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### **TRANSFORMATION OF LABOR RELATIONS IN THE CONDITIONS OF FORMATION OF DIGITAL ECONOMY**

The article is devoted to the research of trends of transformation of the labor market in the conditions of formation of the digital economy. Signs of transformation of the world labor market are considered. The features of freelance development in the conditions of digital economy formation are investigated. An analysis of the global trends in freelancing is conducted. It is proven that nowadays freelancing has covered most of the countries of the world and is developing too fast.

According to the results of SWOT analysis, the positive aspects of freelance for the freelancer are freedom of choice of work, saving time and being able to earn income above the region of residence of the person. However, such jobs can be unstable, with low levels of social protection and lack of career growth. A positive aspect for the customer is the reduction of costs associated with renting premises, expenses and office equipment and office, bonuses, allowances, social benefits and more. However, there may be problems with quality control of the freelancers' work.

The main problems of freelancers' social and labor relations are revealed, including wage unstable, social insecurity and discrimination. The article analyzes examples of regulating freelancers in some countries in Europe and the USA. It has been proven that it is necessary to improve the legal regulation of freelancing in labor law in order to determine the rights and obligations of the parties who enter into such relations.

**Key words:** freelance, digital economy, labor market, employment, labor relations.

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### **ТЕНДЕНЦІЇ ТРАНСФОРМАЦІЇ РИНКУ ПРАЦІ В УМОВАХ ФОРМУВАННЯ ЦИФРОВОЇ ЕКОНОМІКИ**

Стаття присвячена дослідженню тенденцій трансформації ринку праці в умовах формування цифрової економіки. Визначено ознаки трансформації світового ринку праці. Досліджено особливості розвитку фрілансу в умовах формування цифрової економіки. Проведено аналіз світових тенденцій поширення фрілансу. Доведено, що на даний час фріланс охопив більшість країн світу і розвивається надто швидкими темпами.

За результатами SWOT-аналізу з'ясовано, що позитивними сторонами фрілансу для виконавця є свобода вибору роботи, економія часу та можливість отримати дохід, вищий за регіон проживання особи. Разом з цим така робота може бути нестабільною, з низьким рівнем соціальної захищеності та відсутністю кар'єрного росту. Для замовника позитивним є скорочення витрат, пов'язаних із орендою приміщення, витратами та офісне обладнання та канцелярію, преміями, надбавками, соціальними виплатами тощо. Хоча при цьому можуть виникнути проблеми із контролем якості роботи фрілансера.

Виявлено основні проблеми соціально-трудових відносин фрілансерів серед яких порушення умов оплати праці, соціальна незахищеність та дискримінація. Проаналізовано приклади регулювання діяльності фрілансерів в деяких країнах Європи та США. Доведено що необхідним є удосконалення правового регулювання фрілансу в трудовому законодавстві з метою визначення прав і обов'язків сторін, які вступають у такі відносини.

**Ключові слова:** фриланс, цифрова економіка, ринок праці, зайнятість, трудові відносини.

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### **ТРАНСФОРМАЦИЯ ТРУДОВЫХ ОТНОШЕНИЙ В УСЛОВИЯХ ФОРМИРОВАНИЯ ЦИФРОВОЙ ЭКОНОМИКИ**

Статья посвящена исследованию тенденций трансформации рынка труда в условиях формирования цифровой экономики. Определены признаки трансформации мирового рынка труда. Исследованы особенности развития фриланса в условиях формирования цифровой экономики. Проведен анализ мировых тенденций распространения фриланса. Доказано, что в настоящее время фриланс охватил большинство стран мира и развивается очень быстрыми темпами.

По результатам SWOT-анализа установлено, что положительными сторонами фриланса для исполнителя является свобода выбора работы, экономия времени и возможность получить доход выше регион жительства. Вместе с этим такая работа может быть нестабильной, с низким уровнем социальной защищенности и отсутствием карьерного роста. Для заказчика положительным является сокращение расходов, связанных с арендой помещения, расходами и офисное оборудование и канцелярию, премиями, надбавками, социальными выплатами и тому подобное. Хотя при этом могут возникнуть проблемы с контролем качества работы фрилансера.

