

ВЫСШАЯ ШКОЛА ЭКОНОМИКИ  
НАЦИОНАЛЬНЫЙ ИССЛЕДОВАТЕЛЬСКИЙ УНИВЕРСИТЕТ  
ПРИ УЧАСТИИ ВСЕМИРНОГО БАНКА  
И МЕЖДУНАРОДНОГО ВАЛЮТНОГО ФОНДА

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# **XIII АПРЕЛЬСКАЯ МЕЖДУНАРОДНАЯ НАУЧНАЯ КОНФЕРЕНЦИЯ ПО ПРОБЛЕМАМ РАЗВИТИЯ ЭКОНОМИКИ И ОБЩЕСТВА**

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# NEW FORMS OF SELF-EMPLOYMENT IN RUSSIA: REMOTE WORK PATTERNS AND E-MARKETS<sup>1</sup>

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## Self-Employment in the Digital Age

Recent decades have revealed the «partial renaissance of self-employment» [OECD, 2000; Luber, Leicht, 2000; Arum, Müller, 2004]. In the post-industrial society self-employment is no longer treated as an obsolete form of economic organization. On the contrary, some commentators observe an erosion of standard careers [Handy, 1989; Arthur, Rousseau, 1996] and an increasing number of «free agents» [Pink, 2001]. An ideological shift to neoliberalism also promotes self-reliance, enterprising self and marketization of talent [Peters, 1999].

New forms of self-employment, inspired by the information revolution, have been rising in the digital age. Economic activity is moving to the service sector, knowledge-intensive and creative industries. Research and design, managing and organizing, informing and consulting are typical substance of work in information and knowledge economy. Workers rely heavily on their human capital and use computer equipment, which is becoming more affordable. The reunion of individual producer with means of production makes it possible to sell his or her services independently beyond organizations. The Internet allows working remotely from home or any other place and facilitating effective coordination [Ruiz, Walling, 2005].

Thomas W. Malone and Robert Laubacher envisioned the possibilities of «e-lance economy» provided by the Internet. They argued:

The fundamental unit of such an 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. These electronically connected freelancers—e-lancers—join together into fluid and temporary networks to produce and sell goods and services. When the job is done—after

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a day, a month, a year—the network dissolves, and its members become independent agents again, circulating through the economy, seeking the next assignment [Malone, Laubacher, 1998, p. 3].

The ideal model of electronic freelancing assumes that all stages of the business process are done remotely via the Internet. These include finding clients, communicating with them, negotiating contracts, transmitting final results and getting paid. Today there are a lot of dedicated websites (online marketplaces) that facilitate this business model, connecting individual service providers and their customers. Not only individuals and small enterprises but also large corporations use online marketplaces to outsource required skills. The number of global talent market participants has run into six figures. For instance, Freelancer.com reports having about 3 million registered users from 234 countries.

**Table 1.** Leading online marketplaces for freelancers

	Year of founded	Working language	Registered users
Freelancer.com	2004	Eng.	3,000,000
oDesk.com	2003	Eng.	1,500,000
Elance.com	1999	Eng.	1,300,000
Guru.com	2000	Eng.	1,000,000
Free-lance.ru	2005	Rus.	1,000,000
vWorker.com	2001	Eng.	500,000

## Evidence from Russia

Today more and more Russian people try to work independently via the Internet. However, in Russia electronic self-employment is a highly innovative social practice for both historical reasons and information and communication technology (ICT) lag.

The overall entrepreneurial spirit amongst the Russian population is fairly weak and the self-employment rates are very low comparing to other countries [Chepurenko, 2010]. Own account workers without employees constitute 5.8% of the labor force and all self-employed (including employers and contributing family workers) — 7.3%. In the European Union the corresponding figures are two times higher, producing 10.5% and 16.9%, and in developing countries even more so [ILO; Pedersini, Coletto, 2009, p. 8].

There are historical reasons for that. In the Soviet Union all people were supposed to work for state-owned enterprises and not on their own account. In contrast to some other former socialist countries (e.g. Hungary, Poland), that permitted a limited form of small entrepreneurial activity, in the Soviet Union any kind of inde-

pendent contracting was completely illegal [Szelényi, 1988; Róbert, Bukodi, 2000; Smallbone, Welter, 2001]. Even moonlighting (i.e. having a second job) was largely restricted. As a result some people managed to work on their own only informally beyond their standard job.

