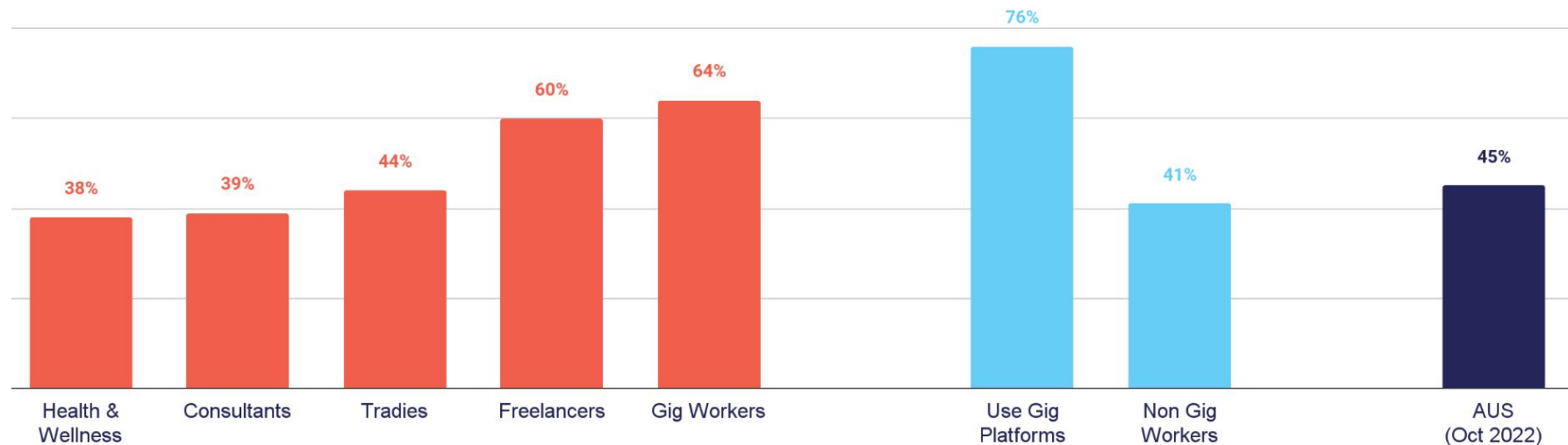


There is pressure to take work below the minimum wage

Almost half (45%) of all sole traders believed that they had worked for less than the minimum wage in the past 6 months, while the majority (76%) of those who use gig platforms in their sole trading job said the same thing. The average hourly rate for gig economy work was less than have that of other sole trading activities