Выявлены основные проблемы социально-трудовых отношений фрилансеров среди которых нарушения условий оплаты труда, социальная незащищенность и дискриминация. Проанализированы примеры регулирования деятельности фрилансеров в некоторых странах Европы и США. Доказано что необходимо совершенствование правового регулирования фриланса в трудовом законодательстве с целью определения прав и обязанностей сторон, вступающих в такие отношения.

**Ключевые слова:** фриланс, цифровая экономика, рынок труда, занятость, трудовые отношения.

**Introduction.** The globalization of the economy, the development of information technology and the formation of the digital economy have led to a transformation of social and labor relations. There are particularly noticeable changes in the world labor market. In particular, various forms of remote employment are actively developing, one of which is freelancing.

Information technology are changing the global labor market, lead to the formation the digital segment and transferring jobs to the information space. There is an increasing supply of workforce in the online environment due to the attachment of workers to the global digital network space, which increases competition between them. Digital technologies are driving to spread of virtual workforce migration that takes place without actually changing workers' places of residence. There is a formation of a new form of employment named freelance. All this in turn facilitates the shift of social-labor relations between employer and employee to the Internet, which necessitates the study of socio-economic aspects of the development of freelancing.

**Literature review.** Nowadays there are many articles devoted to the issue of developing freelance as one of the most promising forms of work organization. During our investigation we paid attention to works of such scientists: Petyuh V.M. [1], Kolot A.M. [2], Azmyk N.A.[3], Stendinh H. [4] and many others. But without diminishing the role of the above authors, it should be noted that studied the issue requires more detailed study.

**The aim of the paper** is a study of current trends in the global labor market caused by the development of the digital economy.

**Results.** Nowadays a new type of economy is emerging, characterized by the rapid development of information technologies and their introduction into all sectors of the economy. Due to the global digitalisation, a new environment for the development of labor relations is being formed, based on the capabilities of the Internet, let's say there is a blurring of state boundaries between employer and employee. Beginning in the late 20th century, a new form of employment has been developing – freelancing.

There are many views on the definition of this concept today. O.O. Tertychnyi defines freelance as a type of work organization that uses remote work with a fixed amount of work [5].

N.Y. Soliarchuk and A.Ye. Kuzmin consider freelance as a form of employment in which a qualified freelance worker independently carries out entrepreneurial activity by cooperating with the customer only for the duration of working on a freelance project, does not act as a hired labor force and does not hire employees [6].

N.A. Azmuk defines freelance as a form of digital employment [7].

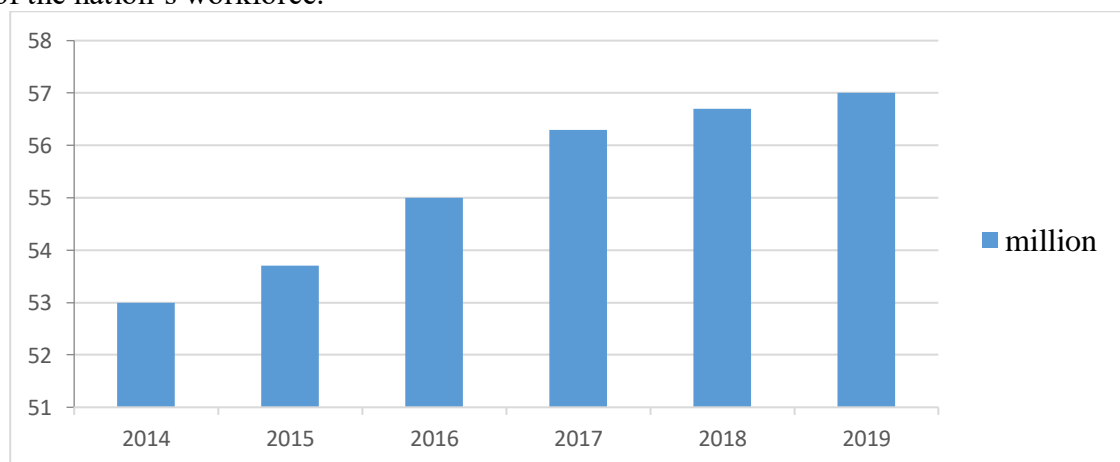
Based on the study of different approaches to the concept, we believe that freelancing is a form of digital employment, which involves the independent search for orders for the implementation of the project in an online environment.

