

IMPACT OF SPECIFICITY OF BUSINESS AND ACTIVITY OF ORGANIZATION ON EMPLOYMENT OF 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 to 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. There are four variables are in focus: how employment of a freelancer depends on the activity the company is engaged, the market in which it operates, the size of the company and previous experience with hiring freelancers.

Keywords: freelancer, independent professional, outsourcing, labor market

INTRODUCTION

Contemporary working environment compering 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 or-

ganization 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 relying 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 organiza-

tion. Johnson and Asforth [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 public 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. There are four variables are in focus: how employment of a freelancer depends on the activity the company is engaged, the market in which it operates, the size of the company and previous experience with hiring freelancers. The main hypothesis is: 'The employers in Croatia will decide to hire a freelancer in specific jobs for which key knowledge or company information is needed'.

Additional hypotheses were stated:

'The employment of a freelancer depends significantly on the activity the company is engaged in';

'The employment of a freelancer depends significantly on the market in which the company operates';

'The employment of a freelancer depends significantly on the size of the company' and

'The employment of a freelancer depends significantly on whether a company has previous experience with hiring freelancers'.

Primary data were collected using questionnaire methodology. The questionnaire was conducted online through survey tool esurveycreator.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 crite-

ria, 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

According to authors Globočnik Žunac et.al. [7], 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 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 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.

A Kolmogorov – Smirnov test i.e. Lilliefors Significance correction, descriptive statistics and a visual inspection of histograms shows that the area in which the compa-

ny 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.

The histogram in **Figure 1** [7] displays the frequencies of area where the company does its business depending on whether they ever employed freelancer for some job or not. The area where company does the business is divided in 6 areas: 1 = locally, 2 = regionally (more than two counties), 3 = Croatia, 4 = countries around Croatia, 5 = European Union, 6 = the whole world. Looking at the histograms it is obvious that companies that employ freelancers operate in the wider area, while companies that don't employ freelancers do business in the narrower area. Furthermore, considering the p value of the test statistics regarding company business types on freelancer employment (Table 1 [7]), there is not enough evidence to keep the null hypothesis. Therefore, the null hypothesis is rejected with a significance level of 0,05.

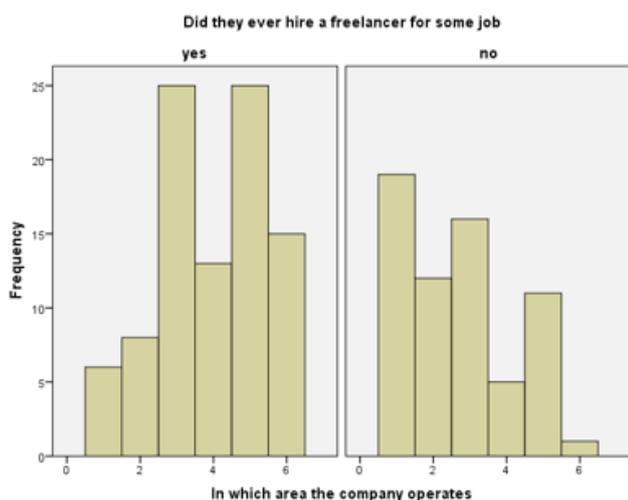


Figure 1. Histograms of the frequencies of the sampled companies' business areas depending on whether they ever employed freelancer

In other words, there are statistically significant differences in the areas where the companies operate between companies that hire freelancers and companies that don't.

Out of the total of 156 respondents who answered the question of whether they ever hired a freelancer or not, two of them didn't answer the question regarding what kind of business company does, therefore, they were deleted from the sample for analysis of how the employment of a freelancer depends on the activity the company is engaged in. Accordingly, further analyses contain 154 respondents.

The histogram in **Figure 2** [7] 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),

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 1. Test Statistics of the companies' business areas on the employment of freelancers

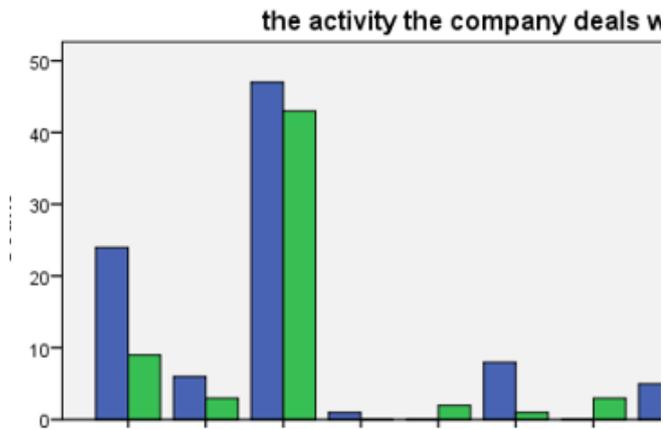


Figure 2. Bar chart for company business types depending on whether they ever employed freelancers

