

**GCPMED 2020**  
**Global Challenges and Prospects of the Modern Economic  
Development**

**NEW SOCIAL CHALLENGES OF GIG-ECONOMY**

S. I. Sotskova (a)\*, I. V. Kalashnikova (b)

\*Corresponding author

(a) Samara State University of Economics, Soviet Army Str., 141, Samara, Russia, s\_sotskova@mail.ru

(b) Pacific National University, Pacific Str., 136, Khabarovsk, Russia, kiv1359@mail.ru

**Abstract**

IT technologies have transformed the traditional labor market. The economically active population increasingly prefers the option of earning money that is different from the standard employment. The development of information and communication technologies contributes to the formation of a new model – the gig economy. Representatives of the new type of employees do not have traditional social and labor relations with the organization. They provide their services mainly using special electronic platforms and information and communication technologies. The trend of development of the freelance market and increasing the scale of transition of full-time employees to freelance or to remote work conditions is strengthening. In 2019, 6 million Russians were considered "pure" freelancers. Office staff also appreciate the opportunity to work remotely. This is especially true in the digital sphere: graphic designer; copywriter; specialist in advertising, marketing, consulting and financial services. The reasons for the popularity of social and labor relations in the freelance format are their attractiveness for all participants in contractual relations, the transfer of entrepreneurship to the virtual space, and the digitalization of the economy. Currently, the freelance market is quite developed in the United States of America and the European Union. For the Russian labor market, this employment format, which is typical for the gig economy, is not so popular.

2357-1330 © 2021 Published by European Publisher.

*Keywords:* Freelance, gig-economy, labor market, non-standard employment relations, precariat



## 1. Introduction

The labor market is most sensitive to the use of digital technologies. Not only its quantitative parameters are changing, but also the format of communications between employees and employers is being transformed. A new reality has emerged for the economy of many countries of the world – the gig economy. Russia is no exception. The economically active population increasingly prefers earning options other than standard employment. Self-employment of the population, remote work are expanding. Freelancing is developing dynamically. Its advantages are obvious for both employees and employers. However, not everything is so clear. In the gig economy, the hired labor force is deprived of some social guarantees of the labor sphere due to temporary employment, which is related to the precariat. In this regard, studies on the freelance market are relevant in order to prevent vicious business practices and the growth of social costs in the future.

## 2. Problem Statement

As a subject of the labor market, freelancers can be considered a new type of "free" workers who do not have standard (traditional) social and labor relations with the organization and provide their services mainly using special electronic platforms and information and communication technologies. In our view, freelance is a type of self-employment, although many identify self-employment as a type of entrepreneurship. However, international statistics includes entrepreneurs in the number of self-employed, which includes all categories of employees who do not belong to them: non-corporate sector entrepreneurs (employers) who attract hired labor; individual entrepreneurs who do not attract hired labor; members of production cooperatives; unpaid employees of family enterprises. In our opinion, it is not always reasonable to combine individuals who work individually and entrepreneurs who use hired labor within an organization into one group. This is why we are impressed by Shevchuk's (2010) approach, which limits self-employment by the sphere of individual labor activities that is market-based.

From the point of view of the theory of stratification of Standing, freelancers belong to profitians. This is a category of employees who have skills that are in demand on the labor market. They earn good money as consultants or independent contract specialists working for themselves, and they do not need long-term, full-time employment at any enterprise (Standing, 2014). The standard employment relations, common to salariat, with a stable full-time employment, pensions, paid holidays and enterprise benefits are unattractive for freelancers. In Russia, there are various options for carrying out activities in the freelance format. Each of them is appropriate when certain market conditions are combined and are associated with remote work. The social challenges of freelancing, the advantages and threats of this format of employment in the context of increasing digitalization led to the formulation of the research topic.

