



Henry Sole Trader Pulse

New Zealand

March 2022

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Key talking points

- Sole traders across New Zealand are **more concerned about current economic conditions** compared with 6 months ago. The number of sole traders that believe the health of the economy right now is either 'good' or 'very good' has reduced by over 20% compared with 6 months ago. These conditions have taken a **toll on the wellbeing and mental health** of key groups such as tradies and consultants. By contrast, Australian sole traders in New South Wales and Victoria (which were hardest hit by Omicron in early Jan 2022) reported a **vast improvement in economic conditions**
- A deeper understanding of the **unique needs of sole traders by the government** is evidently required; most sole traders have requested **improvements in the ease of doing business** from Government rather than additional support or extra funding
- Despite the economic conditions, sole traders are seeing **higher level of personal satisfaction** from running their own business than 6 months ago, with over 55% reporting 'good' or 'very good' levels, reflecting the **confidence in the growing self-employed economy in NZ**
- The average sole trader using traditional accountants solely, or alongside small enterprise accounting software said they were **spending on average over \$11,000 per year** - which is **over 7 times more expensive than a more modern alternative**
- Those surveyed using traditional accountants solely, or alongside small enterprise accounting software are also **spending almost one working day per week (over 5 hours) on managing their tax and financial admin** using those systems and services, resulting in an **approximate \$3.2 billion in lost productivity for NZ sole traders every year** ¹

Notes: (1) Based on Henry average sole trader income data. Assumes 45 hour working week.

Executive Summary



- There are over 540,000 sole traders in New Zealand, **making them 19.7% of the working population**. 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**
- The Hnry Sole Trader Pulse suggest that sole traders across New Zealand are **reporting a decline in economic conditions from 6 months ago**. This was more prominent in regions such as Auckland, with more stringent lockdown restrictions. By contrast, sole traders in Australia reported **vast improvement in economic conditions** from 6 months ago
 - **Only 15% of sole traders believe the health of the economy right now is either 'good' or 'very good'**, a decline from 6 months ago, where this figure was 19%
 - 41% of sole traders in Auckland rated current economic conditions to be 'poor' or 'very poor'. This compares with 30% of those in Wellington and 37% of those in Canterbury who said the same thing
 - By contrast, **sole traders in NSW and VIC (which were hardest hit by Omicron in early Jan) reported a vast improvement in economic conditions**, with 23% in VIC reporting 'poor' or 'very poor' economic conditions (down from 38% 6 months ago), and only 15% reporting this in NSW (down from 36% 6 months ago)
 - **Tradies and Consultants** have reported a **significant decrease in wellbeing**, likely driven by current economic conditions, with 39% of tradies reporting their current wellbeing (including mental health issues like stress and anxiety) to be 'good' or 'very good' (down from 53% 6 months ago), while this was 38% for Consultants (down from 52% 6 months ago).
- Despite this, the majority of sole traders are seeing the **financial performance of their businesses improving, and are optimistic about the future**
 - 31% described the financial performance of their business over the last quarter as 'good' or 'very good', increasing to 37% for business right now and further to 40% for business over the next year
 - **Tradies reported the highest improvement** in the financial performance, with 51% rating business right now to be 'good' or 'very good' (up from 16% 6 months ago).
- Sole traders are also seeing **higher level of personal satisfaction** from running their own business. **Freelancers and Contractors** have reported the **greatest increase in the level of personal satisfaction in the past 6 months**. 50% of Freelancers described their level of personal satisfaction in running their own business to be 'good' or 'very good' (up from 40% 6 months ago), while this was 59% for contractors (up from 39% 6 months ago)
- **Government response:** A deeper understanding of the unique needs of sole traders is evidently required, as 44% of sole traders disagreed that the government has handled the pandemic well over the past 3 months. Most sole traders have **requested increased ease of doing business** from Government rather than additional support or extra funding
- **Financial and tax admin:** The average sole trader using traditional accountants solely or alongside small enterprise accounting software said they were **spending on average over \$11,000 per year** - which is **over 7 times more expensive than a more modern alternative**. Those surveyed using traditional accountants solely or alongside small enterprise accounting software are also **spending almost one working day per week (over 5 hours) on managing their tax and financial admin** using those systems and services, resulting in an approximate **\$3.2 billion in lost productivity for sole traders every year**