7 = agriculture and fisheries, 8 = education. According to the results of the Mann Whitney U test (Table 2 [7]), 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. The descriptive statistics of the discussed Likert-scale variables can be inspected in the following table (Table 3 [7]), along with their visual

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 2. Test Statistics of company business types on freelancer employment

representation in the respective histograms (Figure 3 [7]).

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 agreeing with the statement than those who 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. The 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. In terms of the 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. The following table (Table 4 [7]) discusses the ratios and frequencies in the respective Likert-scale categories regarding the observed attitudes on hiring a freelancer.

Table 3. Descriptive statistics for attitudes measured on 5-point Likert scales about hiring a freelancer

		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

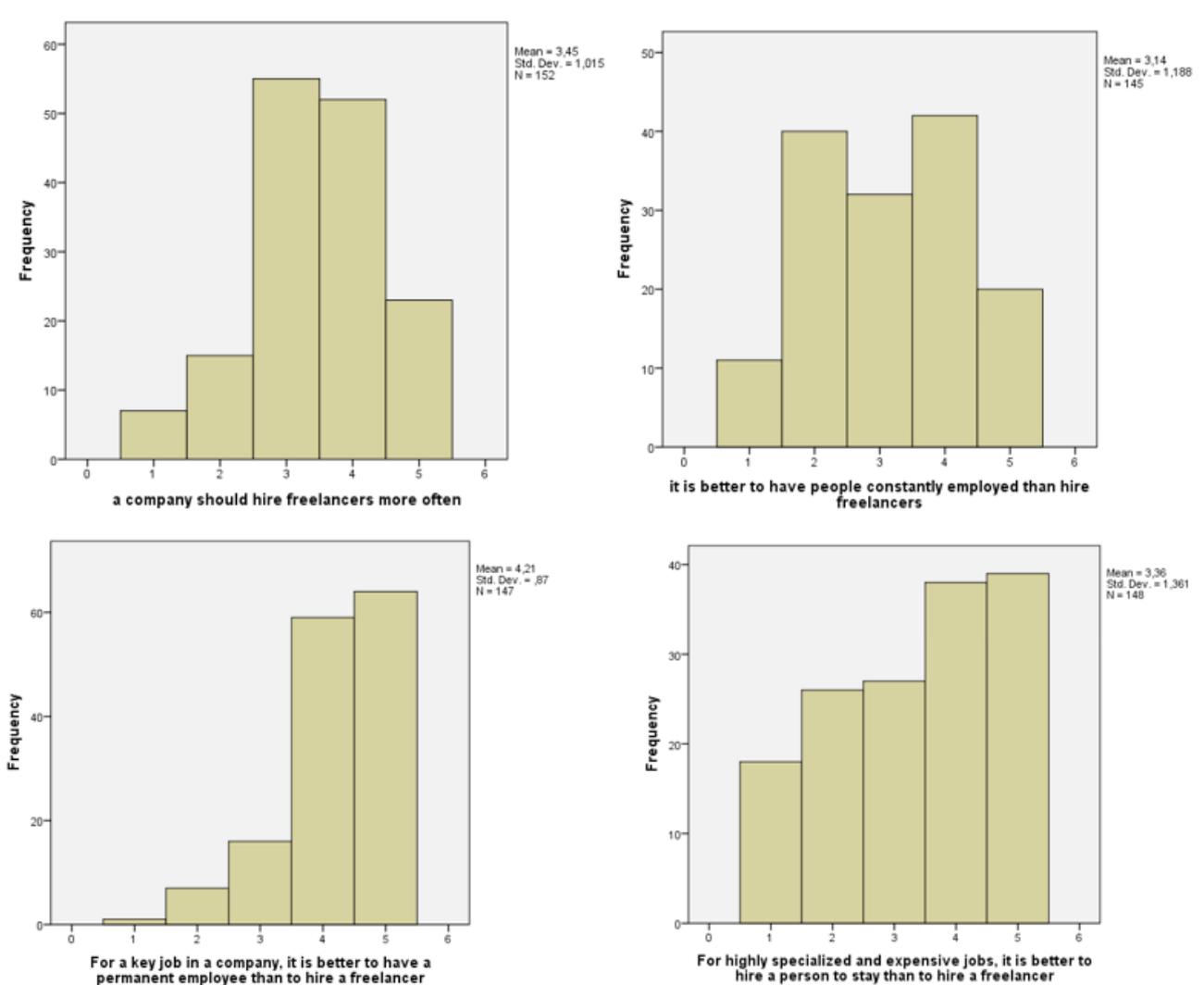


Figure 3. Histograms for attitudes measured on 5-point Likert scales about hiring a freelancer

