

## REMOTE OCCUPATION AND FREELANCE AS MODERN TREND OF EMPLOYMENT

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### ABSTRACT

*Spread of information-communication technologies (ICT) transforms modern economy that becomes more innovative and global by nature. Use thereof allows for decreasing cost of production of services and products as it becomes possible to attract and effectively apply resources from all over the world; more rationally organize production and labor process; reduce time for collection and transfer of various information.*

*Implementation of these initiatives increases operativity and quality of manufactured products, reducing the cost and increasing work performance significantly. All this determines application and wide spread of remote occupation, so called, free form, i.e. freelance.*

*Remote work or remote occupation represents collaboration between employer and employee at which they are located at a distance; employee does not visit office every day (works in office sometimes or never); employer and employee share information mostly via the Internet. In its turn, freelance is a form of collaboration between expert and employer (actually, the client), at which the expert maintains independence (is not hired; and is a private entrepreneur).*

*Freelance shall be considered as a new form of labor relationships, it shall be acknowledged that its scale is growing, and global economy transforms in such a way that subject do not work for common wealth but pursue their individual (personal) goals. Nobody knows what will happen, but society always adapts to new trends, changes and progresses. Regress is not possible as humanity sets certain priorities for each next era taking the best and most needed for life from past centuries.*

**KEYWORDS:** *Freelance, Information and Communication Technologies, Mobility of Employees, Remote Occupation, Telecommuting.*

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### 1. INTRODUCTION

Spread of information-communication technologies (ICT) transforms modern economy that becomes more innovative and global by nature. Use thereof allows for decreasing cost of production of services and products as it becomes possible to attract and effectively apply resources from all over the world; more rationally organize production and labor process; reduce time for collection and transfer of various information (Nikitenkova, 2010). According to specialists, building of own developed ICT-infrastructure allows entities to provide for (Vodyanova, n.d.):

- through integration of internal and external informational resources and business-processes;
- deep analysis of large volume of data in real time;
- organize cooperation between different divisions at all stages of production process;
- automatize key production process, thus allowing to occurring temporary resources to resolve tasks requiring from employees' high level of qualification and professionalism.

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## 2. REMOTE OCCUPATION AND FREELANCE: BASIC CONCEPT

Implementation of these initiatives increases operativity and quality of manufactured products, reducing the cost and increasing work performance significantly. All this determines application and wide spread of remote occupation, so called, free form, i.e. freelance.

Remote work or remote occupation represents collaboration between employer and employee at which they are located at a distance; employee does not visit office every day (works in office sometimes or never); employer and employee share information mostly via the Internet. In its turn, freelance is a form of collaboration between expert and employer (actually, the client), at which the expert maintains independence (is not hired; and is a private entrepreneur).

Another important factor for development of remote and freelance occupation is rapid development and use in practice of highspeed means for transfer of information. Nowadays, globally "50 mln. people are employed by companies working from home, at least, from time to time, and 2,9 mln. people work remotely on a continuous basis" (Vodyanova, n.d.). It is expected, that their number will continue to grow. According to a number of researches (Workspace of new generation will be oriented at mobility and virtualization, n.d.), this is also due to the fact that many entities try to provide their employees with access to corporate resources and services almost everywhere regardless of where they are. Another factor providing for the growth of such form of employment, is growing tendency of employees' use in their labor activity of mobile means of communication, gadgets and other electronic equipment of their choice. Moreover, to increase performance of employees, create conditions for successful interaction with vendors, clients and partners, management of organizations tries to use different means and technologies ensuring mobility, virtualization and informational safety of data. Therefore, we can speak about positive tendencies in spread of remote employment globally.

In general, and that is confirmed by researches, remote employment leads to transition to freelance occupation. Employees working remotely from workplace, often increase orders of their professional activity performing same functional duties for several employers. Thus, freelance becomes not only a method to increase employee's income, but also effective method to organize his/her work and free time.

According to data of research conducted by analytical department of Trud.com, remote occupation and freelance are characterized by following data (Table 1).