## 3. Research Questions

The following research questions are highlighted in this paper:

- the impact of the gig economy on the formation of free employment (benefits and social risks);
- features of social and labor relations in the freelance format;
- justification of the trend of expanding the scale of remote mode of labor activity;

- variability of working modes of Russian freelancers (civil contract, employment contract, individual entrepreneurship);
- the relationship of the freelance market with precariat;
- assessment of the prospects for the development of the freelancing segment on the Russian labor market.

#### **4. Purpose of the Study**

The tendency to increase the scale of non-standard employment in the Russian labor market is due to the processes of digitalization of the economy. They contributed to the formation of a new socio-economic model, known in the scientific literature as the gig-economy. It implies not just the use of the Internet and software in the activities of economic entities, but also qualitative changes in the social and labor sphere. The intuitive understanding that the gig-economy is transforming social space has not yet led to the emergence of a coherent labor theory that explains the changes that are taking place and allows to predict the future behavior of labor market participants and assess the upcoming changes in the quality of their working life. The aim of the study is to develop scientific ideas about the social challenges of the labor sphere in the gig-economy. This led to the need to clarify the advantages and disadvantages of employment in the freelance format, identifying its precarization component. The explanation of the processes of deepening precarization of labor allowed us to formulate problems related to neutralizing the negative effects of digitalization of the economy and minimizing social costs on the labor market. The objectivity of the study is determined by the consideration of social challenges from the gig-economy, taking into account the laws that determine the transformation of social and labor relations, based on real facts and revealed contradictions.

#### **5. Research Methods**

The research methodology is based on the general principles of social philosophy. Its basic principle of cognizability of the world means that various consequences of the impact of digitalization, information and communication technologies on the labor market are cognizable and are subject to analysis. The theoretical basis of this publication is the work of Standing, who studies the spread of the precariat, which plays an increasing role in the economy, but is deprived of certain rights in the field of social and labor relations (Standing, 2014). General scientific analytical methods were used as research methods, as well as methods that are typical for conducting empirical research and are based on a systematic approach. Content analysis, analysis of various scientific publications and analytical materials of expert communities, surveys, synthesis of materials, and data comparison were used. Some discrepancies in the distribution of self-employment and freelancing are explained by the lack of unity among the scientific community in understanding the essence of the gig-economy and the classification of the population by employment status.

In Russia, there are three modes of performing activities by the freelancer: 1) under the leadership of the employer and for remuneration in wages; 2) independently and for remuneration in the form of the contract price; 3) as an individual entrepreneur. In the first case, you will have a short labor relations (temporary employment) under which the employee is obliged to obey the norms of corporate culture,

which limits his freedom. The vulnerable position of the employee is due to the lack of labor autonomy within the subordination and economic dependence on the employment relationship. In some segments of the labor market, the interests of the business and the employee may coincide. Non-staff independent specialists (freelancers) are attracted to perform important functions of a high professional level (advertising and design, information technologies, financial management and audit, consulting, design, etc.) (Nesheim, 2013). The second variant of the freelancer's activity forms contractual relations (business relations), which assume independence of work, but do not necessarily guarantee independence and freedom. For example, if a freelancer provides services to only one customer for a long time, then he falls into various forms of quasi-dependence from him in the absence of social guarantees inherent in hired labor. Cooperation with many customers, i.e. the presence of a "portfolio of works", allows him to level the financial and organizational formats of dependence. Nevertheless, the remuneration of a freelancer in the form of the contract price is sometimes accompanied by a strict dependence, since the contract is tied to a certain amount of work, which may change in a smaller direction. A freelancer carries entrepreneurial risks, but does not have entrepreneurial opportunities (Muehlberger & Pasqua, 2009).