Table 4. Chi-Square tests for the attitude statements measured on 5-point Likert scales about hiring a freelancer

	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	

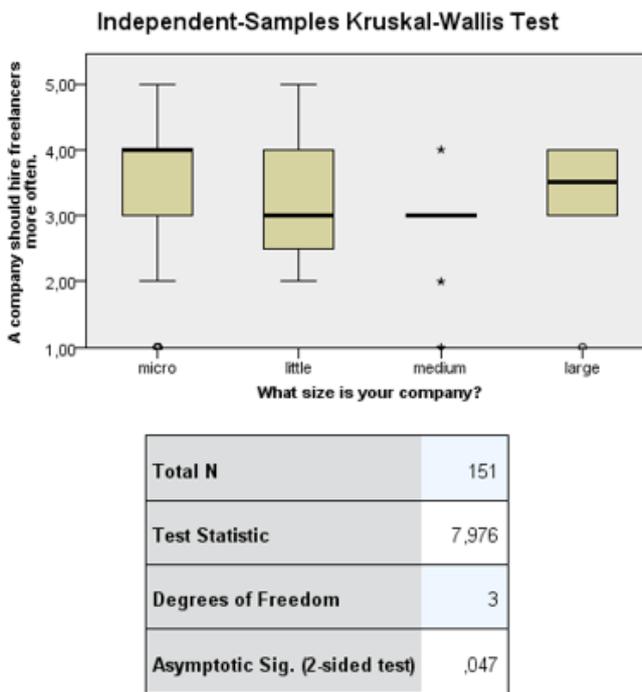
The attitudes of respondents regarding freelancers were measured with multiple Likert-scale statements. Significant differences in these statements were analysed in terms of the operational field of the company by using Kruskal-Wallis H tests [8]. The results of these analyses are discussed in the upcoming paragraphs.

In statement “A company should hire freelancers more often” respondents regarding different company operational areas did not differ significantly, $\chi^2(5) = 4.488, p = 0.482$. There were no significant differences observable when they were asked their attitude towards the statement “It is bet-

ter to have full-time employees than hire freelancers” either, $\chi^2(5) = 4.345, p = 0.501$.

For the statement “For a key job in a company, it is better to have full-time employees than hire freelancers” respondents’ opinions didn’t differ significantly according to the market the organization operates $\chi^2(5) = 2.817, p = 0.728$, as well as in terms of the statement “For highly specialized and expensive jobs, it is better to hire a person full time than to hire a freelancer”, $\chi^2(5) = 4.508, p = 0.479$.

Significant differences in the above discussed four attitudinal statements were



1. The test statistic is adjusted for ties.

Figure 4. Kruskal-Wallis Test for the statement “A company should hire a freelancer more often” based on company size

also analysed in terms of the size of a company. Significant differences were not observable in three of the statements in this matter: hiring full-time employees $\chi^2(3) = 5.989, p = 0.112$, hiring freelancers for key jobs $\chi^2(3) = 0.835, p = 0.841$, and hiring freelancers for highly specialized and expensive jobs $\chi^2(3) = 3.591, p = 0.309$.

However, according to the size of the company hiring a freelancer more often show significant differences, $\chi^2(3) = 7.976, p = 0.047$. (Figure 4)

As the figures above show, the results of Dunn's posthoc pairwise comparisons (Figure 5) revealed that there was a significant difference among the different company categories, occurring between micro and medium sized companies ($p = 0.011$), where micro ones were significantly more open-minded to hiring freelancers more often than medium-sized companies.

Pairwise Comparisons of What size is your company?