How the Henry Sole Trader Pulse was conducted

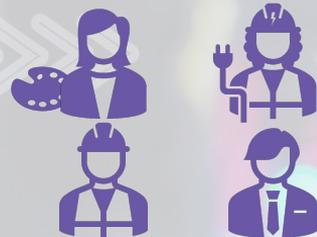
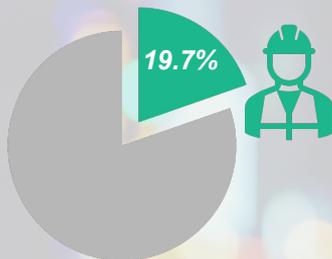
An independent poll was conducted by Resolve StrategicTM between 28th February – 5th March 2022, just before EOFY.

- The survey polled 504 sole traders (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 the financial performance and the effects of Omicron, EOFY concerns and comfort with managing financial and tax affairs.

Sole traders are a significant part of the NZ economy



There are over **540,000 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**



While sole traders are slightly more positive about financial performance, **difficult economic conditions** as a result of Omicron and increases in the cost of living have impacted some sole traders more than others. Issues around sole trader **mental health** are a focal point, as well as tools and services (such as Hnry) that help to ease that burden

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 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

	NZ	Auck.	Well.	Cant.	Others
Overall Pulse	116 (108) ↑	110 (106) ↑	119 (105) ↑	106 (113) ↓	123 (108) ↑
Past Financial Performance	107 (98) ↑	100 (105) ↓	111 (77) ↑	102 (90) ↑	114 (100) ↑
Current / Future Financial Perf.	116 (105) ↑	111 (99) ↑	118 (103) ↑	103 (107) ↓	124 (110) ↑
Economic Conditions	87 (87) =	85 (88) ↓	89 (80) ↑	84 (101) ↓	88 (84) ↑
Personal Conditions	138 (129) ↑	128 (127) ↑	144 (144) =	128 (137) ↓	147 (124) ↑

- The Henry Sole Trader Pulse suggest sole traders across New Zealand are marginally more “**positive**” about their conditions compared with those 6 months ago
- **Economic conditions are still seen to be negative** by sole traders, reflecting the challenging conditions as a result of the spread **Omicron and the rising costs of living**. Auckland and Canterbury based sole traders are witnessing poorer economic conditions compared with those 6 months ago
- However, the **strong scores for Personal Conditions** represent the benefits of flexibility that sole trading provides to hundreds of thousands of New Zealanders who choose to earn independently

Key:

MAR 2022 Figures
(OCT 2021 Figures)

Currently
positive

Currently
neutral

Currently
negative

↑ = Up from OCT 2021

= = Same as OCT 2021

↓ = Down from OCT 2021



Economic conditions and impact on wellbeing (1/2)

Economic Conditions: Sole trader sentiment - NZ

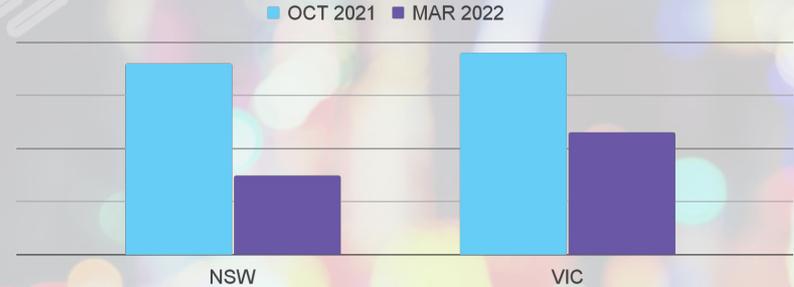
Chart: Proportion of sole traders that rated current economic conditions as 'poor' or 'very poor'



The level of negative sentiment around economic conditions has **remained constant over the past 6 months**. This is likely due to recent Omicron wave and the impact of self-isolating. Sole traders in Auckland and Wellington maintained the same level of negative sentiment about the economy, with those that rated **current economic conditions to be 'poor' or 'very poor'** at 41% and 30% respectively.