There is also some lag in the development of the Internet in Russia. At the turn of the new millennium, when global online-marketplaces for freelancers had already come into service, only about 2% of the Russian population had access to the Internet. In 2011 the Internet penetration rate was still rather low — about 43%. It is only half as high in the most advanced information societies. According to the Russia Longitudinal Monitoring Survey (RLMS-HSE) in 2010 only 23% of the labor force used Internet for their work in the workplace.

The leading Russian online marketplace for freelancers is Free-lance.ru. It was founded in the mid of 2005 and has been showing an enormous growth for the last years. Now it has more than one million registered users and dominates the Russian freelance market.

## **Study Design and Data Sources**

Literature on freelancing is either speculative or based on qualitative narrative studies [Barley, Kunda, 2004; Osnowitz, 2010]. The development of new remote patterns of work and e-markets for freelance services are underinvestigated. We still need to know main socio-demographic, occupational, motivational and other characteristics of self-employed professionals working primarily via the Internet.

In order to fill this gap, we conducted a series of online standardized surveys on the largest Russian-speaking online-marketplace Free-lance.ru [Shevchuk, Strebkov, 2012].

For this paper we use the data from the second wave of the Russian Freelance Survey (RFS). It was conducted in March 2011 and brought 10,943 valid responses, making RFS one of the largest freelance surveys in the world. An online survey at a freelance marketplace seems to be the most appropriate method for collecting empirical data about our research subjects. Due to the relatively small size of the group in Russia, self-employed professionals working via the Internet hardly ever emerged within any nation-wide survey samples.

Russian-speaking freelancers from 34 countries took part in our survey. More than two-thirds of the respondents represent Russia, and almost all the rest are from the former Soviet Union republics. Earlier, we have already presented our main findings for all Russian speaking freelancers [Shevchuk, Strebkov, 2012]. In this paper we will consider only those respondents who lived in Russia and were active as self-employed during the year preceding our survey (N=4,474).

The RFS questionnaire consists of about 50 questions and involves a wide range of work and life topics. In this paper we consider socio-demographic and professional profiles, motivational issues, working hours, well-being and satisfaction.

For comparisons we will use the data from the Russia Longitudinal Monitoring Survey of the Higher School of Economics (RLMS-HSE, Oct. 2010) which is based upon a nationwide sample of the Russian population (N=21,343). From the RLMS-HSE we will pick out two categories of population:

- Russian working population (N=10,145; 47.5% of the whole population)
- Russian employees who use the Internet for their work at their workplace (N=2,017; 9.5% of the whole population; 19.9% of the Russian working population)

## Main findings

*Gender.* Among active freelancers 60% are male and 40% are female. The corresponding RLMS-HSE figures for the Russian working population are 47% and 53%. Males are clearly overrepresented among freelance workers.

*Age.* Russian freelancers tend to be very young. About 70% are under the age of 30 and only 10% are older than 40. The corresponding RLMS-HSE figures for the Russian workers are 33% and 42%. Thus we deal with the new generation of workers, which is free from the Soviet ideological bias and advanced in terms of information technology.

*Education.* Freelancers are often very well educated. 83% of them have completed or uncompleted university education in comparison to 33% of all Russian workers. One out of ten freelancers has two university degrees, an MBA or a doctoral degree.

*Employment.* Following Charles Handy's concept of portfolio career, we take into account various paid and unpaid activities that altogether constitute human life [Handy, 1991]. We believe that this approach better describes how freelancers balance their work and life activities. The genuine freelancers, for whom self-employment is their full-time activity and the only income source, account for 29% of our sample. Most of the respondents have a regular job besides freelancing (43%), and some people manage their own business with hired employees (8%). Freelancing is also typical for students (13%) and women, who have to look after their little children under 3 years old (6%).

*Skills.* The prerequisite for remote work is that results must be produced in a digital form to be transmitted via the Internet. That is why the scope of professional skills on e-markets is relatively limited. The main areas of expertise are: websites (28%), computer programming (20%), graphic design and creative arts (38%), writing and editing (27%), translating (10%), advertising, marketing, consulting (14%),

audio and video (5%), photography (9%), and engineering (5%). We can observe that freelancers are often engaged in «creative industries» and, to coin Richard Florida's term, represent the so-called «creative class» [Florida, 2002]. It should be noted that for freelancers the Internet is not only a new communication tool, but also the object of their work, which is largely associated with creating and maintaining websites.

