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WHEN WOULD EMPLOYERS OPT FOR FREELANCERS?

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ABSTRACT

Business operations in today's highly dynamic and changing environment require quick response and adaptation to new business conditions. In this context, the terms "outsourcing" and "freelancing" are emerging; due to their characteristics and new approach in the business environment, they enable different concepts of organizing and creating new business models. This paper puts in focus the problem of freelance status in the labor market competition for a business engagement. It has the task of providing a scientific view of the opportunities offered to freelancers according the attitudes of potential employers. From the standpoint of the employers in the Republic of Croatia, business practice has changed considerably from the previous emphasis on 'permanent employment' in the past decade; to a more significant selection of outsourcing for specific jobs. Employees' views are also noticeably changing, so a more significant selection of independence in some legal forms of employment can be observed. An exploration of the attitudes and experiences of the employers on the recruitment of freelancers for occasional or permanent jobs in various areas of activity was conducted. The fundamental question to which research has to answer is whether an employer will decide to hire a freelancer in specific jobs for which key knowledge or company information is needed. Additional starting point in the research suggests that the employment of a freelancer depends significantly on the activity the company is engaged in, but also on the market in which it operates.

Keywords: freelancer, independent professional, outsourcing, labor market

INTRODUCTION

Contemporary working environment comparing to previously known, has changed considerably with social development and especially with globalisation and every day mobility as well as with the development of the new technologies that support business processes. With these changes a new system of individual needs of a person has emerged. Some authors announce the upcoming changes in approach to organizational structure considerations in the middle of last century but significant ideas have emerged in the last twenty years. Kalleberg [1] is discussing working relations and he names their new characteristics the nonstandard ones. Standard working relations are determined by general expectations of employees such as working full time, contract is unlimited considering the period of work, work tasks are fulfilled at the place of the employer and according to the employer's guidelines. Standard frameworks are the base according to which labour law was created mostly in industrial countries in 20th century. The emergence of nonstandard forms of working relationships is seen by the same author in

the mid-seventies of the last century when employees are beginning to seek greater flexibility in the workplace, and global economic change and global instability have added to employers and created a fertile ground for employee acceptance and development of new approaches and redesigning working conditions. Johnson and Ashforth [2] have outlined some ten years ago that external employment makes up one third of the workforce in the US and that the trend continues as 80% of business organizations become more flexible. The cause of the outsourcing of employment Davis-Blake and Uzi [3] observed in four factors: the cost of employment, the external environment, the size of the organization and the degree of bureaucracy, and the skills required to perform work tasks. The conducted research has shown that each of these factors has a positive impact on the choice of job based on independent contractors. Unlike this form of employment, the same authors observe the impact of these factors on the employment of temporary workers where the positive influence of variation factors in employment needs were determined, but the negative impact of other factors mentioned above. The European Union recognizes the new concept of independent employees, which in the term equates with freelancers. Abbreviation iPros (Independent Professionals) are defined according to Leighton and Brown [4] as self-reliant individuals of top-notch skills working for themselves but not employing others. This is supported by the observation of independent activities through the prism of knowledge management. By using iPros, companies are getting the knowledge that can be seen as an external business resource easier and faster. Kozica et.al [5] simply define freelancers as individuals who do some business as independent contractors. These authors mostly see them in the field of software development, IT and engineering, while Leighton and Brown [4] talk about iPros mostly as journalists, designers, IT experts, and different consultants. Johnson and Ashforth [2] are studying the paradox of outsourcing as they call the emergence of the organization relaying on discouraged employees (external) in setting up and maintaining strong ties with the organization's clients. These authors believe that there is a relationship between employment status and organizational and customer identification and that this relationship can moderate in relation to the perception of the organization's image by the outside public and in the visibility of affiliation of employees to the organization. Johnson and Ashforth [2] also outlined the data of the Bureau of Labor Statistics in the US, which mentions that out of the total number of organizations that have outsourced there are 63% of them in the field of sales based on typical customer-contact relationships that is developed and nurtured by employees. According to these authors, it can be concluded that outsourcing of employment is generally accepted as beneficial for organizations in the service sector, but it is important to point out that their research has shown a negative effect of employee status on customer-oriented behavior. Possible reasons for these authors see in inferior status of external employees. While the described relationships point out a strong need to rely on external employees and to create solid relationships with them, on the other hand, according to Kalleberg [1] it can be concluded that the external workforce has traditionally been seen as one-off, replaceable and exchangeable in the past. The above refers to the challenge of a modern HRM that authors [1, 2, 6] see in determining core employees and non-core or peripheral ones and determining work relationships according to their status in building a sustainable organizational structure. Volberda [6] sees a challenge for management in the need to create a balance between job interchanges and retention of previously known, taking into account the dynamics of operations, the results of intelligence-gathering and the multi-directional causal connections between the employees and the organization.