Economic Conditions: Sole trader sentiment - AU

Chart: Proportion of sole traders that rated current economic conditions as 'poor' or 'very poor'



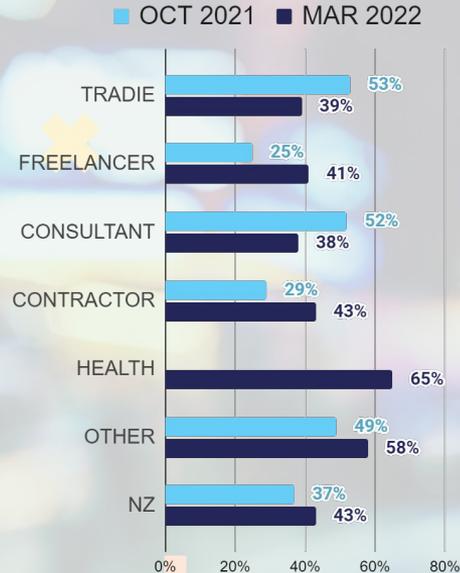
By contrast, Australian sole traders in NSW and VIC (which were hardest hit by Omicron in early January) reported a **vast improvement in economic conditions**, with 23% in VIC reporting 'poor' or 'very poor' economic conditions (down from 38% 6 months ago), and only 15% reporting this in NSW (down from 36% 6 months ago). This suggests that the impact of Omicron on the economy was short-lived.



Economic conditions and impact on wellbeing (2/2)

Economic Conditions: Sole trader sentiment - NZ¹

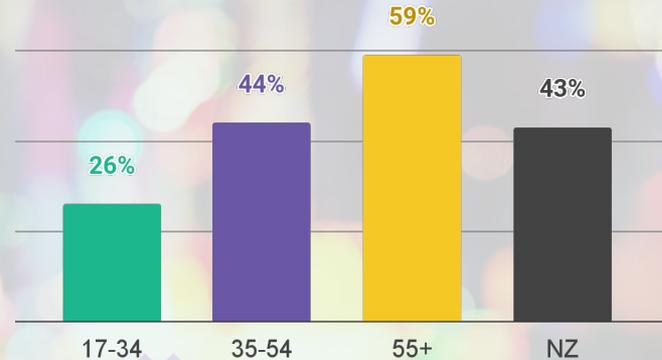
Chart: Proportion of sole traders that rated current wellbeing as 'good' or 'very good'



While the wellbeing of sole traders has increased on the whole, **Tradies and Consultants** have reported a **significant decrease in wellbeing**, likely driven by current economic conditions, with only 39% of tradies reporting their current wellbeing (including mental health issues like stress and anxiety) to be 'good' or 'very good' (down from 53% 6 months ago), while this was 38% for Consultants (down from 52% 6 months ago).

Sole trader wellbeing - by age

Chart: Proportion of sole traders that rated current wellbeing as 'good' or 'very good'



Younger sole traders are experiencing more stress and anxiety than their older peers, with only 26% of sole traders aged 17-34 reporting their current wellbeing (including mental health issues like stress and anxiety) to be 'good' or 'very good'. This figure is less than half of the sole traders aged 55+ that said the same at 59%.

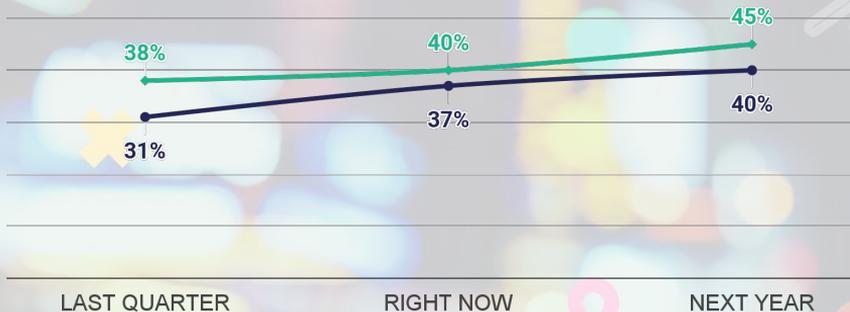
Notes: (1) Gig Workers excluded due to small sample size. No OCT 2021 data was collected for Health professionals