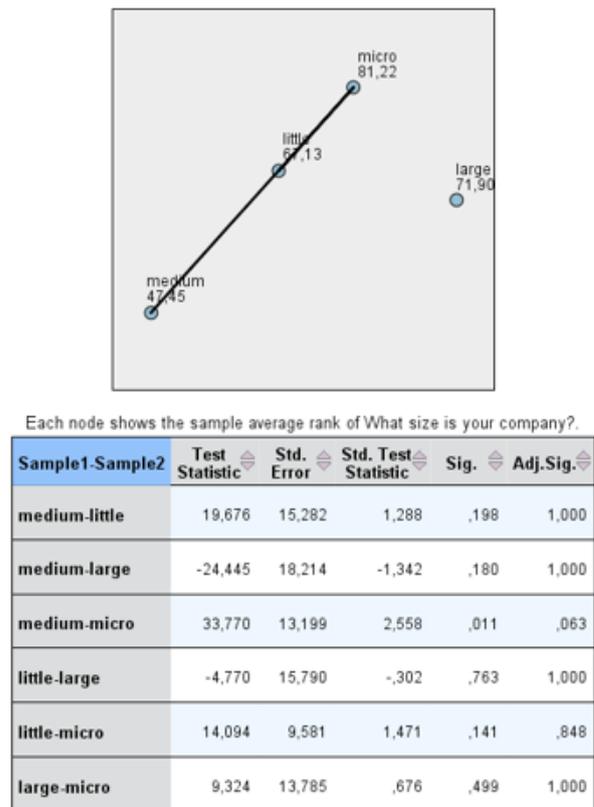


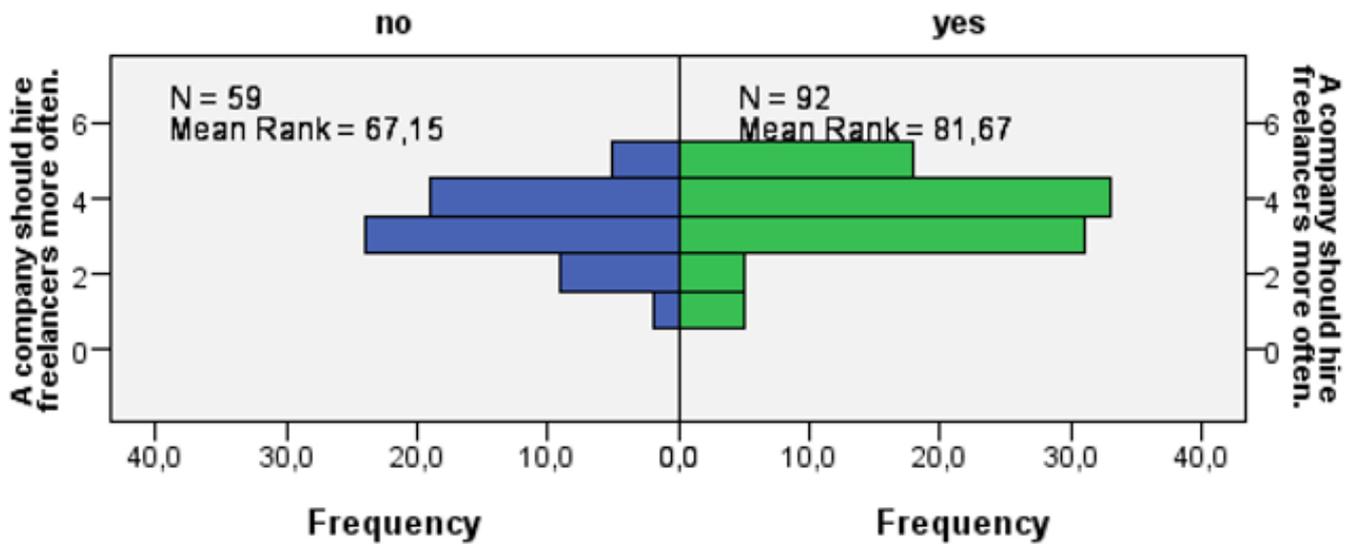
Figure 5. Dunn's post hoc pairwise Comparisons for the statement “A company should hire a freelancer more often” based on company size

This paper considered possible significant differences in these attitudinal statements in terms of the experience of the company, whether it previously hired freelancers or not. Since this was a statement where yes/no answers were offered, thereby being dichotomous, Independent-Samples Mann-Whitney U tests were performed [9].

There was only one attitude statement, where there were no significant differences in terms of companies who already hired a freelancer and those who have never hired one. It is the attitude towards the statement “For a key job in a company, it is better to have a full-time employee than to hire a freelancer”. The mean rank of companies that have never hired

Independent-Samples Mann-Whitney U Test

Have you ever hired a freelancer?