The most common legal option for a Russian freelancer is to register a private entrepreneur when they become a tax agent. By the way, currently self-employed Russians also pay tax on professional income (income of individuals from activities in which they do not have an employer and income from the use of property, do not attract employees under employment contracts, the maximum income does not exceed 2.4 million rubles per year). By choosing a special regime, the self-employed can engage in those types of economic activities whose income is taxed on professional income, but without the need to register as an individual entrepreneur. Moreover, since April 2020, self-employed Russians have been equalized in their rights with small businesses, which gave them the right to privileged participation in public procurements. SuperJob has launched a platform to attract the self-employed to collaborate. Now employers have the option "self-employed and private entrepreneur" when searching for candidates. This option allows determining whether the applicant is ready to work in the status of self-employed or private entrepreneur.

The implementation of labor activities by freelance workers remotely or on the premises of the employer (customer, client) using its means of production forces them to comply with the established rules and requirements. This indicates the existence of organizational quasi-dependence, despite the fact that the professional activity of freelancers appears as a sphere of economic initiative and entrepreneurship. It is obvious that both dependent and quasi-dependent people risk joining the precariat on the grounds that their employment is characterized by a lack of professional self-identification. The same risk is inherent in people with a high level of education, who expect a higher employment status and income. For freelancers, precarization manifests itself mainly through the deprivation of guarantees in the labor sphere (Table 1).

**Table 1.** The content of social guarantees in the labor sphere

Type of guarantee	Content of the guarantee
Guarantee of the labor market	Adequate opportunities of getting income (earnings). At the macro level, this is reflected in the implementation of the concept of "full employment"
Employment security	Protection of employees from dismissals; regulation of the recruitment and dismissal process; collection of fines from the employer for non-compliance of labor legislation, etc.
Workplace guarantee	The ability to retain a working place; barriers to blurring the boundaries between responsibilities and opportunities for career growth and income growth
Labor protection	Protection from accidents and diseases at the workplace; compliance with safety regulations; limitation of working hours, working at odd hours, at night; compensation in case of accidents
Guarantee the reproduction of skills	The opportunity to acquire professional skills through training, retraining, professional development, as well as the opportunity to use skills and knowledge within their competence
Guarantee of income	Confidence in an adequate stable income, which is guaranteed, for example, by the minimum wage, wage indexation, universal social insurance, etc.
Guarantee of representation	The ability to have a collective voice on the labor market, for example, through trade unions

Source: authors based on (Standing, 2014).

Often, limiting the labor guarantees of freelancers is associated with social insecurity. First of all, we are talking about the lack of social benefits, health insurance, pensions, etc. Freelancers are characterized by short-term employment relationships, which forces them to be in a continuous search for work or orders. This requires a "free" employee to have time management and self-management, planning, and goal setting skills. Sporadic employment, a certain spontaneity of the emergence of the orders influence the way of life of the employee. That is why the skills of distributing free and working time in such a way as to fulfill labor obligations or contract obligations without prejudice to other areas of life are relevant for them.

Currently, the freelance market is quite developed in the United States and Europe, where more than 162 million people work on a freelance basis or combine it with full-time work in the office. Freelancers generate more than 6.7% of US GDP (gross domestic product). Of these, 40 million are those for whom such work is the main one. Every second American company over the past 5 years has become more likely to use non-permanent employees, and 4 out of 10 plan to increase their share in the future, as it allows reducing costs through social packages, office spaces, and staff development (Aleksandrov, 2018). In 2017, for example, the number of self-employed people in the United States was 57.3 million, or 36% of the country's working-age population (Vovchuk, 2018).

For the Russian labor market, this format of employment was not popular recently. There are many reasons. This includes the imperfection of labor legislation, the rejection of older age cohorts, the social vulnerability of freelancers, and sometimes the need to go beyond the legal framework when carrying out income-generating activities, the complexity of business process management, the complexity of

protecting information and intellectual property for employers (customers), and the increase in cyber risks. In 2014, the number of freelancers in Russia was about 2.5-2.6 million people. In 2017, this market was estimated at 5.5 trillion rubles per year, and the annual number of orders for freelancers was 2.4 billion lots. In the same year, almost 9.6 million people were employed in this field, and for 74% of them, service provision is the main activity and source of income (TalentTech, 2019).