Describing the global labor market, it is necessary to determine the signs of its transformation, due to the development of the digital economy:

1. Virtualization of workplaces and transposition them to the information space.
2. Increasing the ability to use flexible working hours.
3. Increasing the competitiveness of workers from developing countries and countries with economies in transition.
4. Digitization of the labor process.
5. Ability to work simultaneously in different fields, for several employers from different countries.
6. Spreading of "virtual" migration.

The global freelance market has been developing very rapidly in recent years. According to the World Labor Organization in the developed countries of Europe, the average share of such employees in the labor market is 17%, and in some countries outside Europe, in particular, in Japan and the US, reaches almost 40% of all workers [8].

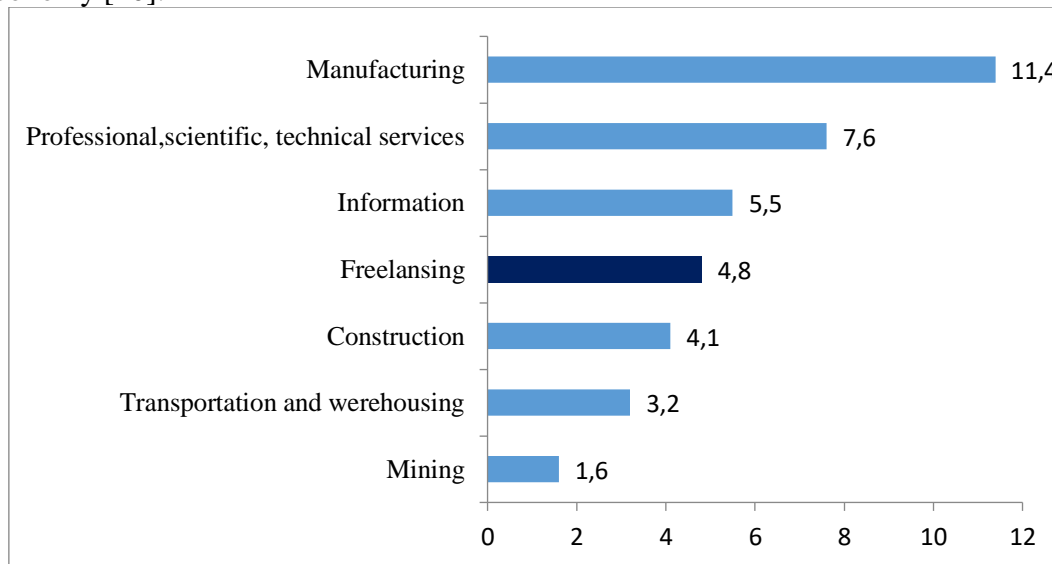
In 2019 in the United States there were 57 million freelancers in the US, representing 35% of the nation's workforce.



**Chart 1 – Number of freelance workers in the United States from 2014 to 2019 [9]**

For some, freelancing is a full-time endeavor comparable in hours to a typical 9 to 5. However, it's important to recognize that the broad participation in freelancing does not represent a disruptive end of traditional employment. There are others who freelance on a highly-occasional basis. For example, 25% freelance on the side in addition to a full-time job to earn supplemental income. For this group, freelancing is not their primary source of income, but due to the ability to participate on flexible terms, freelancing allows them extra work and income that more traditional employment would struggle to replicate.