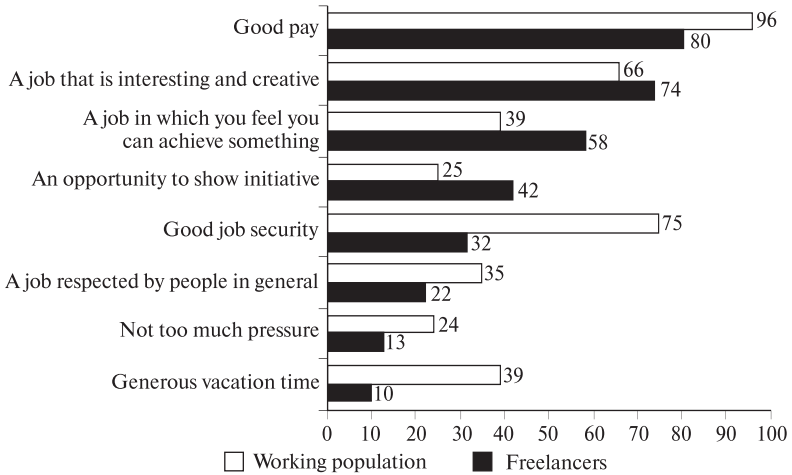
**Table 2.** Socio-demographic characteristics, %

	Working population (RLMS-HSE, 2010)	Employees using the Internet (RLMS-HSE, 2010)	Freelancers (RFS, 2011)
Gender			
Male	47	41	60
Female	53	59	40
Age			
18-22	9	12	19
23-26	12	17	28
27-30	11	13	22
31-40	26	28	19
41 years +	42	30	10
Mean	38.3	35.0	28.5
Education			
School (8-9 years)	10	2	3
School (10-11 years)	56	30	15
University, no degree	3	3	21
University	29	64	60
PhD	1	2	2

*Work Values.* In order to identify the most important aspects of work for freelancers, we used a standard question from the «World Values Survey» to compare our results with nationwide representative data [Magun, 2006]. Although the work values of Russian workers have undergone significant changes in the post-soviet period, they still reflect some negative trends. Most people expect good pay and job security from their employers and the state, but only a small share of them are ready to work hard, have personal responsibility and take the initiative. The post-materialist values of proactive self-realization are rather marginal for the consciousness of Russian workers [Magun, 2006].

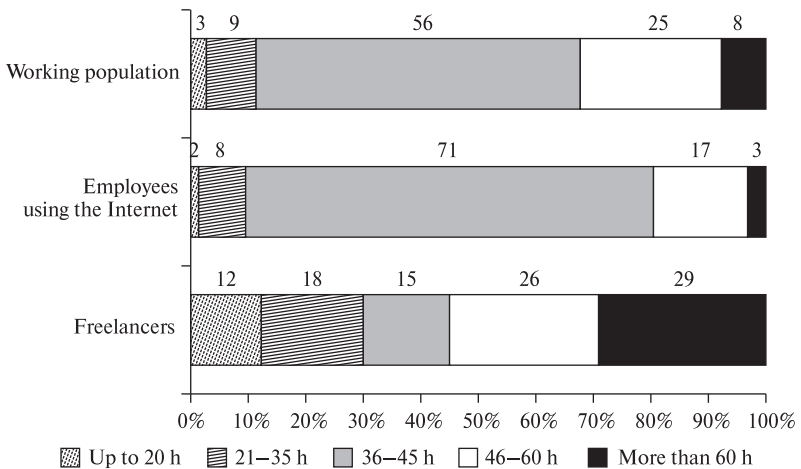
Our data revealed that freelancers are less prone to traditional forms of work behavior (Table 2). First of all, freelancers express less materialistic inclinations and more creative values (Inglehart, 1990; 1997). Secondly, freelancers are much more

likely to demonstrate a need for achievement and initiative. Thirdly, freelancers do not avoid pressure at work and do not look for generous vacation time.



