

# PREREQUISITES FOR THE INTRODUCTION OF MODERN FORMS OF SELF-EMPLOYMENT OF THE POPULATION AND THEIR IMPACT ON THE COUNTRY'S ECONOMY

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**Abstract.** The article is devoted to the relevant issue of introduction of new forms of self-employment and labour in the national economy. The basic indicators of employment of the population are analysed. They testify that recently the number of employed people has decreased, and the number of people who have organized their activities has increased. Researches showed that during 2017, industry differences in nominal and real wages also deepened. The highest average monthly nominal wage in Ukraine remained in financial-insurance and information and telecommunication activities, and the smallest – in land transport, construction, industry, education, and healthcare. It is substantiated that such disagreements create serious socio-economic problems at the local and regional level. These problems have become the prerequisite for the study of new forms of employment and labour, such as outsourcing, outstaffing, freelance, e-lance, coworking. The described models of the business organization use the work of specialists for a certain period of time or volume of work. In this context, the significance of outsourcing as an instrument of enterprises' access to the necessary resources, an increase of their competitiveness, and reduction of transaction costs is researched, as well as opportunities for development and strengthening of staffing through outstaffing. The advantages of these new forms are: reduced tax base; maintaining the status of a small business; avoiding labour risks and additional grounds for inspections; simplification of accounting. A special attention in the article is devoted to models of self-employment or labour activity of professionals for job search and earnings. Such professions as freelancer and e-lancer, as shown by the research, provide the opportunity to work remotely and carry out all activities through the Internet. Professional areas of e-lancers are as follows: design and graphics, website development and support, writing of advertising and informational texts, programming, advertising, marketing, photography, audio and video, consulting, engineering, and other business services. One of the first explored common platforms (freelance platforms) was hackerspaces, that is, places where gathered people with common interests, and there were such platforms at the expense of membership fees. A comparison of a hackerspace with coworking has shown both common and distinctive features. The main difference is that when building coworking platforms, most often there is cooperation with private business as the organizer of this platform. There is also a certain public sector involvement, but unlike more developed European countries, this sector in Ukraine is too small. Coworking, first of all, provides assistance in the form of premises and technical support, in order to increase its efficiency and economic activity. The article proposes a methodology for calculating self-employed population in Ukraine that will allow representatives of free trades to be attracted to official business activities.

**Key words:** outsourcing, outstaffing, freelance, e-lance, coworking, labour market, self-employment, information development.

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### 1. Factors influencing the formation of new forms of employment and labour

The state of labour and employment of the country's population depend on socio-economic factors that directly affect the development of the national economy. The modern labour market is shaped under the influence of factors such as the general unsatisfactory economic situation, the development of innovation and the innovative integration of technologies, changes in the needs of employers and workers, the state of general uncertainty. In these conditions, an exit for those who are left without work, and for entrepreneurs, there is a search for more flexible models of working process construction. It is at the expense of new, effective forms of employment and labour that it is possible to reduce costs and increase profits. Therefore, the main task of research is to analyse modern forms of labour organization and possibility of their development in Ukraine. Also appropriate is to develop a methodology for calculating the self-employed population.

### 2. Theoretical research of labour market and employment of population

The rapid development of information technology in all economic spheres contributed to the emergence of new forms of employment and labour, such as outsourcing, outstaffing, freelance, e-lance, coworking. Scientific research of the basic principles of the formation of the labour market and employment of the population as a whole and the development of the socio-labour sphere are highlighted in the works of such scholars as: Bondarevska (2017), Maslii (2017). Despite the prevalence and popularity of such form of employment as outsourcing considered in Suprun (2017), Neuberger (2012), there are prerequisites that restrict its use, in connection with which it is necessary to identify these problems and propose solutions to them. Important contributions to the research and the disclosure of topical issues of outstaffing have been made and are being dealt with today by scientists such as B. De Koven, B. (2013), Hagen (2002) and others.

Freelance issues began to be investigated not so long ago. Among foreign researchers, this issue was considered by Craven (2007), Esposto & Annakis (2016), Chatterjee, A., Varshney, L. R., & Vishwanath, S. (2017) and others. In the course of studies of freelance, in the context of the development of information technology, a concept of "electronic freelance" (e-lance) is introduced.