Freelancing is a significant part of the overall economy. To gauge the freelance workforce's economic footprint, we must first understand how many people freelance, how much they freelance, and how much they earn. At the moment at the USA freelancing income exceeds GDP of some major industries – at nearly \$1 trillion (approaching 5% of U.S. GDP), freelance income contributes more to the economy than industries such as construction and transportation and is on par with the information sector. Freelancers doing skilled services earn a median rate of \$28 an hour, earning more per hour than 70 percent of workers in the overall U.S. economy [10].



**Chart 2 – Percent of GDP in US by sector 2019 [10]**

While freelancing constitutes a sizable share of the economy, its importance goes well beyond its mere economic footprint. Freelancing also provides more flexibility in how people work—one can choose when and where to work in a way that fits their lifestyle better, in addition to many other factors such as how much to work, whom to work for and what kind of work to do. This flexible work style appeals to many different types of people with different lifestyle needs. As a result, the freelance workforce is incredibly diverse—in frequency of work, demographic composition and motivations.

One measure of the flexibility of freelancing is how it allows people to work in a wide range of ways, most notably of which is how frequently they work. Nearly one-third of freelancers participated frequently (on a daily basis), while on the flip side, 29% participated infrequently (monthly or less).

An increase online labor index demonstrates the rapid spread of freelancing. The Online Labour Index (OLI) is the first economic indicator that provides an online gig economy equivalent of conventional labour market statistics. It measures the supply and demand of online freelance labour across countries and occupations by tracking the number of projects and tasks across platforms in real time.



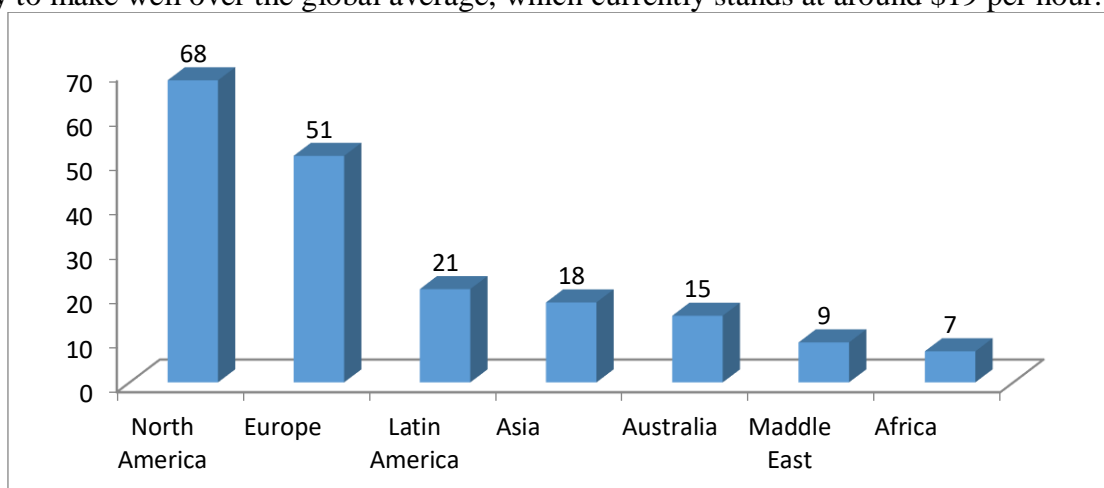
**Figure 1 – The Online Labour Index [11]**

Europe and the US are the most sought after markets for remote work. 51% of freelancers work for European clients, but the vast majority of freelancers are looking to work in the North American market. In 2015, it accounted for only 37%, and in 2019, 68% of freelancers work for US clients. The regions with the least amount of clients were Australia (15%), the Middle East (9%), and Africa (7%) (Chart 2).

Freelancing essentially eliminates geography as a barrier for work. However, freelancers should keep in mind that the level of pay they can expect to receive is often in line with the cost of living in the client's country [12].

When analyzed by hourly rate, the majority of global freelancers (57%) make less than \$15 per hour, and only 14% make more than \$30 per hour.