**Table 1. Remote work and freelance**

<b>Remote work</b>	<b>Freelance</b>
<ul style="list-style-type: none"> <li>- In the USA 50 mln. people (45% of manpower) have possibility to work remotely, at least, from time to time;</li> <li>- In UK 62% of Companies have remote employees;</li> <li>- In Japan 32% of employees work remotely;</li> <li>- In EU – countries leading by number of remote employees (share of those who works mostly from home) are Denmark, Netherlands and Sweden;</li> <li>- In average over 60% of employed remotely work from home, 16% - at workplaces provided by customer, and 11% - when using transport</li> </ul>	<ul style="list-style-type: none"> <li>- Since 2004 till 2013 number of freelancers in world has grown by 45% - from 6,2 mln. to 8,9 mln. people;</li> <li>- 40% of freelancers live in megapolises, 30% - in cities with population from 100 thnd. to 1 mln. people. Less than 10% of freelancers live in settlements with population of less than 10 thnd. people;</li> <li>- Over 70% of freelancers are men;</li> <li>- Over 40% of freelancers have received themselves knowledge required for professional activity; 10% have learned by practice;</li> <li>- After starting freelance 30% of experts begin to work more than before. About 50% maintain the pace they are used to or begin to work less;</li> <li>- 40% of freelances at least once encountered problems with payment for labor;</li> <li>- Average age of freelancer is 32 years.</li> </ul>

*Source:* adapted from (Freelance in Russia. Market and prospects, 2017).

### 3. DEVELOPMENT OF REMOTE OCCUPATION IN THE RUSSIAN FEDERATION

All the above relates to Russia in full. However, number of remotely occupied people in our country is still not high – less than 1 percent (about 600 thousand people) (Vodyanova, n.d.).

The following data inform about remote occupation in the Russian Federation:

- In 12% of companies remote employees earn more than the office ones;
- according to analytical forecasts by 2020 about 20% of employees of Russian companies will work remotely;
- 59% of employers implement control over working day of remote employees;
- 10% of companies plan to allocate part of personnel to remote work in the nearest years. 17% of those who plans to implement new work mode plan to do it by end of 2018, 19% - by end of 2020;
- Majority of remote employees prefer to work during evening and night hours.

It should be noted that Russian analytics forecast growth of remote occupation is due to crisis events in Russian economy when management try to minimize cost of labor and organization of production processes. Use of ICT in Russian and international companies allow for hiring required and, in most cases, cheaper workforce from regions. On the other hand, globalization of business processes requires joint efforts of many enterprises for manufacture of products. Use of ICT results in decreased time for negotiation of different issues, expansion of sales market due to Internet.

Despite the fact that studying application of remote forms of occupation is rather difficult due to practically lacking in present Russia of statistical reports, and researches conducted by individual companies and scientists are episodic by nature, we can trace certain trends in application of remote labor in Russian, that are discussed below.

Spread of remote occupation in the Russian Federation has required legal regulation of work relations. Currently, activity of remote employees is regulated by ch. 49.1 LC RF (Labor Code of the Russian Federation, 2015) that is applicable since relatively not long ago on basis of enacted Federal Law dated 05.04.2013 No. 60-ФЗ "On making changes to certain legal acts of the Russian Federation". According to law, currently, remote work includes performance by employee of his/her job duties outside stationary workplace at the employer's premises, where their performance and interaction with management should take place using information-telecommunication networks of common use, including Internet.

At this, there is required conclusion of employment contract about remote work activities. And if employee is already employed by such entity on base of earlier signed employment contract on usual terms, then there is no single opinion on what to do in such case leading to contradictory and conflict situations in regulation of labor relationships. Also, there are problems associated with requirement to use digital signature at exchange of intercompany information, that is also covered by legislation. In some entities it is not used, thus resulting in conflicts in certain situations.

It is unclear, how norms of law associated with occupational safety and safety rules requirements stipulated by the Labor Code of the Russian Federation can be applied on practice. In majority of cases remote employees work at home, and as a consequence, employer cannot provide for unhindered visiting of household to check compliance with such requirements. In particular cases at conclusion of employment contracts in case of remote occupation employers set forth consent of employee to grant access to officials at any time with purpose to check workplace, but in general, these issues are from being resolved yet. Also, rather acute are the problems associated with following regimes of work and leisure, as remote employees determine duration of their working time themselves. Not always they are subject to social services and benefits applied at the entity. It should also be noted that employees at practical implementation of remote work tend to replace the concept of "remote occupation" with work under civil law contracts. Number of authors fairly note that remote occupation combines with different forms of agency labor. Not rare are the cases when entities apply 'grey' schemes for hiring employees and guarantees in part of payment for work and protection of rights of employees are low resulting in decreased quality of working life. No attention is paid to regulation of duration of work day for remote employee in part of employer.