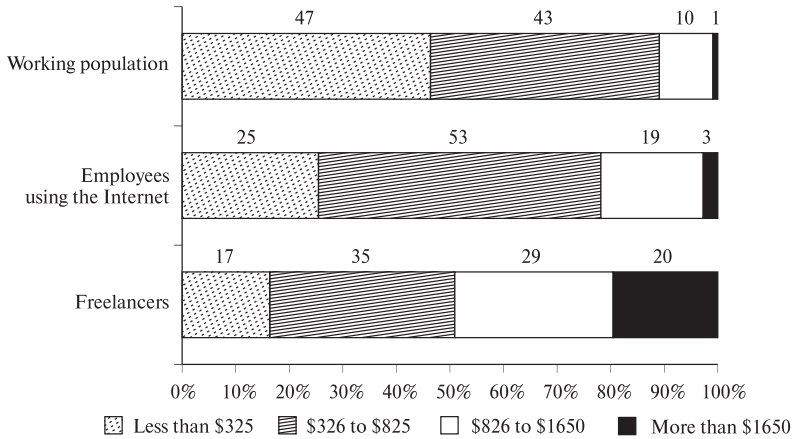
**Graph. 1.** Which aspects do you personally think are important in a job? (%)

*Working hours.* Freelancers have longer working hours. On average freelancers work 51 hours per week, whereas Russian workers only 45 hours. Every third freelancer reports not having a single day-off in the week.

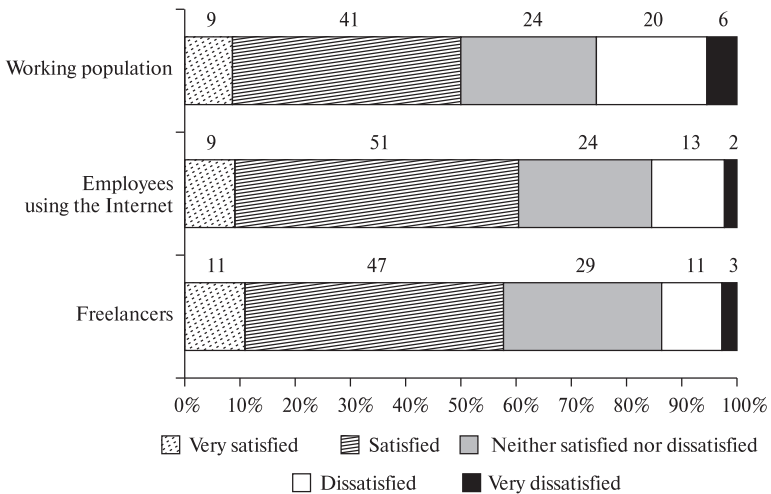


**Graph. 2.** Working Hours (%)

*Well-being.* On average, freelancers earn more than the Russian workers, although revenues from self-employment tend to be very unstable and volatile. In 2010 almost half of Russian freelancers earned more than 826 USD per month (post tax) compared to 11% of the Russian working population. The mean income for freelancers was 1,090 USD, whereas for Russian working population only 480 USD and for employees using the Internet 665 USD.



**Graph. 3.** Earnings (average monthly post-tax personal income in USD) (%)



**Graph. 4.** All things considered, how satisfied are you with your life as a whole nowadays? (%)



*Satisfaction.* Self-reported satisfaction among freelancers is fairly high, and this result agrees nicely with many cross-national studies of self-employed workers' satisfaction [Blanchflower, Oswald, 1998; OECD, 2000; Blanchflower, 2004; Benz, Fray, 2008]. Freelancers seem to be more content than Russian working population: 58% of freelancers are largely satisfied with their lives in comparison to 50% of the Russian workers. The share of dissatisfied people among freelancers is nearly two-fold less than among Russian workers (14% vs. 25%). But we should note that Russian workers who use Internet for their work shows approximately the same level of satisfaction.

## Conclusion

Independent contracting via the Internet is a new model of work in Russia. Despite its contingent nature the electronic self-employment stands out from other non-standard working arrangements, which predominantly belong to «bad» jobs with primitive technologies and low wages [Gimpelson, Kapelyushnikov, 2006]. Our data reveal the main social characteristics of this narrow and highly specific category of the workforce in Russia:

Freelancers working remotely via the Internet are young individuals with a higher enterprising spirit and human capital, offering creative and knowledge-intensive services;

Freelancers work longer hours than regular employees and often operate under pressure, but have a higher income, enjoy autonomy at work and are satisfied with their lives;

Freelancers belong to the «new middle class» and the vanguard of the workforce in terms of the nature of work, ICT-competence and motivation;

Freelancers play an important role in the development of the Internet, e-business, and innovative entrepreneurship in Russia.

Another important finding is that main social characteristics of Russian freelancers and Russian-speaking freelancers from other countries are very similar [Shevchuk, Strebkov, 2012]. It means that a new type of self-employed worker participating in the transnational e-market is emerging.

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