

2017 | AUSTRALIA

Crafting the future of work: the big impact of microbusinesses



Etsy

2017 Seller census report

Etsy is a global creative commerce platform that build markets, services, and economic opportunities for creative entrepreneurs. Within Etsy markets, millions of people around the world connect, both online and offline, to make, sell, and buy unique goods. We believe that we're creating a new economy—the Etsy Economy—that is powered by the spirit and passion of millions of creative entrepreneurs.

Our 2016 survey of Etsy sellers in Australia, coupled with ongoing interactions with our seller community, bring to light a nuanced look at the changing nature of work. The global economy is shifting in ways that make it easier for anyone with an idea and an internet connection to start and grow a global business. Today, more people than ever work independently, combine income from multiple sources, and pursue work they are passionate about.¹

Powered by technology, these fundamental shifts allow for the emergence of the unlikelyst of entrepreneurs to truly transform not only the way we work, but our basic assumptions about what it means to start and run a businesses. Certainly small businesses garner plenty of attention, but microbusinesses (those with under ten employees) have very different challenges from even a 10- or 50-person business that often go unnoticed.

While individually their businesses may be small, together these microbusinesses represent significant economic and societal impact. By understanding Etsy sellers' motivations and challenges, we can craft policies, programs, and products that better prepare us for future of work and entrepreneurship in Australia.

Etsy sellers challenge conventional notions of entrepreneurship. Most Etsy sellers are women (90%), and they're more likely to be younger than the typical business owner. More than half are operating microbusinesses for the first time on Etsy, and many (21%) live in rural communities.

Etsy sellers want to achieve success on their own terms. Most Etsy sellers (63%) consider their shop a business, yet they don't conform to typical stereotypes of family owned brick-and-mortar stores. In their microbusiness operations, Etsy sellers prioritise flexibility and creativity in addition to the bottom line.

They may be microbusinesses, but they create meaningful economic impact. For 29% of Etsy sellers, their creative business, both on and off Etsy, is their sole occupation. For the rest, their creative business supplements income from other jobs or sources, and supports local manufacturing and retail partners.

Etsy sellers represent larger changes in the economy. Today, more people than ever are choosing to work outside of the traditional full-time employment model and combine income from multiple sources. The majority of Etsy sellers (62%) are part of the independent workforce, and only 25% have traditional full-time jobs.

Etsy sellers' experiences shed light on the challenges of the new economy. As internet-enabled microbusinesses, Etsy sellers face unique challenges that, while common among independent workers and the self-employed, differ from small businesses who may have up to 20 employees.

It's time to support the microbusinesses who are driving the new economy. Policymakers can help by supporting the issues that matter most to microbusinesses, and enable the broader creative economy to flourish.

Crafting the future of work in Australia: the big impact of microbusinesses

Etsy sellers challenge conventional notions of entrepreneurship, and don't conform to traditional images evoked by terms like **startup**, **business owner** and **entrepreneur**. Instead of the conventional notion of a startup—a tech company in a bustling city—or a traditional business owner, Etsy sellers are tech-enabled microbusinesses, crafting a new face of entrepreneurship.

Most Etsy sellers are women. In Australia, 90% of Etsy sellers identify as women, which is in stark comparison to only 34% of business owners nationally,² and 41% of the independent workforce.³

90%
of Etsy sellers are women

In Australia, the median age of a business owner is 47 years old. The median age of an Etsy seller however, is 36 years old. In aggregate, Etsy sellers are considerably younger than other business owners, with 68% of Etsy sellers are under the age of 45 compared to just 44% of other Australian business owners.⁵

Etsy enables creative entrepreneurs in rural areas to connect with buyers all over the world. Nationwide, 21% of Etsy sellers live in rural areas, compared to roughly 14.5% of Australian businesses.⁶

Etsy has long functioned as an on-ramp to entrepreneurship by creating opportunities for many people who might not have started a business otherwise. For 55% of Etsy sellers, Etsy was the first place they sold their goods. More than two-thirds (68%) of the youngest cohort of Etsy sellers (those under 35 years old) reported selling their goods on Etsy first. These young, creative entrepreneurs are coming of age in a borderless world where traditional barriers to launching a business are greatly reduced, and more would-be entrepreneurs get their start online.

These creative entrepreneurs gravitate towards Etsy because, as a platform, Etsy has minimised many of the inherent risks associated with starting a business, and in doing so, has allowed for creative entrepreneurs to start and grow businesses on their own terms.