Absent is standard procedure for formalization of work relationships resulting in large problems related to its implementation by entities.

Another important feature of spread of remote occupation is continuous upgrade of applied technologies and devices. So, capabilities of desktop computers provided by the company to said category of staff, do not meet the requirements of modern production and business, when it is necessary to negotiate issues online, store large arrays of data, etc. More spread are flexible mobile applications and "cloud" or virtual servers. All these lead to changes to implementation of traditional functions of employees in all fields of business (banking, sales, provision of informational services). So, for remote work there is created "virtual workplace" constituting virtual or "cloud" server where all required information is stored accessible at any time by employees inside company and those working remotely. Among known ICT rather popular with users is VDI (Virtual Desktop Infrastructure). Its advantage is in lack of additional or special requirements for authorized devices of users who are the customers. Said technology allows for having access to all information stored at virtual server not only from desktop personal computer but also from laptops and even mobile phones. Data required for work can be received from everywhere where there is Internet access. For work it is necessary to pass authorization on server and then in according with company policy place for work therein is determined. At this, employees are divided into groups with different rights depending on level of tasks performed in respect of access and use of databases. "Virtual workplaces" depending on belonging of employee to one or another group are provided with certain software. VDI allows for update of operational systems as well as for installation of new application required for employee to perform labor activity. This allows for making work more convenient, comfort, and making employee more mobile.

At the same time, technologies used, including VDI, demand from employees who have to continuously update knowledge and skills, to use new methods for implementation of their functions resulting in continuous changes in content of labor. Also, it should be noted the fact that employees working remotely have to be very disciplined and responsible as they plan their working schedule themselves and shall be capable to use correctly their time and resources.

It should be noted that use of remote occupation nowadays becomes one of more effective tool for anti-crisis management of labor. Its spread is due to increase in performance of personal computer, distribution of Internet even in far regions of country. It also should be noted that due to lower level of wages in region, absence of expenses of the entity for rental of certain premises for employees, cost of electricity, remote personnel become more and more attractive for employers from Moscow and Saint-Petersburg. However, not all residents of regions have required equipment and ICT. With this purpose in many towns there are established co-workings, i.e. collective offices where people from different entities and freelancers may work if they have no possibility or wish to work from home. It is naturally that first co-working in Russia was launched in Ekaterinburg. Then they started to appear in other cities of country. Co-working center looks like typical office: it has workplaces, conference area, but it is designed for people working independently from each other. Its distinctive feature is that it represents open community of people of different specialty and level of classification. Because of communication thereat workers share knowledge, circle of communication is expanded. Economic basis of co-working is insignificant rent and hosting own events. These structures are rather attractive for students, as many of them have no possibility to work remotely from home or boarding house. However, it should be taken into consideration that workplaces in co-working for those engaged in remote labor activity shall meet requirements for occupational safety and safety rules. Computers shall have modern software installed allowing for use of modern ICT in work.

It should also be noted social role of use of ICT and remote occupation for employment of disabled people, as well as temporary or secondary employment of other vulnerable segments of population. In our opinion, the important feature is application of modern ICT results in replacement of stationary workplaces equipped with computers and other office equipment with virtual workplaces. This brings significant adjustments to organization of labor, transforms management of business

processes in entities. Concept of having occurred and practically fixed "remote workplace" that does not have territorial tie to office, and does not require provision of equipment, requires scientific understanding. Its main feature is use of ICT.

Reasons for increased attractiveness of remote employees may include:

- high professionalism of remote employees and possibility to obtain result without direct supervision by manager;
- reduction of expenses due to reduced payment for rental of premises, electricity, transportation, etc.;
- many managers believe that employees outside office perform work of better quality;
- possibility to find professional in other city or country.

Also, there are should be noted disadvantages of remote work. Those ones include:

- lack of stability and guarantees at initial stage of work;
- need for higher level of self discipline, responsibility and workability;
- uneven distribution of load;
- lack of prospects for carrier;
- hypodynamia, absence of socially preconditioned motivation to "look good";
- lack of both, formal and informal communication with colleagues.