More than 80 % of the revenue of Russian freelancers falls on five areas: housing repair, construction, business services, transport and transportation, auto service. In the period from 2009 to 2019, the proportion of "pure" freelancers to which this format of performance of work is the only source of income increase from 22 to 52 %. The percentage of other categories of freelancers who combine freelancing with other activities or studies tends to decrease. For example, among full-time employees reduction of freelancers was 17 p. p. There are several reasons: a decline in business activity; the excess of demand over supply of the labor market; a reduction in staffing levels, organizations using hired labor; difficulties with employment on the specialty (in accordance with the direction of training) of graduates of the education system. The share of entrepreneurs registered on freelance exchanges changed from 9% to 7% during the period under review. The decreasing trend is also typical for freelance students. Conditionally, there are two segments among them: "professionals" and "forced" freelancers. The first group includes students with professional work experience. For them, freelancing is the main source of income and provides opportunities to develop professional skills. As a rule, they have several regular customers. "Forced" freelancers-students experience financial difficulties, and therefore their part-time work is not limited to intellectual work and is often characterized by a lack of choice of employer (customer) and poly-employment. It can be affirmed that it is the increase in the share of "pure" freelancers in their total number that determines the reduction of other freelance segments.

The majority of freelancers on the Russian market are engaged in design and graphics (35 % of respondents); copywriting (32%); advertising, marketing, consulting, and financing (25%). Among foreign customers, these remote professions are also the most popular: design (web designer, interface designer, Illustrator, graphic designer), information technology and copywriting. These areas bring freelancers the highest income: up to 24 %, 17 % and 10%, respectively (Vovchuk, 2018). The predominance of these areas of activity of freelancers is due to digitalization, the transfer of business activities to the virtual space, and the expansion of the new business paradigm - the gigeconomy. Customers are increasingly focused on IT technologies and the internet. Currently, there is a great demand for digital consulting: business representatives are trying to transfer their activities to the online space and/or develop a digital strategy that is directly related to traffic management or multi-channel advertising management. This is important for a business focused on attracting customers to increase sales of complex products (goods), the formation of demand for which does not allow for the planned profitability. There is a demand for integrated digital services. In addition to creating a website, business now needs its promotion, development of POS materials, further support and content, as customers strive to solve specific business problems through websites. There is a constant growth in the number of advertisers and their allocated budgets. This is why freelancers are increasingly engaged in digital marketing and advertising, taking into account changes in consumer behavior.

The growth in the number of freelancers employed in the field of copywriting and rewriting is natural: the demand for orders of original texts of informational, news, advertising nature, filling websites with content, for articles of deep processing of texts by other authors increases. The income of copywriters (rewriters) is associated with special sites of copywriting exchanges, creating content for Internet pages, and depends on how high search systems rank these planted articles. The increased demand for the services of copywriters is partly due to the surge of queries of so-called "junk sites" that publish the results of the writer's work of incompetent and underpaid authors. As a result, copywriting remains a highly sought segment, where highly qualified copywriters with advanced knowledge in a narrow field are particularly valued. For example, highly sought copywriters who have special knowledge in the field of jurisprudence, labor law, labor protection and industrial safety, economics, politics, medicine, cryptotechnologies, etc. Companies are expanding their presence in social networks, and they need more and more content to successfully sell their products and services. As a result, competition among information resources for attracting qualified specialists of a narrow profile is growing. The work of rewriters is gradually becoming low-paid and unclaimed.

Most freelance copywriters prefer the on-line format. Its advantages are obvious: the ability to choose the most attractive projects to participate in; daily wages; free work schedule; career prospects provided by the rating growth system on the copywriting exchanges. To get a high rating due to the portfolio of completed works, freelancers at the beginning of their activity agree to fulfill prestigious orders for a small price and even free of charge, based on the high income of the following orders.