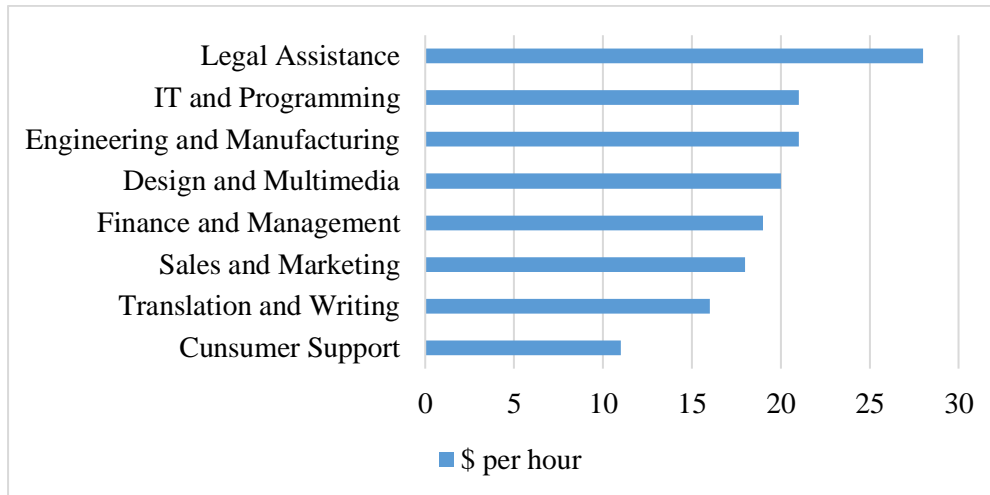
These rates vary wildly depending on a number of factors, such as home country, native language, area of expertise, and experience level. Those with the right skills and experience are likely to make well over the global average, which currently stands at around \$19 per hour.



**Chart 3 – Distribution clients by place of residence 2019 [12]**

The highest pay is earned by those in the legal field, specifically those practicing tax law, who earn \$30 per hour on average. The field that has the lowest pay is customer support and administration, where freelancers earn a measly \$11 per hour on average.

The industries that pay more generally require more in-depth or specific experience. For this reason, there tend to be fewer freelancers who offer these services, allowing those who do to charge greater rates [12].



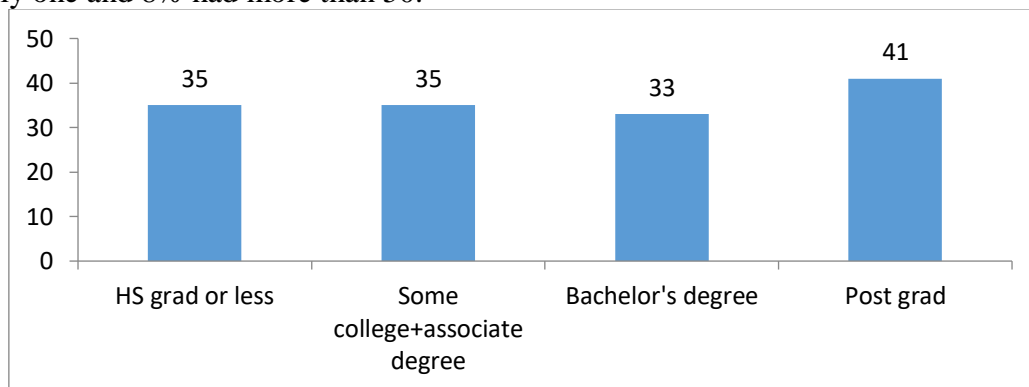
**Chart 4 – Everage earnings per field [12]**

The majority of freelancers all around the world are young. More than half of all freelancers (52%) are under the age of 29 (and 88% are under 39), only 16% of freelancers are older than 40.

Analysis of the gender distribution of freelancers showed that in the United States, 60% of freelancers identify as men (40% women). This is in stark contrast to global averages, where 77% of freelancers are men (23% women) [12].