KEY DEMOGRAPHICS	ETSY SELLERS	AU BUSINESS OWNERS	GENERAL POPULATION
Median age (years)	36	47 ⁷	37 ⁸
Gender (% women)	90	34	51 ⁹
Rural (%)	21	14.5 ¹⁰	11 ¹¹

Etsy sellers want to achieve success on their own terms.

While most Etsy sellers (63%) consider their shop a business, they don't conform to typical stereotypes of traditional brick-and-mortar store owners. Most Etsy sellers (82%) are businesses of one, and 97% operate out of their homes. More than two-thirds (68%) of these Etsy sellers prefer to run their creative businesses from home, rather than seek a larger production space.

Etsy sellers are motivated to start their businesses for both financial and non-financial reasons. For less than half of sellers (42%), a financial challenge contributed to their decision to start a creative business, but 69% of Etsy sellers said they were motivated to start their business as a creative outlet. Other motivations included doing something they enjoy with their spare time (65%), and doing work that allows them to have a flexible schedule (39%).

Etsy sellers also define success differently. The majority—81%—of sellers want to grow, but three out of five sellers would do not want to grow so big that they need to hire more help.

Rather than growth for growth's sake, growth strategies reflect their unique ambitions. Etsy sellers rank launching a new product line or brand and

82%
are businesses of one

SELLER STORIES



Ashleigh Furlong

Magnetic Island, QLD

haruhomewares.etsy.com

I'd always dreamed of running my own business but was never sure what it would be. When we moved to Magnetic Island I found myself lacking a creative outlet, working in the same jobs I'd had for years and craving support from a like minded community. Starting a creative business on Etsy felt like a good opportunity to connect and share something I love.

Running my own creative business is an empowering experience. There's nothing like the reward and success you feel working for yourself. It absolutely pushes me to my limits and I've learned more about myself than I could ever imagine. Haru Home has opened up so many opportunities for me and that's largely thanks to Etsy and the community. Etsy has helped me develop my business and brand, and the income I earn from the business has allowed me to travel for product inspiration with a sneaky side of pina coladas.

Along with running my creative business, I work part-time as a phlebotomist (fancy name for blood collector) and help my partner run his jet ski hire business. Haru Home somehow gets juggled into our everyday life and jobs and still continues to grow. I feel like there's so much more potential both in a business and personal sense and I'm excited for the future.



Christie Woods

Melbourne, VIC

booandbearbaby.etsy.com

During my first year of maternity leave I was designing my daughter's nursery and wanted to make a personalised cushion for her. I realised I had a talent for making so I decided to turn my creative passion into a business which I've now been running for more than two years.

Running my own business from home and having the ability to be creative on a daily basis is a dream come true. Before starting Boo & Bear I worked in the corporate world where I spent most of my day in meetings and at my computer. I now get to sew all day, make beautiful products that I am proud of and that my customers love.

It can be challenging and you don't have a team of people to turn to or a secure monthly income to fall back on, but the thrill of hearing a sale come through and someone wanting to purchase an item I have designed and made with my own two hands is worth it.

purchasing new equipment as their top goals for the next two years. Only 4% of sellers say they want to apply for a loan to expand their business.

In their microbusiness operations, Etsy sellers prioritise more than just the bottom line. Running a creative business contributes to the overall balance of Etsy sellers' lives, with 65% maintaining that having a creative outlet helps keep them a happy person. The vast majority believe that running a socially and environmentally responsible creative business is important (88% on both measures). More than a third of Etsy sellers (38%) always know the country of origin of their raw materials, implying that they take an active interest in their supply chains. In this, Etsy sellers are a reflection of larger trends towards more socially responsible business, and offer an inspiring example of how to make both a living and a life.

They may be microbusinesses, but they create meaningful economic impact.

In 2016, Etsy sellers across the world generated \$2.8 billion (A\$3.7 billion) in gross merchandise sales,¹² which is more than the gross domestic product (GDP) of 29 other nations.¹³ This represents significant economic impact from the 1.7 million active Etsy sellers—primarily microbusinesses—that operate across the world.

Etsy sellers support themselves and their families with income from their creative business. For 29%, their creative business (both on and off of Etsy) is their sole occupation. In fact, Etsy sellers' creative businesses provide an important source of supplemental income, contributing nearly a tenth (9.4%) on average to total household income. In total, 38% of sellers use this income to pay for necessary household expenses, including utility bills and rent.

Income from these creative businesses has a significant impact on individuals and families, and is valued differently during different stages of life. For example, sellers under the age of 35 are more likely to prioritise savings, as 36% reported putting the income towards savings accounts.