What are the prospects for freelancing on the Russian labor market? At the beginning of 2019, 66 % of the surveyed freelancers regularly worked with foreign customers. About 34 % of respondents preferred only Russian customers, 14 % preferred only foreign ones. International freelancers are less settled. For 27 %, this is a lifestyle that involves changing the country of residence and travel. Over the past five years, the number of orders from foreign companies, according to analysts of PayPal, has increased by 19 % and in the future will grow, multiplying the army of Russian freelancers. Freelancers note a steady increase in income from foreign orders. 19% of survey participants have more than doubled their earnings over the past year (Podtserob, 2017). There are several reasons for the preference of foreign client companies by Russian freelancers: interesting orders for creative workers; relatively high fees and remuneration; prospects for long-term cooperation; higher solvency of foreign firms; reduced risks due to the instability of the national currency; high business culture; the ability to enter world markets; more loyal attitude on the part of customers; simplicity in building business communications. However, despite the obvious advantages and prospects of the international market for 80 % of remote specialists, few of them focus on foreign customers: some do not know a foreign language, others are afraid of competition (Podtserob, 2017). Other prospects for freelancing are related to the further development of electronic platforms that host information for freelancers and take place of large corporations. Thanks to the development of the freelancing market in Russia and the world, platforms accumulate huge databases of performers and customers, thereby increasing the role of freelancers. Freelancing stops to be a source of income for men and young people. Women, who previously made up about a third of the "freelance" public, now occupy 45% of it. The average age of a freelancer is not 25-27 years old, as it was before, but 33 years old. Many new freelancers are now over 40 years old (Duel & Yakovleva, 2020).

The capacity of the freelance market tends to increase. This will also be facilitated by COVID-19, which has become a catalyst for the spread of this employment format around the world. For medium and small businesses, freelancers are likely to be more in demand in the future than traditional workers. According to the findings, 52 % of HR managers say that the results of remote work during the pandemic exceeded their expectations, and 62% - that they will hire more remote employees than previously (Pedchenko, 2020). For employers, the opportunities of a temporary employment contract are very attractive, which guarantee a reduction in personnel costs, and therefore the segment of the Russian labor market related to freelancing will increase, supporting the scale of non-standard employment.

## 6. Findings

Despite the lower wages, the attractiveness of Russian employment in the freelance format for employees is quite obvious. First of all, these are tax benefits for "independent" employees. Today, there is a legislative norm that allows regional authorities to introduce a so-called tax on the self-employed. In theory, this will help to maintain legal employment, which is not obvious in the context of falling business activity. Since 2019, the tax experiment for the self-employed has been conducted in Moscow, the Moscow and Kaluga regions, and Tatarstan, and since January 1, 2020 – in 19 more regions. However, the results of the experiment among the pioneer regions were not generalized. And there is something to discuss. For example, some entrepreneurs began to transfer their employees to self-employment in order not to pay contributions to extra-budgetary funds and reduce taxes. There are still contradictions between the new special tax regime (tax on professional income) and industry regulation. The problem of the self-employed (including freelancers) with social guarantees has become more acute. The self-employed, for example, do not pay contributions to the Pension Fund or Social Insurance Fund, and therefore do not have the right to an insurance pension or paid sick leave. For not very successful individual entrepreneurs, changing their status and switching to self-employment can be a salvation for those who do not use hired labor. However, there is a nuance. In Russia, the self-employed (nannies, tutors, nurses, etc.) mainly serve individuals. In the context of a decline in business activity and the transition of wealthy people to the principle of self-sufficiency, the self-employed may lose orders, and the issue of taxation will become more acute.