Financial performance

Financial performance: Past and future

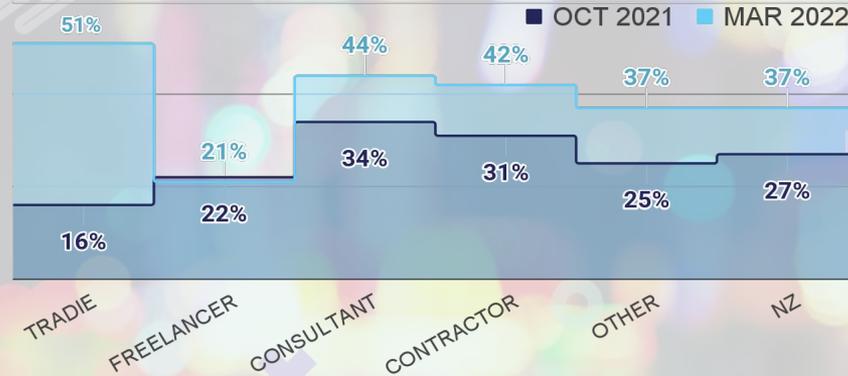
Chart: Proportion of sole traders that rated financial performance as 'good' or 'very good'



Despite economic conditions, the majority of sole traders are seeing the **financial performance of their businesses improving**, and are **optimistic about the future**. 31% of sole traders described the financial performance of their business over the last quarter as 'good' or 'very good', increasing to 37% for business right now and further to 40% for business over the next year.

Financial performance: By profession¹

Chart: Proportion of sole traders that rated financial performance right now as 'good' or 'very good'



Overall financial performance for sole traders has improved over the past 6 months. Tradies reported the highest improvement in the financial performance, with 51% rating business right now to be 'good' or 'very good' (up from 16% 6 months ago)

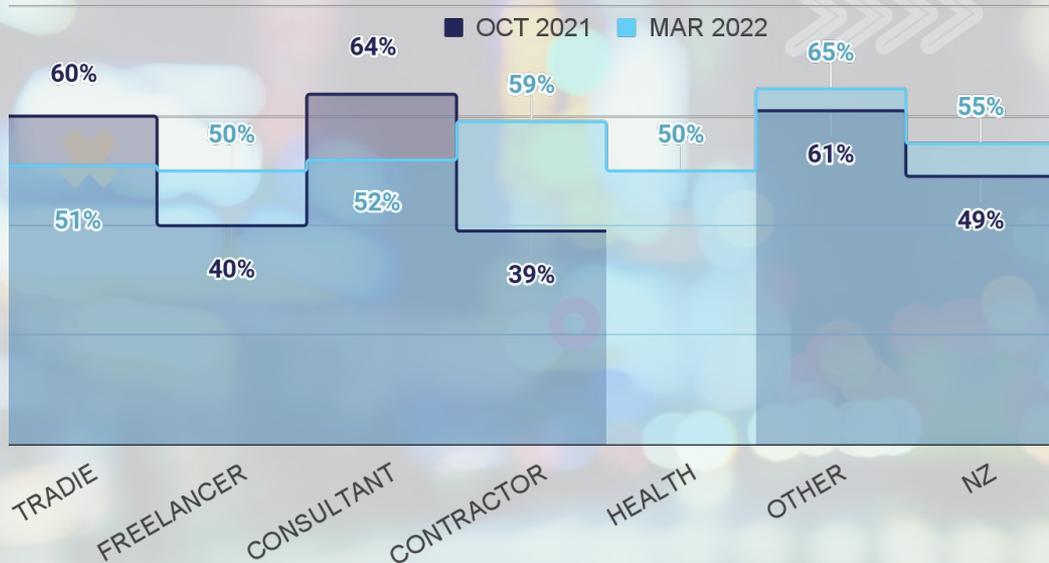
Notes: (1) Gig Workers excluded due to small sample size. No OCT 2021 data was collected for Health professionals



