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INFLUENCE OF THE ONLINE FREELANCING TO THE LABOR MARKET

Abstract: The digitalization of the processes and the appearance of new business models have consequently generated new professions and new modes of working resulting in greater labor prosperity and efficiency. Internet is growing into a huge labor market where freelancers offer their knowledge and skills. The main objective of the research is to analyze the changes resulting from the digitalization of the labor market and growth of the online freelancing. Internet and digital technology have been transforming and revolutionizing the labor market. It has changed the demand for skills, knowledge, and occupations. The paper examines the changing trends in the labor market analyzing primary and secondary data. The main focus of the research is directed to primary research revealing the economic, social, demographic, and motivational aspects behind online freelancing. The questionnaire survey was shared among the freelancers who have tried or pursued a career in the gig economy. The acquired answers provide valuable information about the motives and the challenges the freelancers encounter. The main result of the paper is to identify online freelancing as a key visible indicator of the labor market.

Keywords: online freelancing, gig economy, Internet, labor market, digitalization

JEL Classification: J21, J24, O33

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Introduction

The development of digital technologies and the emergence of new business models have resulted in the disruption of the way people work and the global labor market. New technologies lead to new opportunities and change the nature of work. Internet is growing into a huge labor market where freelancers offer their knowledge and skills. Internet and digital technology have been transforming and revolutionizing the labor market. It has changed the demand for skills, knowledge, and occupations. Online gig platforms enable remote workers to serve multiple projects from their homes instead of working full-time for a single employer. Digital labor has become a dominant feature of the global economic landscape (Langley and Leyshon, 2017).

According to the Online Labor Index, an indicator of the online gig economy, the global demand for online freelancing workers has been growing by 11% annually in the period from 2017 to 2021. Online freelancing is getting play an important role in economic development equally for the developed and developing economies. It could be considered a powerful mechanism for the development of the highest portion of the global digital labor force that resides in developing countries. Its relevance is getting higher, especially in times of the global Covid-19 pandemic.

The main objective of the research is to analyze the changes resulting from the digitalization of the labor market and growth of the online freelancing. In the first part of the paper, theoretical aspects of the online freelancing issue are presented. The second section of the paper examines the growing trends in online freelancing referring to the size and occupations. It will be explained the changes in the labor markets resulting from the process of digitalization and the challenges the labor market encounters. The main focus of the research is to reveal the economic, social, demographic, and motivational aspects behind online freelancing. Intentionally, the primary research is conducted to acquire information about the motives and challenges the freelancers encounter. A summary of the research and proposal for future research will be provided in the conclusion part of the paper.

1. THEORETICAL BACKGROUND

Freelancing or the gig economy as a mode of working is not a new phenomenon. The appearance of the gig economy is connected with the Great Recession when most of the workers lost their permanent jobs and started to

work on gigs or short-term tasks. In the research studies, it is revealed that the gig economy provides an opportunity to bridge employment during the recession when traditional full-time jobs are hard to reach (Donovan et al., 2016). Digital work is reflected in performing a series of tasks, and gigs, without permanent employment (Graham et al., 2017). In the contemporary time, due to the development of digital technology, the phenomenon of the gig economy is related to the growing number of workers abandoning traditional employment in favor of working independently on a task-by-task basis for various employers (Chen, 2016). The Internet has been changing profoundly the way we work today. Digitalization is causing new jobs to emerge, while some others decline or disappear entirely. The digital labor market has become a valuable source of work and income for many workers, especially in developing countries. For many people freelancing is not only the main job, but also it is a source of complementary income. The rise of freelancers is considered one of the remarkable issues in the evolution of the labor market. Online work is growing rapidly (Chan and Wang, 2018; Huws et al., 2017). Digital labor and talent access could be a central part of the future and online labor platforms promise to connect jobs with knowledge workers all over the globe (Horton et al., 2017). The influence of ICT technology and the rise of online gigs are related to three main trends influencing the labor market. The transformation can be identified from local to the remote global labor market, from full-time to temporally flexible, and from permanent to casual occupancy (Kässi and Lehdonvirta, 2018). Online freelancing is considered a means which provides opportunities for the workers to be engaged in flexible employment arrangements (Gray and Suri, 2019). Since it is project-based, the workers are not locked in one permanent job for a single employer. Online freelancing is appearing as a new value in the labor market. It leads to facilitation of the virtual migration, bringing jobs to people instead of forcing them to migrate (Lehdonvirta, 2018; Horton et al., 2018; Braesemann et al., 2018; Melia, 2020). According to the World Bank's World Development Report (2019) changing the nature of work is a reality and the economies should be prepared and capable to adapt online freelancing as a reality to take advantage of and diminish the weaknesses following the changes happening in the labor market.