RESEARCH METHODOLOGY

Business environment has acquired a new aspect that is important if not crucial for the labor market and in the field of human resource management. The fact that with the recent internal public that has involved employees of the organization, there is an unavoidable group of external publics that can be called external staff and that should be observed from the HRM position in a specific way, given the unique characteristics and legality of the business process of this interest group public. These research starts with the question whether employers in Croatia will decide to hire a freelancer for specific jobs for which key knowledge or company information is needed. Two variables are in focus: how employment of a freelancer depends on the activity the company is engaged and the market in which it operates. The main hypothesis is placed and it reads: 'The employers in Croatia will decide to hire a freelancer in specific jobs for which key knowledge or company information is needed'. Additional hypotheses say: 'The employment of a freelancer depends significantly on the activity the company is engaged in', and 'The employment of a freelancer depends significantly on the market in which the company operates'.

Primary data were collected using questionnaire methodology. The questionnaire was conducted online through survey tool esurveycrator.com. The target population was small, medium and large companies based in Croatia. By the Croatian Chamber of Commerce, e-mail with a link to a web-based survey was sent to the companies in Croatia. From 4th until 25th June 2018 the survey was completed by 158 respondents. The 70 of the participants were males, 77 females and 9 participants didn't want to declare. One of them was between 18 and 25 years old, 32 between 26 and 35 years old, 46 between 36 and 45 years old, 46 between 46 and 55 years old and 33 of them were older than 55 years. Respondents were in general familiar with all organizational processes in company. 99 of them were directors of the company, 12 were members of the board of directors, 18 managers of the company, 12 employees in human resources and 17 others. Regarding educational level, two participants had only elementary school, 38 participants had finished high school at most, 18 undergraduate studies, 73 graduate studies, 17 master's degrees, 7 university specialists and 3 doctorates. As for the headquarters of the company, only the capital city of the country stands out with the 51 (32,1%) head offices of the companies. The seats of other companies are located in all other counties, with each county having at least one company having a head office and no county has more than 10% of the total headquarters of the company. Regarding to the size of the company (division according to the Accounting Act (NN 78/15, 134/15)), 112 (70.9%) of companies were micro (assets up to HRK 2.6 million, revenues up to HRK 5.2 million, average number of employees during the year 10), 24 (15.2%) small (assets amount up to HRK 30 million, revenues up to HRK 60 million, average number of employees during the business year 50), 11 (7.0%) medium (assets up to 150 million HRK, income up to 300 million HRK, average number of employees during the year 250) and 11 (7.0%) large (crossing the indicators for medium entrepreneurs in 2 of the 3 criteria, and regardless of these criteria large entrepreneurs are also banks, savings banks, housing savings banks, electronic money institutions, insurance and reinsurance companies, UCITS management companies, alternative investment fund management companies, factoring companies, investment firms, stock exchanges and even smaller number of other entrepreneurs). The analysis was done by SPSS version 22.

RESULTS AND DISCUSSION

Since 2 of the participants didn't answer the question if they hire freelancers or not, they had to be deleted from the sample for analysis of how employment of a freelancer depends on the activity the company is engaged and the market in which it operates. Of the remaining 156 participants who answered to this question 92 answered that they did hire a freelancer for some job and 64 of them didn't. Descriptive statistics for variable in which area the company operates depending on whether they ever hired a freelancer or not provides that mean is higher for those who have hired freelancers (3,96) from those who haven't (2,69) and standard deviation are approximately the same (1,467 and 1,489). Also, those who did hire freelancers have two modes, 3 (Croatia) and 5 (European Union), while those who didn't hire freelancers have one mode and it is 1 (locally). So, even descriptive statistics assume that the distribution of the data for those who hired the freelancers are skewed to the left and those who didn't skewed to the right.