Personal satisfaction levels of being a sole trader

Personal Satisfaction: Sole trader sentiment¹

Chart: Proportion of sole traders that rated personal satisfaction level in running their own business as 'good' or 'very good'



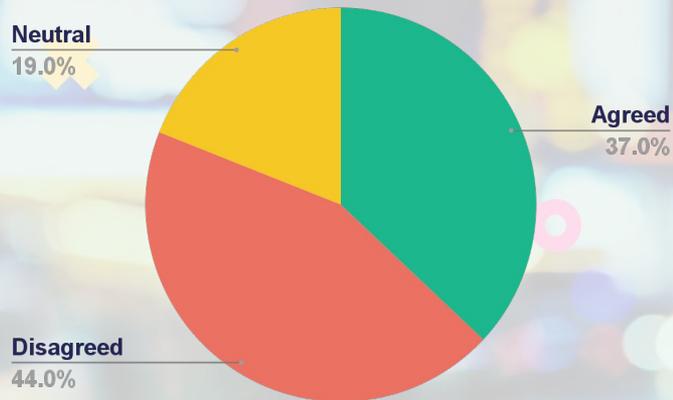
- Sole traders still have **high levels of satisfaction in running their own business**; 55% described their level of personal satisfaction in running their own business as 'good' or 'very good', up from 49% 6 months ago
- Contractors and Freelancers have reported the greatest increase in the level of personal satisfaction in the past 6 months, while Consultants and Tradies have reported the greatest decrease in the level of personal satisfaction in the past 6 months, **likely driven by the harder economic conditions impacting them** (e.g. cutbacks)

Notes: (1) Gig Workers excluded due to small sample size. No OCT 2021 data was collected for Health professionals

Requests of Government

Government response to Omicron

Chart: Proportion of sole traders that agreed government response to Omicron was good



- **A deeper understanding of the unique needs of sole traders** by the government is evidently required; most sole traders have **requested improvements in the ease of doing business from Government** rather than additional support or extra funding (32% of sole traders rated the general conditions for doing business as 'poor' or 'very poor')
- **Increases in the cost of living** have also been a key talking point, as the impact of tax rates and rising costs of goods are **proportionally much greater for sole traders with lower margins**
- Some comments from sole traders around their needs of government:
 - "A more **transparent tax regime**. Lower tax burden overall, with a higher threshold for tax free income." (Healthcare, Wellington)
 - "Just **cut the red tape**. What used to be 20-pages for a building consent is now over 100-pages!" (Architect, Taranaki)
 - "There's **little support for sole traders**. You're out on your own..." (Recruiter, Canterbury)
 - "**Reduce taxes**. Petrol is expensive. Wages are expensive. Vehicles are expensive." (Carpenter, Waikato)



Managing Tax and Financial Administration (1/2)

Sole trader \$ spend on financial and tax admin - by method to manage

Chart: Average spend on admin by methods used to manage financial and tax affairs



The average sole trader using traditional accountants solely, or alongside small enterprise accounting software said they were **spending on average over 7 times more than modern alternatives***.

Sole trader \$ spend on financial and tax admin - by tenure

Chart: Average spend on admin by sole trader tenure



Sole traders in their **first two years of incorporation are spending the most** on average managing their tax and financial admin affairs. It appears that after this time, they are able to find **more cost effective methods** of managing their tax and financial affairs.

Notes: (*) 'Modern alternatives' are services that combine accounting professionals with invoicing technology, such as Henry (which has a maximum cost of \$1,500 per year)



Managing Tax and Financial Administration (2/2)

Sole trader time spent on financial and tax admin - by method to manage

Chart: Average weekly hours spent on admin by methods used to manage financial and tax affairs



The average sole trader using traditional accountants solely, or alongside small enterprise accounting software is **spending twice as many hours every week** managing the financial and tax admin for their business as those that use more modern alternatives*.