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2. TRANSFORMATION OF THE LABOR MARKET

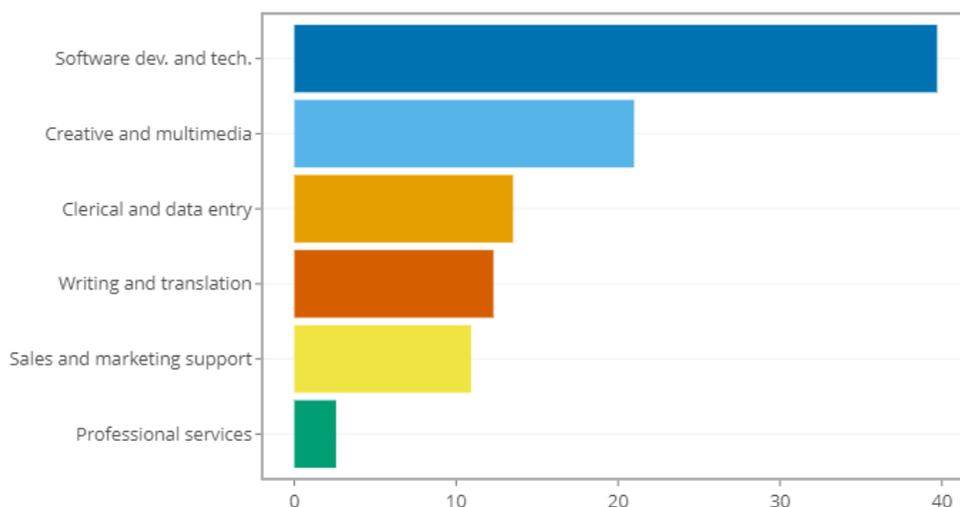
Digital technology leads to a fundamental transformation of the workplace and the mode people engage at work. The rise of digital labor is related to the appearance of the platform economy (Schmidt, 2017). The digital labor platforms connect workers globally with companies seeking to have projects completed (Horton et al., 2018). The digital platforms represent a substantial part of the global labor market. According to Warner (2020), digital platforms are the most important and required place to find a job for 73% of freelancers. The main reason behind the dominance of the platforms is their ability efficiently and quickly to match supply and demand, which leads to a significant reduction in transaction costs (McKinsey, 2015). The platforms allow access to skills and talents around the world. They provide an opportunity to use the labor only for a temporary task that the client or business organization needs and terminates when the required project or task is completed (Marvit, 2014). The platforms as an online labor market promote new work orders where flexibility, adaptability, and attaining the results are key features. Digitally enabled gig work is conducted and organized in the absence of a standard employment relationship between an employer and an employee (Stanford, 2017). Platforms as a type of labor market provide an opportunity for overcoming some shortcomings of a local labor market when there is no demand for some skills or if the job price is low. The main drivers of the freelancing transformation of the labor market can be found in the: cost advantage, time advantage, performance advantage, strategic advantage, and risk advantage. Against the transformation of the labor market toward the most flexible, accessible, efficient, and non-discrimination digital market, the online labor platforms have transformed the demand and supply for skills, knowledge, and occupations.

Online labor index 2020 (OLI 2020) is an index that measures the supply and demand of online freelance labor across countries and occupations by tracking the number of projects and tasks across the platform (Online Labor Observatory). OLI 2020 indicates global growth in the online gig economy of 51% from 2016 to 2021. The online labor index examines the demand and supply of the online freelancing work on the base of the occupation. Figure 1 reveals that the highest demand of almost 40% is for software development and technology skills. Then they are followed by creative and multimedia work and by the clerical and data entry work. The lowest level of demand belongs to the professional services, which is explained by the fact for requirement a high

level of trust and the necessity for understanding in communication (Kassi and Lendonvirta, 2018).

The supply for the online freelancing occupation corresponds with the demand for occupations. According to the Online Labor Observatory, it is remarkable dominance of online labor supply for software development and technology. It is followed by the supply of creative and multimedia and clerical and data entry online labor.