Did they ever hire a freelancer for some job		Kolmogorov-Smirnov ^a			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
yes	In which area the company operates	,196	92	,000	,913	92	,000
no	In which area the company operates	,168	64	,000	,875	64	,000

a. Lilliefors Significance Correction

Table 1. Test statistics for the normality of distribution for variable in which area the company operates

A Kolmogorov – Smirnov test i.e. Lilliefors Significance correction, descriptive statistics and a visual inspection of histograms shows that the area in which the company operates doesn't have normal distribution with a skewness of -0.448 (SE = 0.302) and a kurtosis of -1.020 (SE = 0.595) for the company that hired the freelancers and with a skewness of -0.286 (SE = 0.251) and a kurtosis of -0.851 (SE = 0.498) for the company that didn't hire the freelancers.

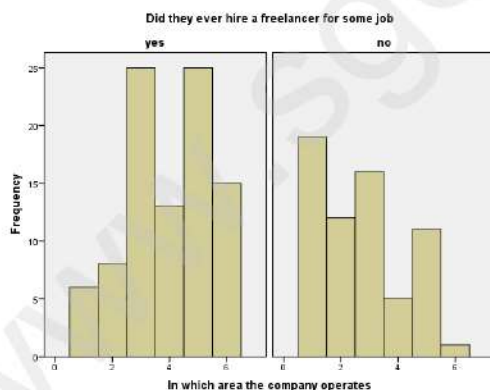


Figure 1. Histograms of the frequencies of the area where the company do they business depending on whether they ever employed a freelancer for some job or not

The histogram in Figure 1. displays the frequencies of area where the company does its business depending on whether they ever employed a freelancer for some job or not. The area where company does the business is divided in 6 areas: 1 = locally, 2 = regionally

Test Statistics^a

	In which area the company operates
Mann-Whitney U	1622,500
Wilcoxon W	3702,500
Z	-4,858
Asymp. Sig. (2-tailed)	,000

a. Grouping Variable: Did they ever hire a freelancer for some job

Table 2. Test Statistics of addition of the area where the company do the business on the employment of the freelancer

(more than two counties), 3 = Croatia, 4 = countries around Croatia, 5 = European Union, 6 = the whole world. Looking at the histograms it is obviously that companies which employ freelancers operate in the wider area, while companies which don't employ freelancers do business in the narrower area. Furthermore, considering of the p – value of the test statistics (Table 2.), there is not enough evidence to keep the null hypothesis. Therefore, null hypothesis is rejected with a significance level of 0,05 so there are statistically significant differences in the area where the company operates between companies that hire freelancers and companies that don't.

Out of the total of 156 respondents who answered the question whether they ever hired a freelancer or not, two of them didn't answer the question what kind of business does company do, so they have to be deleted from the sample for analysis of how employment of a freelancer depends on the activity the company is engaged. In further analysis there are 154 respondents.

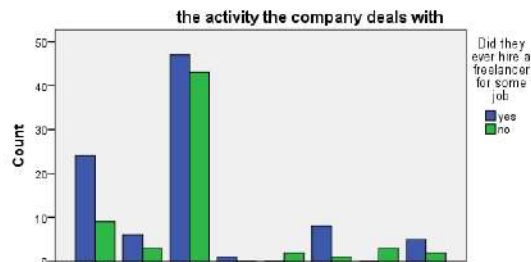


Figure 2. Histograms of the frequencies of the type of business company deals with depending on whether they ever employed freelancer for some job or not

Test Statistics ^a	
	the activity the company deals with
Mann-Whitney U	2570,500
Wilcoxon W	6756,500
Z	-1,224
Asymp. Sig. (2-tailed)	,221

a. Grouping Variable: Did they ever hire a freelancer for some job

Table 3. Test Statistics of addiction of the type of business on the employment of the freelancer

The histogram in Figure 2. displays the frequencies of the type of business company deals with depending on whether they ever employed freelancer for some job or not. The type of business is divided in 8 parts: 1 = individual and small scale production, 2 = process industry, 3 = service activities and logistics, 4 = public administration services, 5 = services of utility and public companies, 6 = independent profession (lawyers, dentists, free artists), 7 = agriculture and fisheries, 8 = education. According to the results of the Mann Whitney U test, the null hypothesis is retained, meaning there are no significant differences in the categories of the analyzed variable.