Total N	151
Mann-Whitney U	3 236,000
Wilcoxon W	7 514,000
Test Statistic	3 236,000
Standard Error	249,645
Standardized Test Statistic	2,091
Asymptotic Sig. (2-sided test)	,037

Figure 6. Mann-Whitney U Test for the statement "A company should hire a freelancer more often" based on previous experiences with hiring freelancers

a freelancer before was 57, and of those that have experience in hiring one, was 70.13. However, these two mean ranks did not differ significantly from each other, $U = 2237$, $z = -1.301$, $p = 0.193$.

As the following figure shows (**Figure 6**), there were significant differences in the attitudes regarding hiring more freelancers depending on whether the company hired one or not in the past. Attitudes of companies who never hired a freelancer (mean rank = 67.15) were significantly lower than of the ones that already hired a freelancer (mean rank = 81.67), $U = 3236$, $z = 2.091$, $p = 0.037$. This means that companies with experience of hiring a freelancer have a significantly more positive attitude to hire them more often.

There was a significant difference observable regarding the attitude of respondents in the statement "It is better to have full-time employees than hire freelancers" between companies that have never hired a freelancer before (mean rank = 85.83) and those with the experience in hiring one (mean rank = 64.02), $U = 1717.500$, $z = -3.155$, $p = 0.002$. As the next figure depicts (**Figure 7**), those companies that never hired a freelancer, agreed significantly more with the statement of better having full-time employees than hiring them, than those companies that already hired one.

The fourth statement discussed respondents' attitude towards hiring freelancers for highly specialized and expensive jobs, or it is better to have a full time person. The mean rank for this attitude of companies that never hired a freelancer was 85.58, while of those that already hired one, was 66.67. These two ranks differ from each other significantly, with $U = 1905$, $z = -2.689$, $p = 0.007$. (**Figure 8**) This result suggests that companies that never hired a

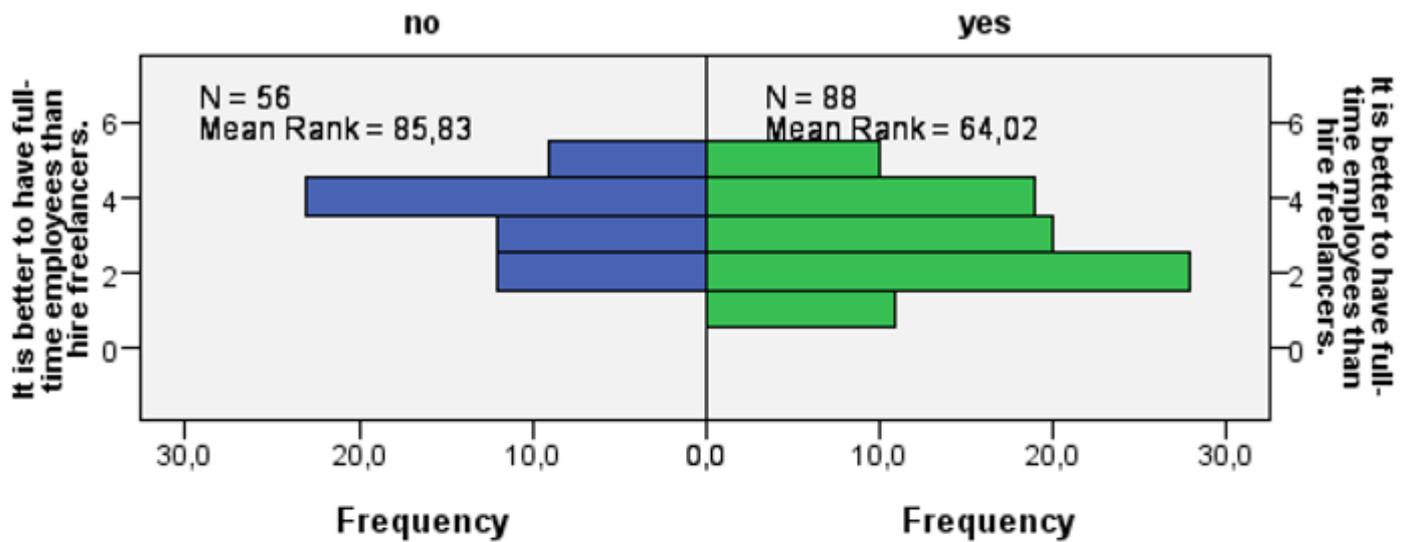
freelancer, agree significantly more with the statement saying it is better to hire a person full time than hiring a freelancer, whereas this attitude is significantly lower in terms of agreement by those companies who already hired a freelancer.