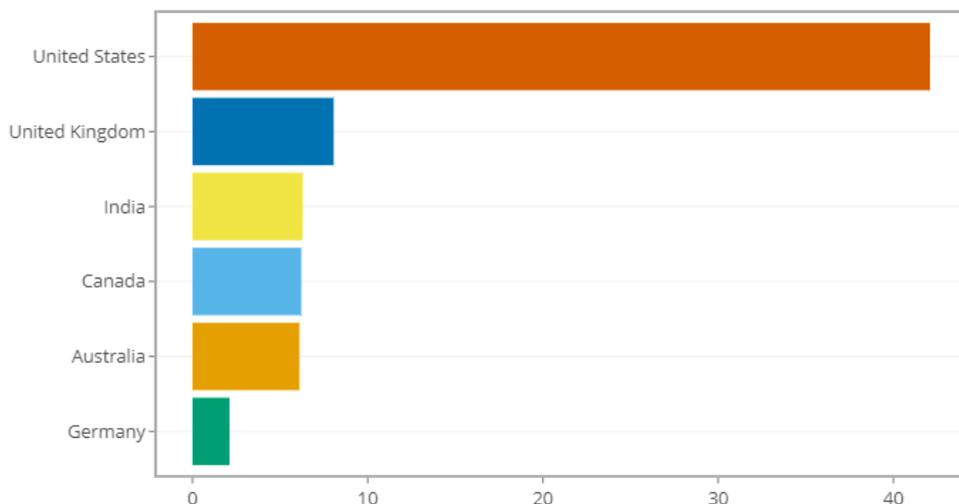
Figure 1. Online labor demand by occupation



Source: OLI 2020, onlinelabourobservatory.org

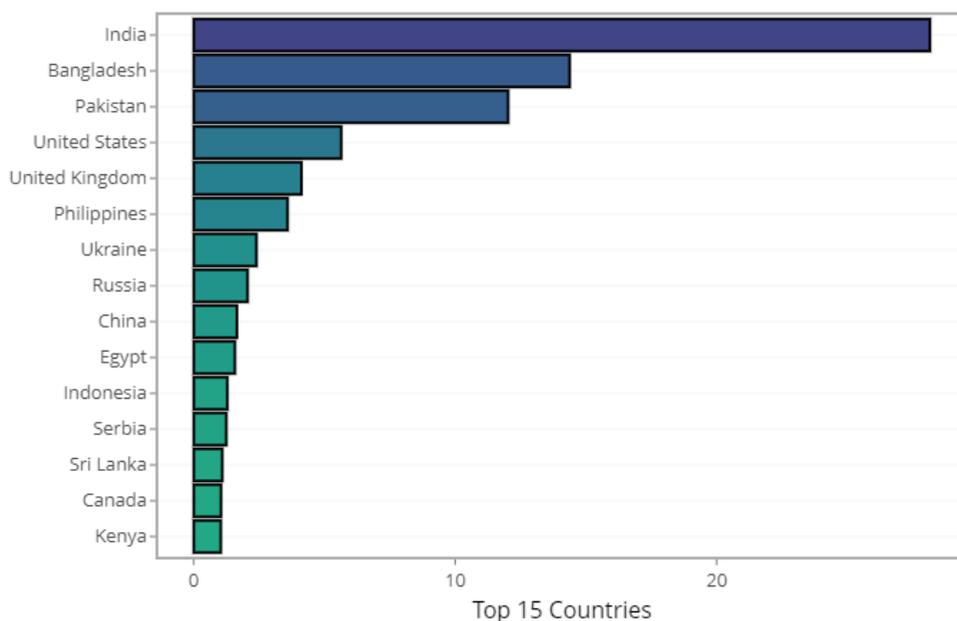
Figure 2 reveals the location of the global demand for online freelancing work. Most of the online freelancing projects are posted by employers from developed countries with the dominant role of the United States. Other important employer countries represent the UK, India, Canada, and Australia.

Figure 2. Global share in the online labor demand



Source: OLI 2020, onlinelabourobservatory.org

Against the developed countries that dominate the demand for online labor, the supply side comprises developing and lower-income economies like India, Pakistan, and Bangladesh (Figure 3).

Figure 3. Global share in the online labor supply of the top 15 countries

Source: OLI 2020, onlinelabourobservatory.org

On the demand side, the companies in the battle to maximize revenue are most focused on online freelancers. They consider online freelancers as a source of an immediate skillful and well-trained workforce, with lower costs and access to innovative ideas. So, online freelancers as a workforce can help companies streamline operations and save costs of operation (Tripathi et al., 2022.) A fifth of all organizations around the world has engaged at least 30% remote workers. On the other hand, the supply side consists mostly of young people who use the online labor platforms to find a job. The majority of freelancers are heavily belonging to the younger ages, with almost 70% between the ages of 18 to 34 and only 10% over 45 years old.