In order to examine the third hypothesis, the Likert scale was used. Of the total of 158 respondents, five didn't answer at all to the extent to which they agreed with the four assertions offered and were therefore excluded from this analysis. Four statements were offered to the respondents: "A company should hire freelancers more often", "It is better to have people constantly employed than hire freelancers", "For a key job in a company, it is better to have a permanent employee than to hire a freelancer", "For highly specialized and expensive jobs, it is better to hire a person to stay than to hire a freelancer". Each of the respondents should indicate the extent to which they were consistent with the statement. The offered answers were: 1 = strongly disagree, 2 = disagree, 3 = neither agree or disagree, 4 = agree, 5 = strongly agree.

		A company should hire freelancers more often	It is better to have people constantly employed than hire freelancers	For a key job in a company, it is better to have a permanent employee than to hire a freelancer	For highly specialized and expensive jobs, it is better to hire a person to stay than to hire a freelancer
N	Valid	152	145	147	148
	Missing	1	8	6	5
	Mean	3,45	3,14	4,21	3,36
	Median	3,00	3,00	4,00	4,00
	Mode	3	4	5	5
	Std. Deviation	1,015	1,188	0,870	1,361

Table 4. Descriptive statistics for Likert scale of attitudes about hiring a freelancer

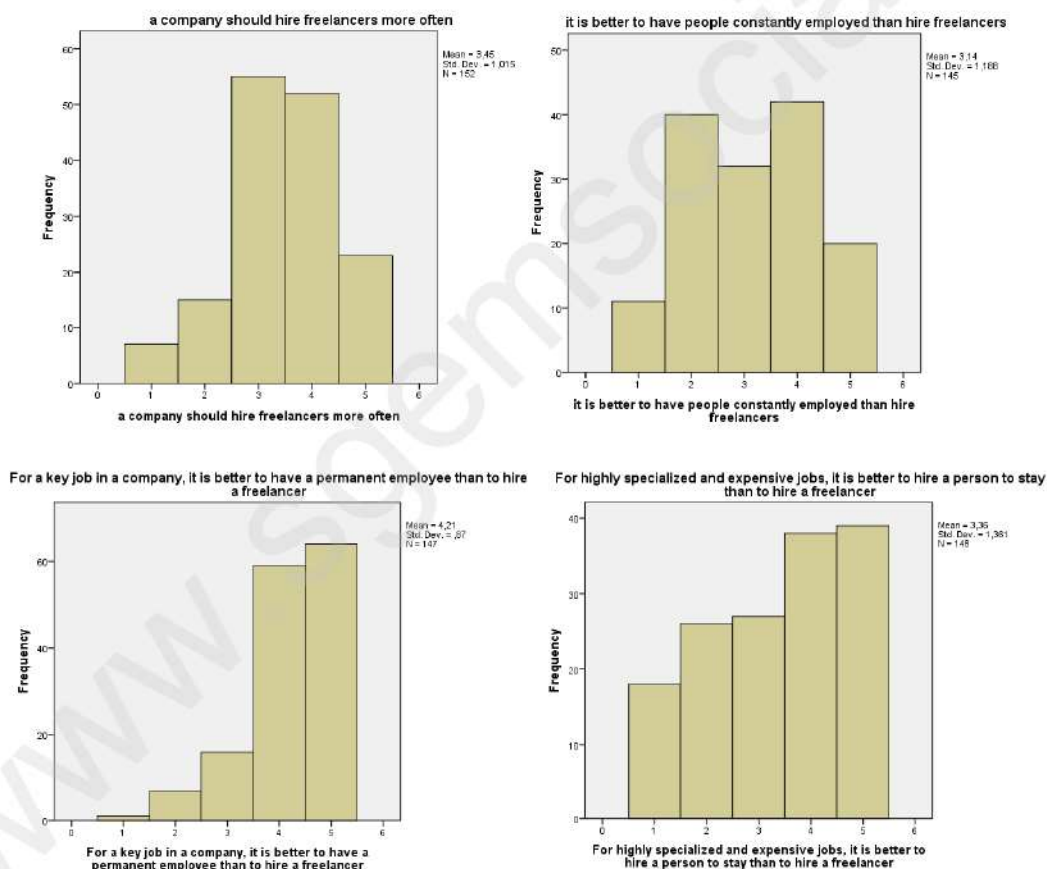


Figure 3. Histograms for Likert scale of attitudes about hiring a freelancer

From the histogram and descriptive statistics for the first statement, it can be seen that the answers are grouped around the middle meaning that the respondents aren't sure if the company should hire freelancers more often or not. However, there are more agree with

the statement then disagree. In the second statement, it is better to have people constantly employed than hire freelancers, participants are undecided. Approximately the same number of respondents agree as disagree with the statement and there are plenty of undisputable respondents. Third statement, for a key job in a company, it is better to have a permanent employee than to hire a freelancer, most of the respondents (83,67%) either agree or strongly agree with the statement. Last statement, for highly specialized and expensive jobs, it is better to hire a person to stay than to hire a freelancer, the respondents agree with the statement but not as much as the previous one.