The main hypothesis 'The employers in Croatia will decide to hire a freelancer for specific jobs which key knowledge or company information is needed' is rejected, meaning that Croatian employers prefer to have a permanently employed person when it comes to specific jobs, for which key knowledge or company information is needed. The additional hypothesis 'The employment of a freelancer depends significantly on the market in which the company operates' showed results according which it could be concluded that the hypothesis may be accepted because those companies that do business locally, were employing freelancers significantly less than those which do business on a broader geographical spectrum. However, following deeper analysis of respondents' attitudes measured on 5-point Likert scales, there were no statistically significant differences of opinions based on company market operation. Therefore, conclusion is that the hypothesis needs to be a focus of future research.

In terms of the hypothesis 'The employment of a freelancer depends significantly on the activity the company is engaged in', it was rejected, as well as the hypothesis that stated that the employment of a freelancer depends significantly on the size of the company. However, respondents' attitudes depend on their previous experience with freelancers and the hypothesis 'The employment of a freelancer depends significantly on whether a company has previous experience with hiring freelancers' is thereby accepted.

Independent-Samples Mann-Whitney U Test

Have you ever hired a freelancer?

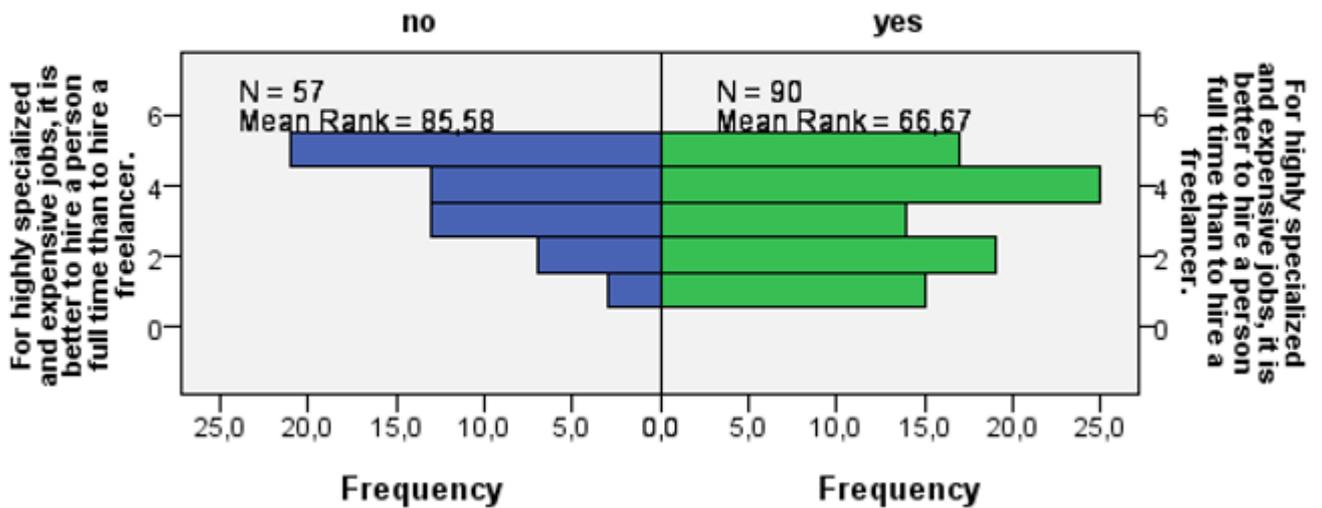


Total N	144
Mann-Whitney U	1 717,500
Wilcoxon W	5 633,500
Test Statistic	1 717,500
Standard Error	236,598
Standardized Test Statistic	-3,155
Asymptotic Sig. (2-sided test)	,002

Figure 7. Mann-Whitney U Test for the statement "It is better to have full-time employees than hire freelancers" based on previous experiences with hiring freelancers

Independent-Samples Mann-Whitney U Test

Have you ever hired a freelancer?



Total N	147
Mann-Whitney U	1 905,000
Wilcoxon W	6 000,000
Test Statistic	1 905,000
Standard Error	245,415
Standardized Test Statistic	-2,689
Asymptotic Sig. (2-sided test)	,007

Figure 8. Mann-Whitney U Test for the statement "For highly specialized and expensive jobs, it is better to hire a person to stay than to hire a freelancer" based on previous experiences with hiring freelancers

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 incontinently 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 as well as the size of the company has no influence on employment of freelancers, but previous experience shows significantly positive influence it would be important to learn other variables as the impact of the part of the country a company 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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