Today there is no absolute academic definition of the term "coworking". Uda (2013) interpreted "coworking" as a joint work of equal people. He tried to consider this model from the theoretical side. More broadly, this concept is discussed in the work by Cabral, V., &

Van Winden, W. (2016), who not only formulated the definition of coworking but also outline the purpose and objectives of this model.

The analysis of publications allows asserting that, in spite of a certain amount of theoretical research, the issues of introducing new forms of labour and employment in accordance with the legislation, defining their advantages and disadvantages for economic development, analysis of indices of those persons interested in self-employment are still insufficiently disclosed and require additional development.

### 3. Labour market analysis from the standpoint of informal and formal employment

Issues of employment of the population and labour market development in general regularly attract the attention of domestic and foreign scientists. Since issues of employment, wages, tax burden, and other problems of economic development concern not only economic but also socio-political interests (Craven, 2007). As to the functioning of the domestic labour market, it depends not only on the state of the Ukrainian economy but also on the demand and supply of labour in other countries.

In order to determine the feasibility of applying non-standard forms of employment, we will use the results of the analysis of the able-bodied population. During 2017, the number of employed people decreased by 125.3 thousand people or by 0.9%, while the number of persons who organized their activities increased by 6.9 thousand people or 0.3%. In 2017, the number of the informally employed population decreased by 299.1 thousand people in comparison with the previous year and amounted to 3.7 million persons or 22.7% of the total number of the employed population (State Statistics Service of Ukraine).

Usually, informal employment is inherent in the population of certain socio-economic groups. According to the Methodological Provisions on Determining the Informal Employment of the Population, approved by Order of the State Statistics Service dated 23.01.2013 № 16, the informally employed population includes: employed in enterprises of the informal sector (unregistered, self-employed, employers and their hired workers, free-working family members); free-living family members at formal sector enterprises; hired employees working in informal workplaces of the formal sector (Suprun & Yelisieieva). Thus, informal labour relations predominated in the self-employed sector, where the share of the population working in informal workplaces amounted to 74.3%, while among those employed by such persons was 13.1% (State Employment Service of Ukraine).

In the structure of the employed population, there were changes in the status of employment among the formally and informally employed population (Fig. 1).

The most widespread distribution of informal employment was among young people aged 15–24 and persons aged 60–70 years.

If we analyse the professional areas, in which searchers were more active in 2007–2017, then the situation is different. So, ten years ago, people were more often looking for work in the retail sector – 15%. At the same time, today the sphere of sales has to divide the championship with the IT and telecommunications sector – by 11%, respectively.

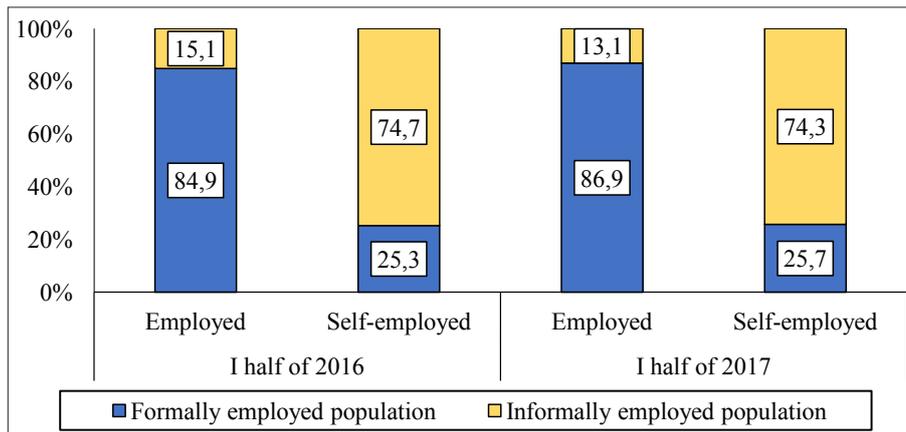
#### 4. Impact of wages on employment of the population