Transition of companies to remote work have good economical effect that according to expert evaluations is 94 bln. per year (Freelance in Russia. Market and prospects, 2017). Due to development of Information Technology, creation of new, more advanced software and distribution of so called "cloud" technologies ensuring access to required information from any part of world, in the nearest 5 years there is expect large growth of remote employees in Russia. According to J'son & Partners Consulting, amount of remote employees will grow by 20 %, and at this economic effect will be RUR 1 tn. (Workspace of new generation will be oriented at mobility and virtualization, (n.d.).

#### **4. DEVELOPMENT OF FREE OCCUPATION (FREELANCE) AT THE RUSSIAN FEDERATION**

Dynamic growth of remote work market in general, and, particularly, in such its part as international freelance, determines appearance of more and more researches in this field.

According to research conducted by representative office of PayPal in Russia and research agency Data Insight in August – September 2017 about 66% of Russian freelancers (self occupied professionals) received orders from foreign customers, and 14 % worked only with foreign customers. Orders from foreign customers provide freelancers with higher income than orders from Russian clients. When this is the main source of income, the average income of freelancer is RUR 60,7 thnd. per month. In average freelancer working with foreign customer earned RUR 43,5 thnd., and with Russian – RUR 37,8 thnd.

According to results of earlier research conducted by Higher School of Economics number of Russian freelancers is estimated to be 2% – up to 1,5 mln. people. In average wages of freelancers in 2008 and 2010 amounted to slightly more than RUR 30 thnd. per month, in 2013 – RUR 38 thnd., in 2014 – RUR 37,8 thnd. per month.

Therefore, the most approximate calculations estimate annual volume of Russian freelancers' income in 2017 as RUR 680,4 bln.

Let's calculate what tax revenue to budget could have been provided by such level of income. The most probable for application to self occupied professional is simplified taxation system used at registration of freelancer as private entrepreneur. At a tax rate of 6% from income received, tax revenue could have accounted to RUR 40,82 bln. per year. Amount of calculated for tax period income tax paid due to application of simplified taxation system was RUR 285,25 bln. in 2016 (consolidated data for 2017 are not yet published on FTS RF website). Therefore, possible share of

revenue from freelancers' income as general sum of similar tax revenue may be 14,3%, that is significant indicator for Russian economy.

Also, private entrepreneur pays insurance contributions for mandatory pension and medical insurance. According to approximate calculation total amount of contributions could have accounted to RUR 44,3 bln. (approximately RUR 29,5 thnd. from one freelancer).

But are there such prospects in Russian market of free labor?

Relatively low level of wages, difficulty to check proceeds from foreigners motivate freelancers to completely or partially hide their incomes and not to pay taxes therefrom.

At receipt of income from foreign customers with use of payment system PayPal (third by popularity method of receiving income after wire transfer and transfer to bank card) not each Russian freelancer pays taxes and levies. On forums of freelancers there is a lot of information and discussions on subject of avoidance of payment of taxes from income received.

Also, employer not always enter into official contract with freelancer, and having concluded one tries to minimize payments to budget. For example, at conclusion of contract with private entrepreneur duty of paying income tax and contributions to pension fund is borne by contractor, and not by customer. In 67% of cases the customer constitutes private person, group of persons or family, that, in principle, make contractual relationships with freelancer void.

So, one of directions at improvement of remote work market is optimization of taxation – probably, granting holidays to newly registered as private entrepreneur freelancers in respect of contributions for mandatory insurance. So, according to HSE researches variations in freelancers' income are significant from month to month, thus making financing planning rather difficult. And payments for mandatory insurance decrease real income by RUR 2,46 thnd. per month that is 6,5% of average monthly income of freelancer.

As main factor restraining growth of freelancers' wages there should be noted high level of competition at the market of remote work.

Among main difficulties in work with foreign customer Russian freelancers note: high level of competition (30%), time difference (29%), language barrier, insufficiently good level of knowledge of foreign language (27%), difficulties in receiving payment from customer (17%), difficulties related with legal execution of transaction (13%), difficulties related to understanding each other due to differences in business culture (13%).

It worth identifying positive and negative sides of such type of employment relationships. Positive sides of freelance include following indicators:

- interesting various work providing possibility to choose projects interesting to freelancer;
- flexible work schedule allowing to have time with family;
- work at home with minimum expenses (absence of transportation costs);
- possibility to receive higher wages working with different projects at the same time;
- combining work and study;
- allows people with limited abilities (disabled people) to find themselves;
- possibility to unite as a team (co-working);
- avoidance of taxes not only by freelancer, but also for employer, who does not pay contributions to different funds, as in case of traditional hire;
- employer does not have pay wages for the whole month, but only for particular project (saving);
- decreased costs for employers related to maintenance of workplaces and rental of premises;
- mobile transfer of results via e-mail;
- there is no need to do "somebody's" work as in case of official hire;
- elimination of geographical boundaries (work with foreign customers);
- large market of potential customers.