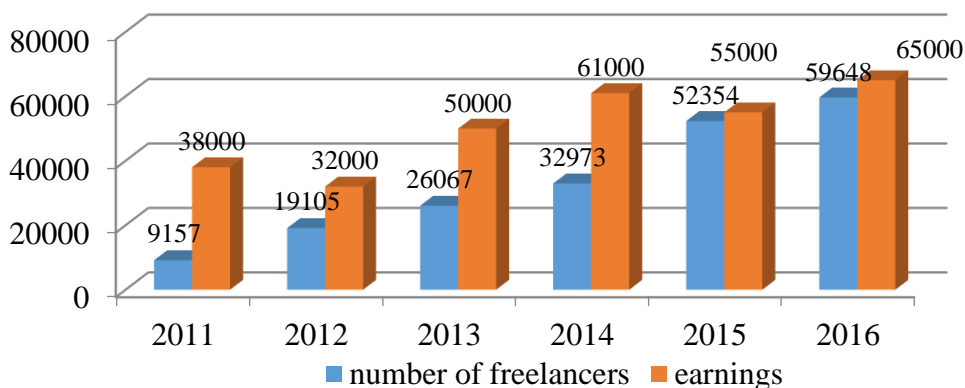
Finally, an additional way to see the diversity of skills among freelancers is to examine how different education levels vary in how much they freelance. What we find is that freelancing is common across all education levels. The only group with a significantly higher rate of freelancers is the most educated, with 41% of those with an advanced degree being freelancers.

There is also diversity in how freelancers engage with their clients. While almost half (48%) bill clients on a fixed fee basis, nearly one-third (29%) are paid hourly and the rest (23%) utilize both methods. In addition, while the average freelancer had five clients last year, 11% had only one and 8% had more than 50.



**Chart 5 – Percentage of workers among each education group who freelance [12]**

The Ukrainian freelance market has started to grow dynamically since 2006. From 2006 to 2011, Ukraine's freelancers earned about \$ 38 million. Over the next 5 years, the market has grown rapidly, according to the analysis of the leading Upwork exchange, the growth rate was 650%.



**Chart 6 – Dynamics of the number of freelancers (people) and earnings (thousand US dollars) 2011-2016**

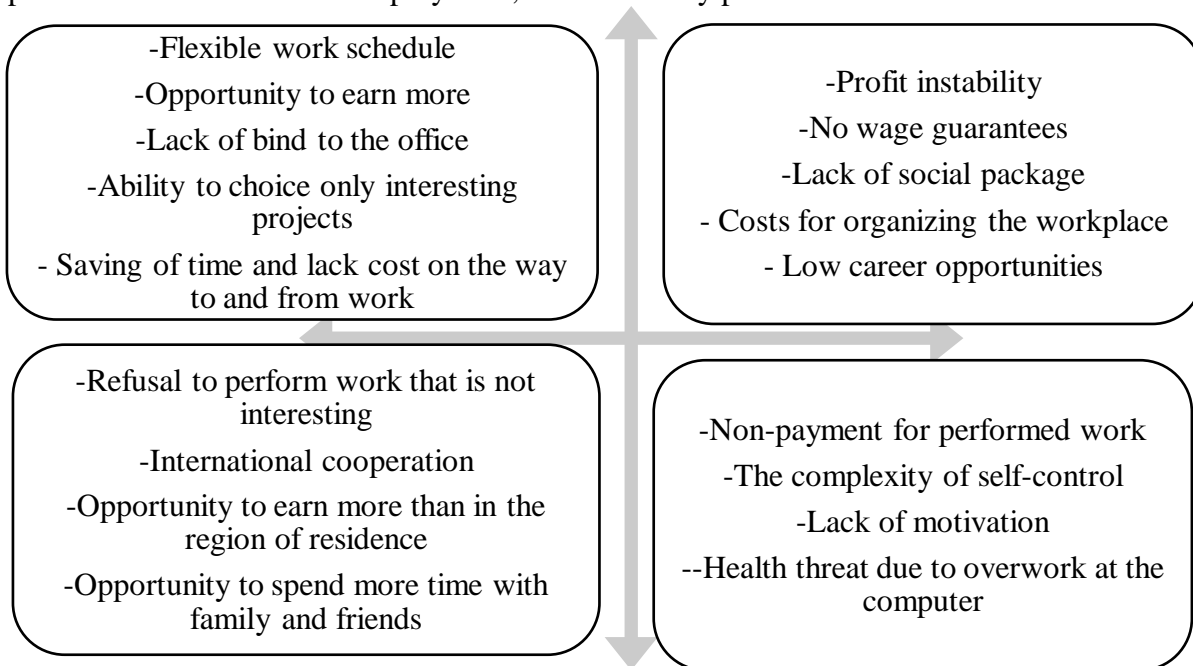
*Developed by author according to [13].*