According to statistical data (State Employment Service of Ukraine), the scale of self-employment at the moment is very difficult to assess, since there is no mechanism at all. The number of such workers is constantly increasing, as also evidenced by the demand for services rather than for industry. This is primarily due to the payment for labour. As a result, in 2017 even sectoral differences in nominal and real wages deepened. As before, the leaders in terms of the average

monthly nominal wage in Ukraine remained financial-insurance and information and telecommunication activities. Moreover, real wages (calculated by dividing nominal wages by the consumer price index) in these areas of the Ukrainian economy grew faster than in land transport, construction, industry, education, and even more so in healthcare. Moreover, by subsectors and individual enterprises, the payment for labour may differentiate, which, in turn, negatively affects the personnel provision of enterprises and their work. Under certain circumstances, it even creates rather serious socio-economic problems, at least at the local and regional level (Esposito & Annakis, 2016).

#### 5. Characteristics of modern forms of employment and labour. The legal and regulatory framework in Ukraine

The standard of world practice is non-standard forms of employment and labour in the form of “outsourcing”, “outstaffing”, “freelance”, “e-lance”, and “coworking” (De Koven, B., Hagen T., Cabral, V., & Van Winden). Their characteristics are given in Table 1.



**Fig. 1. Formal and informal employment of the Ukrainian population for the first half of 2016–2017**  
(in % to the corresponding status in employment and type of workplace)  
State Employment Service of Ukraine

Table 1  
**Characteristics of modern forms of employment and labour**

Models of business organization using the work of specialists for a certain period of time or the amount of work		Models of self-employment, labour activity of professionals for job search and earnings	
Outsourcing	transfer by the organization of certain business processes or production functions to service another company that specializes in this field for a period of at least 1 year	Freelance	the work of a high qualification professional who does not work in the state of the company and has no labour relations, and independently sells his/her services in the market to different clients; work at home
Outstaffing	staffing by state, attraction by a company of an external specialist who has the relevant knowledge, professional age, and experience for the duration of the project	E-lance	workers carrying out their activities remotely, using informational network technologies, such as workers of computer specialties, journalists, translators, etc.
		Coworking	this is the platform, on which freelancers work; an intermediary between the end customer of the product and the performers themselves.

As research has shown in Ukraine, these services are not so widespread so their legal regulation at the moment is still insufficient and imperfect.

### 5.1. Outstaffing

For example, with regard to the organization of outstaffing, the law does not clearly define even its term, however, it provides for such a type of activity as “activities of business entities employing employees for the further performance of their work in Ukraine with another employer,” which is identical to the concept of outstaffing. Also, it is possible to provide a definition – an economic or civil law agreement, according to which the person providing the service (resident or non-resident) sends to the disposal of another person (resident or non-resident) one or more individuals to perform the functions specified in this agreement.

### 5.2. Outsourcing

In turn, the definition of outsourcing is an agreement whereby the customer entrusts the contractor with certain tasks, in particular, the part of the production process or the full production process, the provision of recruitment services, and auxiliary functions. Thus, outsourcing is the transfer by one company of certain business processes, functions, or specific tasks to another company (outsourcer) that specializes in the relevant field.

Apart from the fact that outsourcing/outstaffing frees internal resources, the customer also gets additional benefits in the form of:

- reduction of the tax base due to the fact that it is not necessary to keep employees in the state and pay taxes;
- you can “leave the status of a small business” when a lot of employees can “work” out of the state of a company;
- avoiding labour risks with employees (occupational injuries, personnel records, vacation packages, etc.);
- avoiding additional grounds for inspections;
- simplification of the accounting process, etc.

As noted above, the difference between the terms lies in the fact that when outsourcing works are performed or services are provided, a certain business process is carried out, and in the case of outstaffing – one company provides employees to another for the execution of works, including for a certain period, that is, it provides for a transfer of specialists, not the end result.

### 5.3. Freelance

As for freelance in Ukraine, it is practically not regulated. The concept of “self-employed person” envisaged by legislation frightens its criteria and strange approaches to taxation, so everyone who is not required to register this status is not looking for unnecessary problems for themselves. Freelance

is legalized only by registration of individual entrepreneurs.