Beyond individual households, Etsy sellers contribute to the broader economy by creating jobs and supporting traditional manufacturing and retail business. While the majority of Etsy sellers work alone, 18% have people (paid and unpaid) helping them with their creative business. Etsy sellers who focus on their creative business full-time are more likely to have paid help with their shops. The number of Etsy microbusinesses creating jobs is expected to grow, as 7% of Etsy sellers would like to hire additional paid staff in the next two years.

A\$3.7B

in gross merchandise sales
generated by Etsy sellers

Creative microbusinesses are supporting manufacturing as well. More than a quarter (28%) of Etsy sellers used outside help to produce their items. These Etsy sellers are supporting production partners, 75% of whom were small operators.¹⁴

The majority (64%) of Etsy sellers promote or sell their goods in other venues, including in-person events like craft and flea markets, trade shows, retail stores, and to friends and family. Seventeen percent of these sellers sell their wares through wholesale partners, infusing local flavor into larger channels. Only 2% of Etsy sellers currently sell their goods in a bricks-and-mortar-store they own or operate, but 17% of sellers hope to do so in the next five years.

Etsy sellers are contributing to sustainable local economies, from small towns to big cities. While half of all net-new jobs in Australia have been created in the capital cities over the last decade, Etsy sellers are more evenly distributed throughout the country, and more are outside of the big cities than within them. In fact, only 23% of Etsy sellers are located in urban centers with 21% running their business from a rural area and 56% from the inner and outer regional areas.

73%
of Etsy sellers
ship internationally

The economic impact generated by Australian Etsy sellers reverberates beyond the continent, as 73% of Etsy sellers are international exporters in their own right. More than three-quarters (78%) of Australian sellers who focus on their creative business as their sole occupation ship their wares internationally. In doing so, the economic impact of these Etsy sellers contributes to the global economy.

Etsy sellers are emblematic of larger changes in the economy.

Today, more people than ever are choosing to work outside of the traditional full-time employment model and combine income from multiple sources. To be sure, there are some in the shifting economy that work independently out of necessity, yet the majority (57%) work independently by choice.¹⁶

A recent study by Upwork showed that 32% of the Australian workforce today is comprised of independent workers, combining income from multiple sources.¹⁷

In some ways, Etsy sellers are emblematic of these larger economic shifts. The majority (62%) are part of the independent workforce either through their creative business, other self-employment, or part-time or temporary work. Only 25% of Etsy sellers have traditional full-time jobs. Across Australia,

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Kirsten Devitt

Murwillumbah, NSW

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I had started selling my handmade jewellery to friends and tried a few markets but I wanted to open an online shop. My problem was that I wasn't tech savvy. I had been buying gifts on Etsy for a year or so beforehand and it just made sense to me that it might work for me as a selling platform.

Today I run my creative business full-time - it is easily a 40 hour week and may become more when we launch our second business on Etsy soon - but because it is a home-based business, I fit those hours around my family and community needs.

Initially the income from Each To Own contributed to goals like buying a new major appliance or taking a family holiday but I am now the major breadwinner in the family. My partner has lessened his hours at work so that he can help out with my business and take care of the day-to-day running of our lives.

It really is the dream job. I'm not saying that it is not hard work or stressful at times, but it fits well into my schedule, while giving me a creative outlet and the overall freedom to live my life the way that I want to. Running my own business has given me the opportunity to move to the country and live (and run the business) off grid - I think that doing things your own way has massive benefits in the long run.