From 2012 to 2017, freelancers earned \$ 262 million. In 2016, more than 20% of Ukrainian enterprises actively used the services of freelancers. The average share of freelancers in the company was about 33% of the total number of office workers. Employers managed to save around UAH 1.7 billion from from using freelancers' work in 2016.

About 35% of companies in the country have virtual jobs, and the combined savings from the transition to remote employment is more than 3 billion UAH per year [14].

For the two quarters of 2019, the number of freelancers increased by 42% compared to the same period in 2018, and by 120% in compared to 2016 [15].

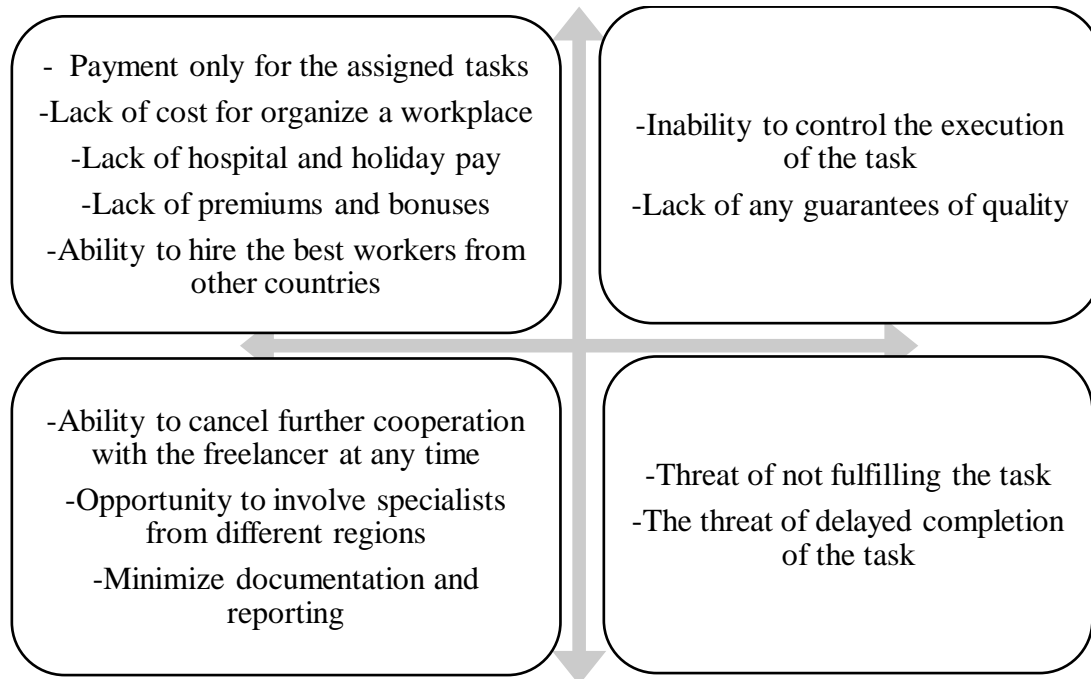
Like any phenomenon, freelancing has its positive and negative aspects, for both the freelancer and the employer. For a more detailed analysis of this concept we have used SWOT analysis for freelancer and the employer which includes 4 sectors and allows you to evaluate the pros and cons of freelance employment, and to identify potential threats.



**Figure 2 – SWOT analysis activities of a freelancer**

*Developed by author*

The SWOT analysis shows that for a freelancer, employment on a freelance basis can be almost equally negative and positive. Among the positives, the most notable are the freedom to choose a job, the time savings and the opportunity to earn an income higher than in the region of residence. Also important is the possibility of international cooperation. However, such work can be unstable, with low levels of verbal communication and lack of career development.