Other main advantages of freelancing market participants on the supply side are the freedom to choose an employer (customer); the ability to work remotely and independently plan working hours, use of online platforms for finding customers, the growth of job satisfaction (work brings pleasure), improving professional skills and comprehensive development of labor competencies. On the demand side, business entities also have benefits in addition to tax benefits: the ability to attract freelance workers, savings on renting office space, and the use of online platforms to find suitable specialists. However, the gig-economy, while contributing to the benefits of self-employment, also poses some threats. And not only those that are directly related to social guarantees in the labor sphere. Self-employment and freelancing often involve working non-stop, which can negatively affect health of the people. The desire to earn as much as possible makes a temporary employee participate in several projects at the same time. In this situation, the risk of emotional burnout is inevitable. In addition, freelancers are financially more unstable than employees who have a standard workplace. They do not have a stable and reliable work. As



for savings, inflation and unexpected expenses can exhaust them in a short time. There is another danger: a negative attitude towards freelancers from the population mostly aged 60+.

The gig-economy is spread mainly in the world of the Internet and technologies. Most freelancers search for and find the sphere of application of their work through applications or networks, and therefore almost all employers (customers) are "strangers" to them. The risk of encountering unfair employers and even illegal business practices increases.

The asymmetry, advantages and social challenges of the gig economy in the sphere of social and labor relations are obvious. Companies are exempt from guarantees to employees, and employees cannot defend their rights, since they do not formally belong to the organization where they work. How to turn the situation around in favor of wage labor is the most important question which is to be resolved in the near future. Otherwise, the precariat on the freelance market will lead to serious social costs. "For a large number of people, a normal happy family life will hardly be possible. There will be serious problems with the skill level. The ability of capitalism to social reproduction will be questioned" (Crouch, 2019, p. 42).

## 7. Conclusion

Supporters of self-employment and freelancing in the gig-economy associate their prospects with the development of information and communication technologies. In reality, the gig-economy has not only advantages, but is also an attempt to free employers from responsibility for employees. That is why some scientific publications consider the gig-economy as a business model in which the employer is not responsible for the guarantees of the labor sphere. The traditional employment contract is associated with higher costs. This is why employers prefer one-time orders and freelancers, as well as other categories of employees (self-employed, temporary workers, people who work remotely). The social vulnerability of these employment statuses, whose number is steadily increasing, needs to be overcome. This requires advanced research on various forms of precariat in the field of remote work, and homework, which will allow to develop measures to improve the regulation of the labor market in the context of digitalization of the economy.

## References

- Aleksandrov, I. (2018). Free personnel. <https://www.vedomosti.ru/partner/articles/2018/09/06/780206-svobodnie-kadri>
- Crouch, C. (2019). *Will the gig economy prevail*. Polity.
- Duel, A., & Yakovleva, E. (2020). Far away and secure. <https://rg.ru/2020/09/28/pandemiia-stimuliruet-razvitiie-frilansa-v-rossii.html>
- Muehlberger, U., & Pasqua, S. (2009). Workers on the border between employment and self-employment. *Review of Social Economy*, 67(2), 201-228.
- Nesheim, T. (2013). Using external work arrangements in core value-creation areas. *European Management Journal*, 21(4), 528-537.
- Pedchenko, A. (2020). How the pandemic affected the work and prospects of independent workers. <https://www.vedomosti.ru/partner/articles/2020/09/07/838503-pandemiya-povliyala>
- Podtserob, M. (2017). How can a freelancer earn money on foreign orders? <https://www.vedomosti.ru/management/articles/2017/12/07/744447-vneshtatniku-zarubezhnih>
- Shevchuk, A. V. (2010). Borders of autonomy: The phenomenon of "dependent" self-employment. *Sociological Journal*, 3, 35-51.

Standing, G. (2014). *Precariat: A new dangerous class*. Ad Marginem Press.

TalentTech (2019). Freelancer's day in Russia: How freelancing changed in ten years.

<https://vc.ru/hr/67084-den-frilansera-v-rossii-kak-izmenilsya-frilans-za-desyat-let>

Vovchuk, O. (2018). International freelance market guide.

<https://zen.yandex.ru/media/id/5acbdcc48c8be3993481e93e/gid-po-mejdunarodnomu-ryнку-frilansa-5aeac0e200b3dd64a60efc0b>