As the Internet is growing into a more powerful market space, online freelancing is getting a more dominant model of the labor market. The fundamental unit of the new economy is not the corporation but the individual. Tasks aren't assigned and controlled through a stable chain of management but rather are carried out autonomously by independent contractors (Malone and Laubacher, 1998).

3. ONLINE FREELANCING IS A CHALLENGE FOR THE FREELANCERS

3.1 Methodology of research

To get insight into the changes that are happening in the labor market and to reveal the economic, social, demographic, and motivational aspects behind online freelancing, is conducted primary research. Purposely, a survey is prepared consisting of 17 questions. The survey is delivered using Reddit Discord servers, which are used mostly by freelancers as a platform to connect and share information. The survey is completed by 100 freelancers in one week. The questions are divided into three groups.

1. Basic features and type of the online freelancer.
2. Motivations and attitudes towards the freelancing job.
3. Concerns and challenges related to the freelancing job.

3.2 Results and analysis of the survey

The target group of research is freelancers who have tried or pursued a career in the gig economy. The research provides valuable answers to many issues related to the online freelancing job. Since the questions are divided into three areas, the research identifies three sections of relevance related to the attitudes of the freelancers and their personal experience in exercising the online freelancing job.

Table 1 reveals information about the basic features of freelancers.

Table 1. Responds to the main characteristics and types of freelancers

	Frequency
Age of the freelancers	
Gen Z (18-22)	28%
Millennials (23-38)	51%
Gen x (39-54)	11%
Baby Boomers (55 +)	10%

Time to join the gig economy	
Before COVID-19	61%
During COVID-19	39%
Type of the freelancer	
Independent Contractor	37%
Moonlighter	21%
Diversified worker	8%
Temporary worker	25%
Business worker	9%
Education level	
High school	5%
Bachelor Degree	48%
Master Degree	11%
PhD	4%
Paid online courses	30%
NA	2%
Type of client (employer)	
Local	9%
International	91%
Occupation	
Literature	4.3%
Science and Robotics	2.5%
Advertising, PR and Marketing	11%
Fashion Design	3%
Architecture and Construction	6%
Web content and development	16%
IT	33%
Graphic Design	8%
Music producing	2%
Sports and personal training	0%
Transport	7%
Business analysis	2%
Finance	5%
Hospitality	0%

Medical	1%
Food and Beverages	0%
Health	0%
Media	1%
Education	4%
Other	1%

The first group of questions in table 1 reveals that most of the freelancers belong to the young generations – millennials 51% and X generation 28%. It means the population between 18 and 38 years old represents almost 80% of the gig economy workforce. On the other hand, it is obvious that to the workers over the age of 39 representing Gen X and Baby boomers, freelancing is not a popular and attractive choice of work. The second question refers to the time of joining the gig- economy. Two-thirds of the freelancers have confirmed that they have joined freelancing before the pandemic, which means the tendency for freelancing employment has started before the pandemic and was strengthened during the pandemic. Referring to the type of commitment to the freelancing, most of the freelancers, or 37% belong to the independent contractors. They are persons who work on a range of different short or long-term projects. The second group of freelancers belongs to the temporary workers who are focused on one temporary project with a finite deadline. In the research, it is noticed that 20% of the freelancers belong to the group of moonlighters who have a regular job, but they are engaging in freelancing to earn additional finances.

Referring to the question about the education level of freelancers, the survey reveals that almost half of 48% have a bachelor’s degree and 30% are persons who have acquired education and skills through some paid online courses or training. It means young educated and skilled persons are mostly focused on online freelancing. The survey shows very valuable information about the occupations in which the freelancers are most engaged. The dominant occupations where the freelancers are most engaged are IT and creative services. The contribution and advantage of online freelancing is access to the global labor market. More than 90% of the freelancers are oriented toward the international labor market and work on international projects and employers.

The second section of questions of the survey provides information about the motivations and attitudes towards the freelancing job (Table 2).