Negative sides of freelance:

- need to promote yourself and to show some achievements to potential employer;
- unstable income;

- risk of unfair customer, who will not pay for the project or withdraw it at stage of completion (to resolve this problem there are formed "black" lists of unfair employers);
- risk for customer that project will not be completed or performed properly (risks related to time and cost);
- absence of carrier growth and social communication in collective;
- need to know foreign languages to reach foreign customers;
- there should be high level of self organizing as there is no boss standing behind (Labor Code of the Russian Federation, 2015);
- to earn a lot, you have to work a lot, that may cause damage to health of freelancer not restricted by working day;
- need in mobile response to changing market environment and continuous study of new activities, following progress and fashion trends to increase own competitiveness (Prospects of spread of remote occupation in Russia, 2014–2020 Comments to results of research, 2017);
- there is no length of service accrual and formal experience;
- absence of contributions for pension and social package (in 2013 there was research according to which each forth citizen may refuse from part of benefits, or even from all benefits and guarantees just not to be present at workplace) (Workspace of new generation will be oriented at mobility and virtualization, (n.d.);
- taxes are not paid to state budget;
- psychological pressure when your own professionalism is not sufficient to win tender for project, or when customer does not like the quality of work and demands to redo it.

## 5. CONCLUSIONS

Therefore, currently we may say that freelance in Russia as globally becomes ordinary and normal event, and from year to year number of "remote" employees will continue to grow. However, lack of statistical reporting in this field yet does not allow for getting accurate data and analyzing changes occurring. There is no doubt in growth of economical and social role of remote occupation. It contributes to increased efficiency in entities and organizations performance due to decreased expenses associated with personnel and rental of premises, optimization of interaction of employees between each other as well as with clients and vendors. However, advantages of remote forms of occupation exist not only for employers, but also for employees. Remote work allows employee on his/her own discretion to determine working time and to work in comfortable environment. Also, remote occupation provides high possibilities to people with limited capabilities, women with children, students and retired people. Above categories of people often simply do not have a possibility to work at office for entire working day, but it does not mean that they are incompetent or not professional. Engagement as remote employees of residents of other regions, as well as disabled people, students allows us to speak about growth of social role of such form of employment. At the same time, there occurs need in development and improvement of legal aspects of remote employment.

Spread of remote work, first of all, will be due to understanding by companies of savings from implementation of remote occupation, possibility to sue regional workforce that is cheaper; not less important for companies is possibility to keep valuable employee if he/she for certain reasons is unable to work at office, like for example in case of maternity leave.

In age of development of information technologies and communications employees are capable to chose themselves location of own workplace. Remote work gives number of advantages, increases mobility, eliminates geographic boundaries.

Establishment of global labor market has led to physical and psychological isolation of remote employees. Employers will be capable to receive higher economic efficiency from remote employees only if, at earlier stage of maintaining balance between work and personal life, in

building communication with managers and colleagues, identify levers for motivation of remote employees.

Development of remote occupation will result in reduction of costs and increase in efficiency of companies thus increasing their international competitiveness.

In respect of freelance, the state willing to legalize freelancers' activity should monitor financial flows of subject via Internet (as it is done by financial monitoring service of the Russian Federation, FATF), but it will already be interference with personal data and partly violation of rights of citizens. Also, checking millions of people in respect of possibility that they provide services and receive remuneration, is rather labor consuming and expensive. So, in our opinion, it is better to stop attempts to legalize activities of all freelancers. Those who want will take care of their future (pension) themselves, and state revenue will be indirectly formed from moneys freelancers receive from abroad and spend at the territory of the Russian Federation.

Therefore, freelance shall be considered as a new form of labor relationships, it shall be acknowledged that its scale is growing, and global economy transforms in such a way that subject do not work for common wealth but pursue their individual (personal) goals. Nobody knows what will happen, but society always adapts to new trends, changes and progresses. Regress is not possible as humanity sets certain priorities for each next era taking the best and most needed for life from past centuries.

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