62%

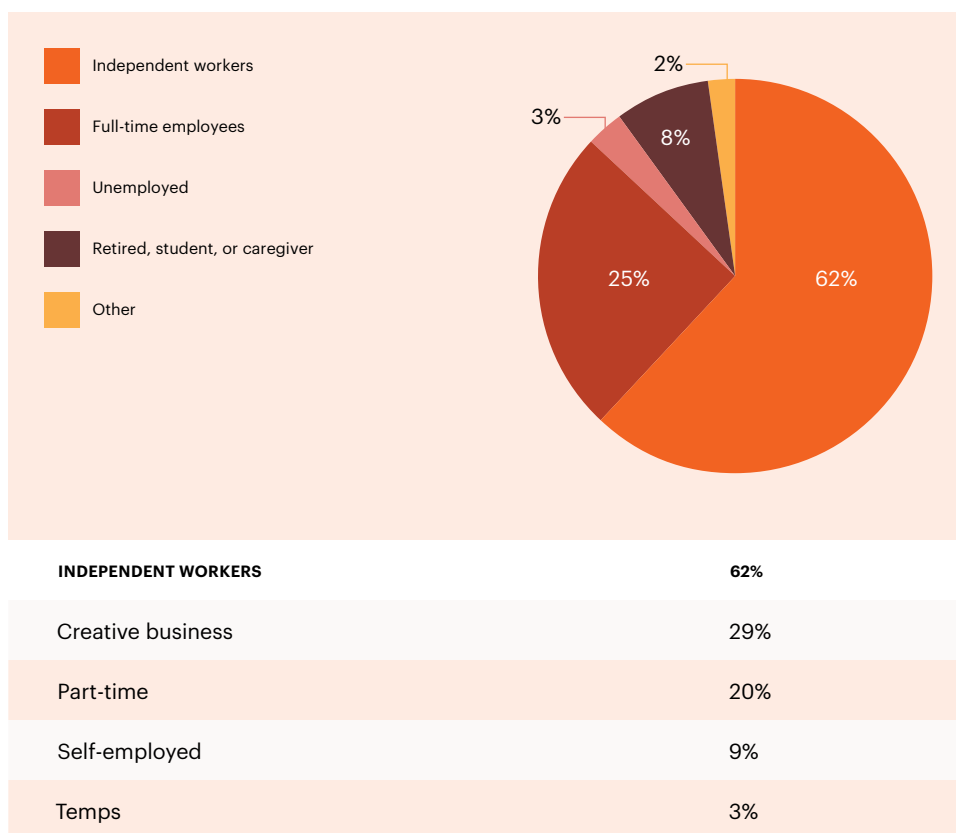
are part of the
independent workforce

8% of Etsy sellers are retirees, full-time caregivers, and students, all of whom benefit from the flexibility the nature of creative entrepreneurship offers.

Etsy sellers reflect larger economic trends towards diversified income streams and finding fulfillment in rewarding side work. In total, 58% of Etsy sellers have jobs outside of their creative businesses, and more than two-thirds of Etsy sellers (81%) are comfortable combining income from multiple sources.

According to data from the Australian Bureau of Statistics, the percentage of self-employed jumped 33% between 2013 and 2015,¹⁸ which we believe shows that independent work is on the rise. As work continues to shift, the ability to diversify income streams and generate supplemental income will become even more important.

EMPLOYMENT AMONG ETSY SELLERS



Etsy sellers' experiences shed light on the challenges of the new economy.

As microbusinesses, Etsy sellers face unique challenges that, while common among independent workers and the self-employed, often differ from even a 10- or fifteen-person small business.

Income volatility

While unpredictable income is widespread and affects more than just independent workers, Etsy sellers cite income volatility—predicting future sales and dealing with inconsistent sales—as the top barrier to achieving their business goals. These month-to-month income fluctuations complicate the overall financial security of those who earn income outside of traditional full-time employment.

Without a steady paycheck, Etsy sellers must manage short term income volatility over the course of the year. They also lack protection from more catastrophic income loss, which unemployment insurance provides for traditional workers. The need to manage income fluctuations also prevents many independent workers from saving for the future, through superannuation or pre-tax spending.

Access to benefits

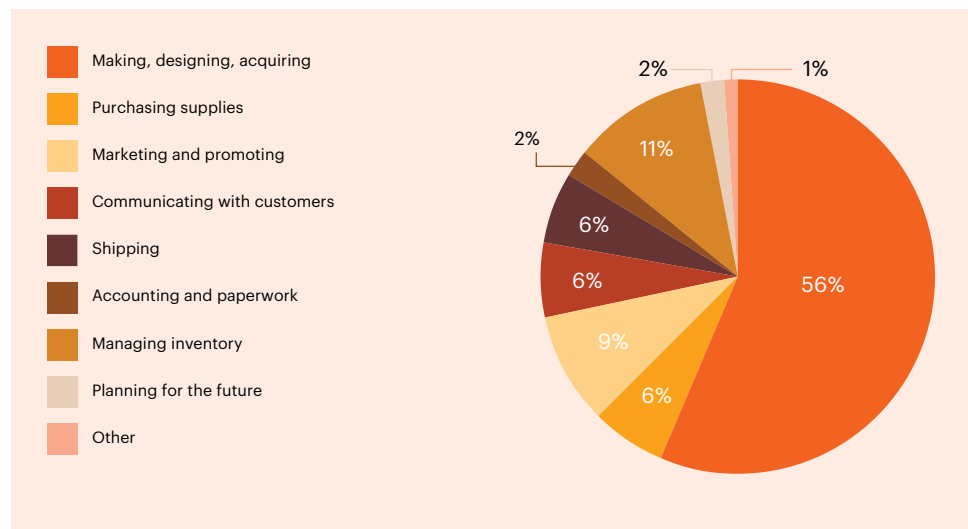
Unlike traditional employees, Etsy sellers and other independent workers do not have the same access to the features of a conventional safety net like steady wages, paid sick days, and access to workplace injury insurance.