**Figure 3 – SWOT analysis activities of a freelancers' employer**

*Developed by author*

At the same time, much less is revealed for the employer, the negative sides and threats, than the positive sides and opportunities from attracting freelancers to his company. Among the latter are the reductions in costs related to bonuses, allowances, social benefits and more.

An important element in freelancing is its regulation. Today, both freelancers in Ukraine and abroad face challenges in various areas of social and labor relations, the basic of which are the following: wage violations, social insecurity and discrimination. According to the Freelancers Union in the US, about 71% of freelancers face the problem of non-payment of services. At the same time, in Ukraine, the regulatory situation is even worse. Due to the fact that freelancers receive their income on an irregular basis and are not protected by labor law, they are potentially becoming a vulnerable social category [16].

The problems of the legal environment of freelancers, caused by the rapid development of the atypical employment market, are currently relevant for all countries of the world. Freelancers are self-employed professionals, unlike remote workers, so their work is not regulated by labor law. However, given the size of this group of workers, including people with disabilities and women with young children, there is an obvious need to understand a new labor market paradigm that can no longer be governed by a single code of laws.

In May 2017, in New York was adopted the first law to protect the rights of freelancers. Freelancers, whose projects cost more than \$ 800, are now legalized using a standard form of contract. The relationships documented in this way open access to preferential health insurance coverage, free financial advice, free tax ambassadors, customer search services and English language courses for immigrant freelancers. But most important is that the law guarantees the



timeliness of payments to freelancers. If the date of payment is not specified in the contract, payment must be made within 30 days after the end of the project. If the payment has not been credited, the freelancer is entitled to file a complaint with the Consumer Affairs Department at DCA's Office of Labor Policy & Standards. Thereafter, the customer must provide a written explanation within 20 days. If this does not happen, the court hearing begins. The department provides the freelancer with the services of a lawyer free of charge, as well as all information regarding litigation and relevant legislation [17].

In European countries, the rights of freelancers are usually defended by trade unions. Interesting is the experience of Italy: employees who are freelance or perform project work according to Art. 409 of the Code of Civil Procedure. They should receive a salary commensurate with the quantity and quality of work performed, but not less than the remuneration for similar workloads performed by full-time employees [18].

In our opinion, the most similar situation with the definition of freelancers in Ukraine is in Germany, as evidenced by the lack of clear explanations of the difference between a freelancer and a hired worker at the legislative level of Germany and determining the characteristics of a freelancer. The definition of a freelancer is referred to in the German Commercial Code because of his rights, namely: the freelancer can independently plan his work schedule and has the right to choose his clients independently. This definition is not enough to identify the employee as a freelancer, so in Germany, as in Sweden, there is a list of criteria that make up the test for finding out the form of employment. These criteria include: whether the person is autonomous in deciding how, when and where to perform services; whether a person should adhere to a certain mode of work with a regulated start and end of the working day; whether the person can use the employees to perform the work or the person is obliged to personally perform it and others

Such regulatory experience is very valuable for Ukraine as well as for other countries of the world. Given the international nature of freelancing and the fact that quite often the customer and the contractor are located in different countries, it is advisable to implement a system of regulation and protection at the international level, by certain standards that would guarantee the protection of the rights of the freelancer and the customer regardless of their country of residence.

**Conclusions.** The study allowed us to establish that the technological revolution, based on the achievements in the computer field, significantly influenced the labor process and the nature of work. The spread of the Internet now offers wide opportunities for the development of new non-traditional forms of employment the main one being freelancing. Freelancing usually involves simplification of organizational factors (lack of workplace, organization and labor protection), which, on the one hand, greatly simplifies labor relations, on the other there is social insecurity of the hired employee in the framework of new forms of employment, that is complications of social and legal aspect of the problem. It is necessary to improve the legal regulation of freelancing in labor law in order to determine the rights and obligations of the parties to such relations.

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