Sole Traders That Worked Minimum Wage, by Profession and Employment

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



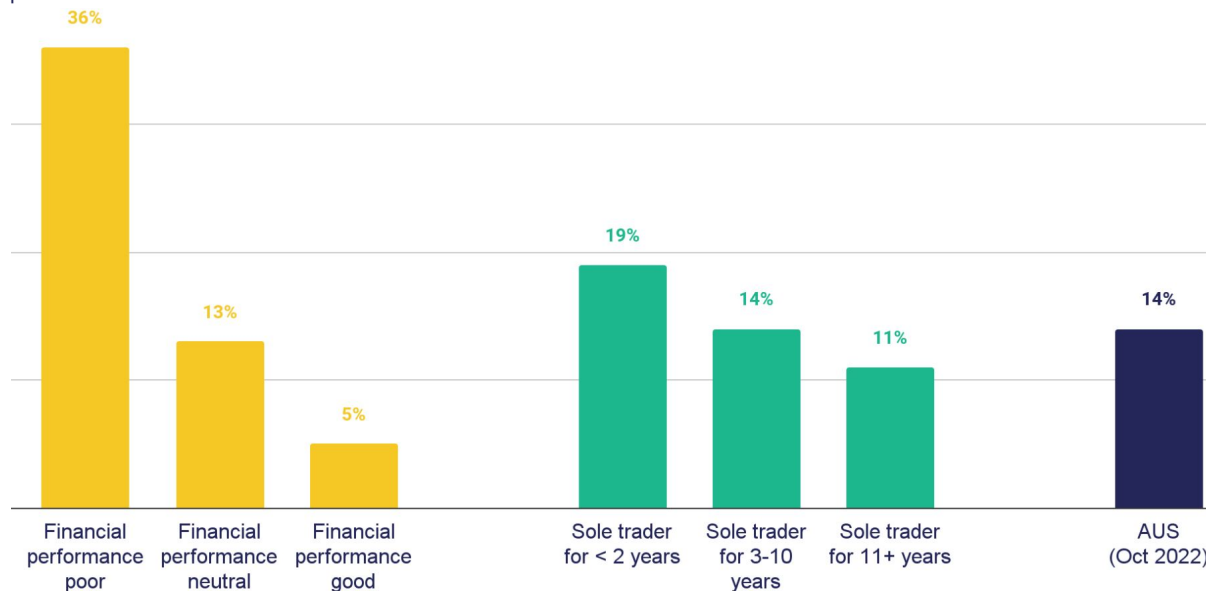


Impacts on sole trader wellbeing and mental health

Sole traders with poor financial performance were over 7 times more likely to report mental health than those whose finances were better off. Gig Workers were more than twice as likely to report mental health than the average sole trader. Newer sole traders (operating for less than 2 years) were twice as likely as those operating for more than 11 years

Sole Trader Wellbeing, by Performance and Tenure

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



Over 7x

Sole traders with poor financial performance were over 7 times more likely to report mental health than those whose finances were better off



Female sole traders are doing it tougher

Female sole traders were almost twice as likely as males in rating their current wellbeing as poor or very poor, with 19% saying so, compared with 11% of male sole traders. This is likely in part due to the income disparity - when comparing income from the previous quarter, in which male sole traders earned over 30% more than female sole traders. Women are also more likely than men to cut back on super – 31% versus 20%

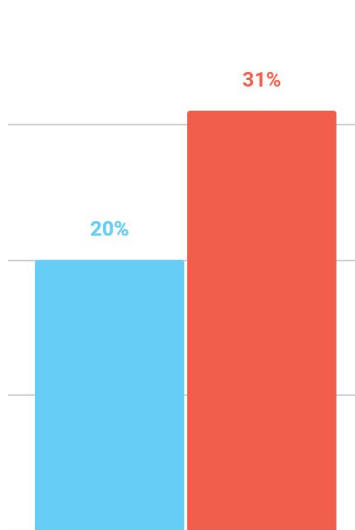
Sole Trader Quarterly Turnover, by Gender

Chart: Average turnover (\$AUD) reported by sole traders in the previous quarter



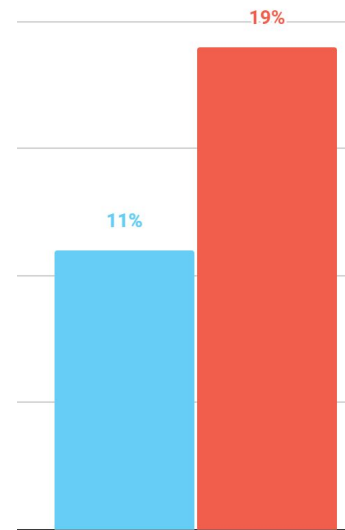
Sole Trader Super Contributions, by Gender

Chart: Proportion of sole traders that reported they were planning to delay contributions to their superannuation funds



Sole Trader Wellbeing, by Gender

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



KEY: Male Female

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. As Australasia's fastest-growing accountancy, Hnry takes care of invoicing, expenses, payments, taxes and filings in an affordable, pay-as-you-go model, as well as providing expert, on-demand support.

Founded in Wellington in 2017, Hnry has experienced record growth and now helps more than 15,000 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, and winning 'Supporting Gold' at the 2020 Wellington Gold Awards. The company is currently a finalist for 'Hi-Tech Service of the Year' at the 2022 NZ Hi-Tech Awards, as well as winners of the People's Choice Award for 'Fintech Organisation of the Year' at the 2022 FinTech Australia 'Finnies' Awards.

Contact us

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