	Company should hire freelancers more often		It is better to have people constantly employed than hire freelancers		For a key job in company, it is better to have a permanent employee than to hire a freelancer		For highly specialized and expensive jobs, it is better to hire a person to stay than to hire a freelancer	
	Observed N (Expected N is 30,4)	Residual	Observed N (Expected N is 29,0)	Residual	Observed N (Expected N is 29,0)	Residual	Observed N (Expected N is 29,0)	Residual
Strongly disagree	7 (4,61%)	-23,4	11 (7,59%)	-18,0	1 (0,68%)	-28,4	18 (12,16%)	-11,6
Disagree	15 (9,87%)	-15,4	40 (27,59%)	11,0	7 (4,76%)	-22,4	26 (17,57%)	-3,6
Neither agree or disagree	55 (36,18%)	24,6	32 (22,07%)	3,0	16 (10,88%)	-13,4	27 (18,24%)	-2,6
agree	52 (34,21%)	21,6	42 (28,97%)	13,0	59 (40,14%)	29,6	38 (25,68%)	8,4
Strongly agree	23 (15,13%)	-7,4	20 (13,79%)	-9,0	64 (43,54%)	34,6	39 (26,35%)	9,4
total	152		145		147		148	
Test Statistics								
Chi - Square	62,868		24,276		121,129		10,581	
df	4		4		4		4	
Asymp. Sig.	0,000		0,000		0,000		0,032	

Table 5. *Chi-Square test for Likert scale of attitudes about hiring a freelancer*

The main hypothesis 'The employers in Croatia will decide to hire a freelancer in specific jobs for which key knowledge or company information is needed' is accepted. Additional hypothesis 'The employment of a freelancer depends significantly on the market in which the company operates' is accepted too while the additional hypothesis 'The employment of a freelancer depends significantly on the activity the company is engaged in' is rejected.

CONCLUSION

This research brings up an interesting topic of modern challenges in Croatian HRM. It is evident that the well-known world trend is beginning to be widespread and that the organizational culture and environment is incessantly being changed in the sense of

accepting a new group of external public with insight into internal business. The research opens the door to a number of discussions about access to this group of employees and emphasizes the importance of adjusting business structures and procedures to their characteristics and new system of needs. As the results point that the field of the company's activities has no influence on employment of freelancers but the market they operate show significantly positive influence it would be important to learn other variables as the size of the organization or from which part of the country it comes from. Nevertheless, this research presents results that are significant guidelines for future observation of the freelancers and is starting point for more surveys but as well give the task to HR managers to reconsider the access to freelancers.

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