However, information and communication technologies open up new opportunities for freelancers, allowing them to work remotely, that is, to make all necessary business communications through the Internet (to search for orders, negotiate, transfer final results, receive payment). In this connection, the standard concept of e-lance was introduced. Professional areas of e-lancers are as follows: design and graphics, website development and support, writing of advertising and informational texts, programming, advertising, marketing, photography, audio and video, consulting, engineering, and other business services (Chatterjee, Varshney, & Vishwanath, 2017).

### 5.4. Coworking

One of the first explored common platforms (freelance platforms) was hackerspaces, that is, places where gathered people with common interests, and there were such platforms at the expense of membership fees. If to compare hackerspace with coworking, both common and distinctive features can be found. The main difference is that when building coworking platforms, most often there is cooperation with private business as the organizer of this platform (Cabral, & Van Winden, 2016). There is also a certain public sector involvement, but unlike more developed European countries, this sector in Ukraine is too small.

## 6. Methodology for calculating self-employed population

Foreign studies of self-employment are conducted quite actively, and there is also a record of such categories of employees (Maslii, 2017). It is difficult to estimate the scale of self-employment in Ukraine today, as there is no statistical information.

Thus, the number of self-employed population or people who are self-employed can be determined by the formula:

$$Q_{\text{en}} = Q_6 - Q_{o6}$$

where  $Q_{\text{en}}$  – unemployed or self-employed population;  
 $Q_6$  – unemployed people who need employment (the jobless);

$Q_{o6}$  – officially registered unemployed at the time of identification of persons who need employment.

$$Q_6 = TP - 3 - H_{\text{en}}$$

where TP – labour resources;

3 – employed population;

$H_{\text{en}}$  – inactive population;

$$TP = H_n - \Pi_{\text{inn}}$$

where,  $H_n$  – able-bodied population of working age;

$\Pi_{\text{inn}}$  – working teenagers and pensioners;

$$\Pi H = \Psi_{\Omega(16-60)} + \mathcal{K}_{(16-57)} - I - \Pi_{\text{nb}}$$

where,  $\Psi_{\Omega(16-60)}$  – men aged 15-60;

$\mathcal{K}_{(16-57)}$  – women aged 15-57;

I – disabled persons of groups I and II of working age;

$\Pi_{\text{nb}}$  – pensioners of working age

$$3 = 3_{\text{o}\phi} - 3_{\text{he o}\phi} + TM$$

where  $3_{\text{o}\phi}$  – employed in the formal economy;

$3_{\text{he o}\phi}$  – employed in the informal economy;

TM – labour migrants.

$$H_{\text{eh}} = C + H_{\text{ж}} + \Delta H$$

C – students;

$H_{\text{ж}}$  – unemployed women who care for children;

$\Delta H$  – housewives, as well as non-working people.

The calculations made by this method give not 100% accuracy, as statistical indicators in Ukraine are not all displayed in a timely manner, the analysis of the working population and in general, the calculation of the existing population have not been carried out for a long period of time. It is also necessary to take into account in more detail the indicators of migration and some professional occupation, which has certain features (sailors).

In spite of a number of shortcomings, the methodology will make it possible to distinguish a significant part of the self-employed population and develop mechanisms for their more effective involvement in formal business activities.

## 7. Conclusions and proposals for further researches on forms of employment and labour of the population

Investigating various aspects related to the development of new forms of employment and labour can be reflected in socio-economic studies since the leading role belongs not to market but to the value causes of choosing this type of employment. Outsourcing, outstaffing, freelance, e-lance, coworking are new categories that are extremely diverse in terms of characteristics compared to traditionally employed employees and correspond to the new labour market formed by information development.

When introducing new, non-standard forms of employment, an enterprise obtains a number of advantages: optimizes staff costs; regulates the working time, taking into account the economic situation at the enterprise; reducing the cost of production; flexibility of personnel policy; improvement of financial and economic indicators. However, there are also a number of threats: imperfection of the legislative framework; lack of social protection of workers; lack of control over the workplace safety, the threat of leakage of confidential information (Bondarevska, 2017).

Therefore, the modern national labour market needs to react to changes that are intensively implemented and developed by state authorities in the form of new forms of employment.

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