According to the research, the main motivation behind the freelancing job could be summarized in two points. Firstly, it is a financial aim where almost all people consider online freelancing as a way to earn money and in-

crease their income. The second motivation is recognized in the flexibility of exercising the freelancing job referring to the time, schedule, and place. The second question in this section reveals the opinion of the freelancers toward the worthiness of the freelancing job. The highest portion of the persons or 77% expresses positive attitudes and satisfaction from the freelancing job. Referring to the possibility of returning the freelancers to the regular conditions after the pandemic, most of the freelancers are happy with their current arrangement and will not return to the previous conditions.

On the question about the opinion of the freelancers related to the amount of working time, surprisingly only one-third of 33% think they work less. The rest of the freelancers have responded that they work equally or even more. So, if previously the remote working was considered more relaxing, actually it is more demanding. More than two-thirds of the freelancers have stressed that they feel pressure and struggle to deliver the job on time. It suggests they encounter a very stressful issue.

Table 2. Responds to the motivation and attitudes toward freelancing

	Frequency
The motivation behind the freelancing (multiple choice)	
Higher earnings (salary)	99
Earning extra money	33
Flexibility refers to the working hours	41
Flexibility refers to the working schedule	66
Working from home in and relaxed environment	14
Hard to find a job and no other options	20
Pandemic of COVID-19	8
Are you more successful as a freelancer?	
Yes	77%
No	0%
It's a tie	23%

Would you return in regular conditions after the pandemic	
Yes	40%
No	50%
It is negotiable	10%
Are you working more or less on a project when working remotely?	
More	33%
Less	27%
On average, the same just differently spread out hours	40%
Managing the time to deliver the job on time	
Struggle but deliver on time	36%
Struggle and not deliver	4%
Struggle and deliver late	31%
Don't struggle	29%
Where do you enjoy working?	
My favorite coffee shop	22%
A shared workspace	17
Home	59
Outside	1
Doesn't matter to me	1

The third section of the survey research is focused on the most essential issues connected to freelancing. Table 3 reveals very useful information about the concerns and challenges of online freelancers.

Table 3. Responds to the concerns and challenges of the online freelancers

	Frequency
Concerns about freelancing (multiple choice)	
Worried to find enough gigs.	78
Worried about the technical readiness	22

Worried to be fooled out of payment	61
Worried about the tax payment	15
Worried about meeting the deadlines	5
Other	10
How many concerns do you put into the future?	
A lot	21%
Not a lot	45%
From time to time	34%
Attitudes toward paying taxes as an employee or as a freelancer?	
Employee	12%
Freelancer	28%
I don't know yet	60%
Do you save money for pension funds?	
Yes	5%
No, it's not a problem for me	36%
No, I don't make enough	59%
Do you think the future will be based on remote work?	
Yes	5%
No	20%
Not for me	28%
Yes, but not completely	47%

The research reveals that the main concerns of the freelancers are connected with the worry to find enough projects or gigs and the worry to obtain the payment for the completed job. These concerns suggest the insecurity and instability the freelancers feel when they exercise remote work and it will be one of the most important law issues in the future. Generally, related to the concerns, more than half of the freelancers are worried and thought about their future as freelancers.

As the most important issues for any freelancer are taxing and pension and social security. Referring to the tax issue the survey research reveals

that most freelancers are not aware of the tax issue, which would have a very adverse influence on the freelancers and the tax evasion in the economy. So, the national economies should have determined very clear and transparent tax regulations intentionally for the remote workers. The second issue which could be considered as one of the challenges for the freelancers is the pension and social security. According to survey research, only 5% of freelancers save money for the pension fund. The rest of them are not interested or consider that they don't make enough money to pay for the pension security. Since the freelancers belong to the younger population it is obvious that they are not so interested in and don't think about long-term issues related to the pension and social security. Thus, it should be one more issue where the regulation should be established to enforce higher security for freelancers.

Conclusion

The rise of digital technology, especially the Internet is creating new opportunities for workers. The Internet has disrupted the labor market providing opportunities to perform jobs remotely. Using statistical data about the demand and supply for online freelancers and results from the survey the paper provides additional empirical value in the research of the gig economy. Examining the data and the attitudes of the freelancers the paper suggests that the transformation of the labor market to the digital labor market is a reality. Online freelancing is becoming a new value in the labor market. Complementary to the online freelancing mode of labor, the paper suggests that the policymakers have to update and upgrade the labor market regulation to ensure equivalent treatment for different forms of labor and provide a more stable and secure labor environment for the online freelancers.

The future direction of the research will be oriented towards examining the contribution of online freelancing to the national economies.

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