Sole trader time spent on financial and tax admin - by profession

Chart: Average weekly hours spent on admin by sole trader profession



Sole traders are spending on average almost **one working day per week (over 5 hrs)** managing their tax and financial admin, resulting in an approximate **\$3.2 billion in lost productivity for NZ sole traders every year****. Tradies spend the most time managing their admin on average - **almost 3 working days (14 hrs) per week**.

Notes: (*) 'Modern alternatives' are services that combine accounting professionals with invoicing technology, such as Henry. (**) Based on Henry average sole trader income data. Assumes 45 hour working week.

Optimism about the future



Sole traders are optimistic about their future prospects...

"My market is tourists, so I'm looking forward to having someone to play for again." (Art Designer, Auckland)

"My clients have good prospects and growth forecasts." (IT Consultant, Bay of Plenty)

"People working from home gives the business more opportunity for appointments during weekday business hours." (Dog Trainer, Auckland)

"More people are doing piano lessons, and there's now on-line options for at home." (Teacher, Taranaki)

"End of financial year always brings lots of work." (Accountant, Auckland)

"The times dictate that my type of work is more in demand in times of crisis." (Importer, Auckland)

... but do have concerns about the future due to COVID and rising costs of living

"The Government has mandates and restrictions on migrant workers." (Employment Consultant, Auckland)

"I've opted out of the largest art festival as it's too risky for me..." (Artist, Manawatu-Whanganui)

"Omicron and pandemic mental stress." (Vet, Auckland)

"Many people have lost their businesses through poor government controls." (Accountant, Auckland)

"Real estate is still difficult to navigate. Sale prices are still high so some are reluctant to buy right now." (Real Estate, Canterbury)

"The sector is restructuring and using fewer contractors. Many colleagues have been terminated already." (Education Assessor, Wellington)



Comparison with Australian sole traders

	NZ	AU
Overall Pulse	116  (108)	131  (116)
Past Financial Performance	107  (98)	115  (101)
Current / Future Financial Perf.	116  (105)	125  (112)
Economic Conditions	87  (87)	118  (102)
Personal Conditions	138  (129)	157  (137)

An identical independent poll was conducted by Resolve Strategic™ in Australia between 28th February – 6th March 2022. Comparing the pulse scores reveals insights across both countries:

- While sole traders in both countries are more positive about their conditions now over those 6 months ago, sole traders in New Zealand are **notably less positive about their financial performance and economic conditions** than those in Australia
- Australian sole traders have also experienced a much more significant improvement in their financial performance over the past 6 months, as they faced and learned to live with the Omicron wave much earlier than those in New Zealand
- As with Australia, New Zealand sole traders are much more positive about their personal conditions, which, the data suggests, is due to a **high level of personal satisfaction in running their own business**

Key:

MAR 2022 Figures
(OCT 2021 Figures)

-  = Up from OCT 2021
-  = Same as OCT 2021
-  = Down from OCT 2021

About Hnry



Pictured [L to R]: Claire Fuller (COO) and James Fuller (CEO)

Founded in 2017, Hnry is one of New Zealand's largest accountancies that provides a pay-as-you-go all-in-one digital accounting service handling invoicing, expenses, payments, taxes and filings. Hnry takes care of all the financial admin for contractors, freelancers, sole traders and the self-employed - allowing them to focus on getting the job done, rather than worrying about tax and compliance.

Hnry won 'Supporting Gold' at the 2020 Wellington Gold Awards, won 'Emerging Service of the Year' at the 2019 Wellington Gold Awards, and was a finalist for 'Hi-Tech Service of the Year' at the 2019 New Zealand Hi-Tech Awards

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Appendix: NZ Self Employment Rates



Year	Self Employment Rate (As a % of Total Employed Population)
2015	14.7%
2016	17.8%
2017	18.6%
2018	18.2%
2019	18.4%
2020	19.7%

Source: OECD Employment Data [<https://data.oecd.org/emp/self-employment-rate.htm>]