Paid sick days and parental leave are vital to the health of the economy. Yet, nearly one fifth of Etsy sellers (19%) say they would not be able to take time off their creative business for the birth or adoption of a child, and nearly a quarter (23%) say they would not be able to take time off for a long-term illness or injury. This figure jumps significantly for top revenue grossing sellers, with nearly 39% reporting they would not be able to take off for a long term illness or injury.

Administrative burdens

Time is the scarcest resource for all entrepreneurs, but it's especially valuable for Etsy sellers, many of whom manage every task related to their business. For roughly every hour an Etsy seller spends making or designing their products, they spend another hour on all the other aspects of running a creative business.

HOW AN ETSY SELLER SPENDS HER TIME



After income volatility, Etsy sellers rank tasks related to microbusiness management, like time management and expanding their creative business acumen, as the next biggest barriers to achieving their goals.

Etsy offers a wide range of Seller Services and tools that help creative entrepreneurs start, manage, and scale their microbusinesses. But cumbersome and confusing tax and regulatory structures still present administrative challenges that make it difficult for microbusiness owners to focus on making.

International shipping

Etsy makes it possible for sellers to start exporting goods from the moment they open their shops. Sellers with customers in other countries report

frustrations with understanding customs fees and tariffs (9%) and providing accurate tracking information (32%). Etsy sellers also worry about the differing consumer protection regulations that apply to some products in varying countries.

It's time to support the microbusinesses who are driving the new economy.

As the economy continues to shift in ways that make independent work more desirable, Etsy sellers' experiences should inform and shape our understanding of the future of work. Many Etsy sellers and independent makers are business of one, and face very different challenges from even a 5 or 10-person company. Yet, most government programs for small businesses tend to be siloed and overlook the needs of these creative entrepreneurs, focusing instead on helping small businesses become big businesses by offering low-cost loans and assistances related to hiring help or obtaining government contracts.

These services are important, but less relevant to a microbusiness owner who wants to increase her sales and improve the efficiency of her business operations. Many microbusinesses define success on their own terms, while helping their local economies grow.

It is our hope that a deeper understanding of Etsy sellers' experiences will provide greater insight into the many opportunities policymakers have to support microbusinesses and the creative economy.

Economic security and portable benefits

While advances in worker protections have benefited traditional employees, there are many improvements to be made to help those working independently. Pensions and benefits systems also leave out independent workers and microbusinesses working beyond traditional employment. Income uncertainty makes it difficult to manage a microbusinesses.

Policymakers can help by exploring new opportunities to help microbusinesses weather income volatility and build economic security, for example by reimagining the way we fund benefits in order to help people save for retirement, or enabling them take time off to care for new children or aging family members. That way, no matter how you earn income, you'll be able to plan and build for the long term.

Tax and regulatory simplification

Microbusinesses often struggle to learn about and comply with their tax and regulatory obligations, yet are hungry to comply with rules. According

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Stan Savellis

Sydney, NSW

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My partner and I opened our Etsy store on the back of wanting to share our love of vintage treasures, and wanting to ensure that other collectors had an avenue to source goods like ours. Plus, it's great to be able to help others, especially when it means that we get to go out and 'hunt' for goods!

The beauty of running your own business - especially in the creative space - is that you ultimately make the choice on whether you want to succeed. You have the power to do anything you set your mind to, and that in itself is part of the fun. It's different and definitely much more liberating than traditional employment. On saying that, a lot of the same qualities and attributes apply if you want to be successful – determination, motivation and the willingness to challenge yourself. When you're working on something you're really passionate about, it doesn't feel like work.

We both still work full-time roles for busy corporates and, thanks in part to the growth of our creative business, I'm also writing (and self-publishing) a book on vintage International Pyrex. The additional funds that come in from our store aids the creative element of our lifestyle. That is, more vintage goodies! Not always though, we often save the additional funds to put towards our next travel destination... which may or may not include more vintage goodies.

to a PwC report, "The average small business spends 160-200 hours on tax compliance alone."¹⁹ As businesses of one, the bookkeeping, accounting, and regulatory burdens fall on their shoulders.

Policymakers can help by considering the implications that any new administrative burdens would have on the smallest of businesses. Etsy sellers can be an instrumental voice in demonstrating the intricacies and nuances that accompany running a tech-enabled microbusiness, and their experiential knowledge can help shape a simpler more streamlined tax system for all. Further, policymakers should increase resources devoted to outreach and education, in order to save on enforcement efforts down the line.

International trade for microbusinesses

The internet has made it possible for creative entrepreneurs across the globe to connect with buyers who value their craftsmanship, but global

trade laws and regulations have not kept pace with the rapid growth of peer-to-peer trade.

In trade policy negotiations ahead, policymakers should prioritise a universal low-value customs exemption, and aim to harmonise the customs, duties, and consumer protections to allow for microbusinesses to thrive. Further, policymakers should make customs and duties information easily accessible, for example through an open API, making it easier for microbusinesses to navigate existing rules and regulations.

Entrepreneurial skills and training for microbusinesses

Etsy sellers and makers are often self-taught in their craft. While the majority of Etsy sellers are college educated, they often seek training to best optimise their online shop, or expand their skill set for in the new economy. Current workforce development programs rarely offer training and support for those looking to become self-employed, focusing exclusively on job training and placement programs.

Policymakers should continue to expand the training and support services they provide to enable more people to move into self-employment and experiment with microbusiness. Governments could help microbusinesses start and grow by creating opportunities to connect with local consumers, providing access to space to make or sell goods, and offering educational resources and services that specifically target the needs of the self-employed. Workforce development programs should expand their offerings to include microbusiness support and training, ensuring these opportunities are available to the unemployed and underemployed.

Access to the internet

For the price of an internet connection, anyone can spread new ideas or start a business—even spark a new industry. It is this democratic access that makes the internet so revolutionary. It is what allows Etsy sellers to compete with much bigger and more established brands. It is what allows a microbusiness from a remote village to take pride in being an international exporter in their own right.

Policymakers should protect a free and open internet and protect the rules that allow any business, including microbusinesses, to compete on an even playing field online. Further, governments should invest in broadband infrastructure that prioritises rural access to the internet.

Methodology

A total of 4,797 Etsy sellers across six markets (the US, the UK, Canada, Germany, France, and Australia) participated in an online interview from November 10 to December 5, 2016. Unless otherwise noted, the survey data in this report includes Etsy sellers in Australia only. The sample was taken from a database of sellers who had sold at least one item in the previous 12 months. Sellers from our database were randomly contacted and invited to take part in the survey via email. The survey was developed by Etsy and GfK, and the research and writing was conducted by Etsy.

End notes

- ¹ Upwork. *Freelancing in Australia, 2015*. 2015.
- ² Australian Bureau of Statistics, Office for Women. *Profile of Australian Women in Business*. 2015.
- ³ Upwork.
- ⁴ Australian Bureau of Statistics. *Characteristics of Business Owners*. 2013.
- ⁵ Australian Government, Department of Innovation, Industry, Science and Research. *Key Statistics: Australian Small Business*. 2011
- ⁶ *Ibid.*
- ⁷ Australian Bureau of Statistics. *Characteristics of Business Owners*. 2013.
- ⁸ Australian Bureau of Statistics. *Feature Article: Population by Age and Sex*. 2016.
- ⁹ *Ibid.*
- ¹⁰ Australian Government, Department of Innovation, Industry, Science and Research. *Key Statistics: Australian Small Business*. 2011.
- ¹¹ "Rural population (% of total population) | Data." Data.worldbank.org. 2017. Web. 1 Mar. 2017.
- ¹² Reserve Bank of Australia as of December 31, 2017.
- ¹³ "GDP (Current US\$) | Data." Data.worldbank.org. 2017. Web. 1 Mar. 2017.
- ¹⁴ Small operations employ less than 10 people. Internal Etsy data.
- ¹⁵ The Gratton Institute. *Productivity and Geography: Presentation to Productivity Commission Conference*. 2017.

¹⁶ Upwork.

¹⁷ *Ibid.*

¹⁸ Certica. *Wave of the Future: Self-employed Numbers on the Rise*. 2017.

¹⁹ PwC. *A Flexible New Australia: Opportunities and Challenges Serving the Flexible Economy*. 2016.

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