

The Influence of Individual Entrepreneurship and Self-Employment of the Population on the Formation of Labor Relations

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Abstract

The purpose of this work is to study the positive and negative consequences of the involvement of the population in non-standard forms of employment for the establishment of optimal, balanced labor relations. It has been noted that non-standard labor relations are gradually beginning to prevail among the employed population. Both positive and negative consequences of this process have been highlighted. The positive ones have been presented in the form of flexible working hours, increased freedom of decision-making for the employee; reduced production costs, and the use of flexible wage systems, etc. The lack of basic social guarantees and official labor relations, secondary employment, etc. have been highlighted among the factors that negatively affect the quality of working life of the working population. The authors assess the direction of the influence of individual entrepreneurs and the self-employed persons on the formation of labor relations in different ways and show that today, with the current regulation, it is rather negative for the latter.

Key-words: Labor Market, Employment, Non-Standard Employment, Individual Entrepreneurship, Self-Employment.

1. Introduction

The transformation of the economic and socio-political life of the country, in turn, leads to a transformation in the field of employment. The transformation of employment in the world is based on many factors. On the one hand, this is a change in the demand for labor. Structural transformations in the economies (reduction of the share of industry, growth of the service sector), globalization of the labor market, the introduction of scientific and technological progress, etc. have led to the need to

find mobile workers who can quickly adapt to frequently changing conditions. On the other hand, it is a change in the supply of labor. Global demographic processes have left their mark on the composition of the labor force. Increased entry into the labor market of senior citizens, women, people with disabilities, students, and other categories indicated the need to create flexible jobs, the main features of which were part-time, temporary employment, distance employment, etc. The upcoming digitalization of the economy contributes to the strengthening of these trends in the labor market and the need to study and take into account the changes that are taking place, since non-standard employment generates not only advantages in the form of flexible work hours, increased freedom of decision-making for the employee; lower production costs and the use of flexible wage systems, but also carries new risks for the main participants in the labor market [1].

These processes are fully characteristic of Russia. In 2004, the number of non-standard employees has been already varied 25 to 70%. It is worth noting that such differences in estimates are primarily due to the use of different methods.

According to official statistics provided by Rosstat, 4.8% of the total employed population is self-employed, or just under 4 million workers. It is worth noting that the statistics on the number of self-employed citizens do not reflect the whole picture of self-employment, since they mostly represent the socio-legal group of "individual entrepreneurs" and do not take into account unofficially employed workers [3]. In particular, the self-employed Rosstat includes individual entrepreneurs, as well as persons employed by individuals in their household for the production of agricultural, forestry, hunting, and fishing products for sale.

At the same time, independent experts conducting their research using a population survey have obtained data on about 18-22% of the self-employed persons from the number of all employed in Russia [4].

Therewith, it is important to note that self-employment is understood variously in different countries, which makes it difficult to compare its scale by the country indicator. As noted by K.V. Ovcharuk, referring to the statement of the European Commission made back in 2010, "the lack of uniform definitions creates the risk of the emergence of so-called false self-employment" [5]. The use of different definitions of self-employment, which makes cross-country comparisons difficult, is also mentioned by researchers at the McKinsey Global Institute [6].

In modern scientific literature, there are a large number of publications devoted to the transformation of employment. Due to the specifics of this process in different countries, such studies

are often local, in connection with which the works of R. Pedersini, D. Coletto [7] (Italy); D. Bögenhold, R. Klinglmair, F. Kandutsch [8] (Austria), etc can be distinguished. Despite the relative novelty of the scientific direction in Russia, research in this area is developing actively. Thus, various aspects of non-standard work are considered in the studies of D.O. Strebkova, A.V. Shevchuk [9], M.N. Kicherova, N.V. Labzova [10], A.N. Pokida, N.V. Zybunovskaya [11], etc. At the same time, there is no common point of view in science regarding the impact of the transformation of employment on the position of labor market subjects [12]. However, many scholars agree that non-standard employment poses a serious threat to the guarantees of workers' labor rights, which is expressed in unsafe working conditions, lack of career opportunities, instability, and poverty [13]. Also, studies show that it hurts the strength of family relationships and satisfaction with marriage, the relationship between parents and children, free time, and psychological well-being [14, 15]. Meanwhile, the spread of new forms of employment is a natural process, as a result of which it is relevant to study their features, how and to what extent they affect the labor market as a whole.

The purpose of this article is to assess the impact of individual entrepreneurship and a similar form of non-standard employment-self-employment on labor relations, which largely determine the state of the labor market.

The hypothesis of the study: Individual entrepreneurship and self-employment have different directions and scales of influence on the labor market in Russia.

To prove the hypothesis, the authors consider the positive and negative factors of the impact on the labor market, as a result of the development of individual entrepreneurship and the growth of the number of self-employed persons. For the modern Russian labor market, a characteristic feature in recent years has been the growing share of non-standard forms of employment caused by the inevitable transition from the industrial to the post-industrial, information economy, accompanied by a growing public need for flexible working conditions for employees and the presence in society of a significant proportion of people who work remotely, self-employed citizens, individual entrepreneurs, freelancers and other types of employment.

2. Methods

Since the categories of individual entrepreneurship and self-employment under study are multi-factorial, various research methods were used to analyze their impact on labor relations, which largely determine the modern labor market. The dialectical method of cognition of reality was taken

as the main one. The statistical analysis allowed estimating the scale of the phenomena under consideration in the world and Russia. The comparative analysis allowed determining the possibility of a regulatory impact on the phenomena under consideration to stabilize labor relations, taking into account a variety of international experiences. The methods of qualitative and quantitative analysis allowed assessing the degree of influence of the studied phenomena on the labor market. The information base for proving the research hypothesis was made up of statistical data available on the official websites of state bodies, international and Russian organizations engaged in labor and employment research, texts of regulatory documents available in reference legal systems. The theoretical basis of the research is formed by studies on the importance of individual entrepreneurship for labor markets, on the nature, opportunities, and prospects of regulating self-employment.

3. Results

Currently, the role of one of the main drivers of the Russian economy is assumed by small businesses. In many countries, it begins to determine the rate of economic growth, as well as the level of employment, structure, and quality of GDP. Due to small businesses, the Russian economy may be able to meet the ever-increasing global challenges and follow global trends [16].

The development of small businesses, including individual entrepreneurship, and employment in the country are closely linked. The peculiarity of small business is that it affects the quantitative and qualitative characteristics of the labor market. It is for this reason that it has a direct impact on employment. Small businesses can create a large number of jobs, thereby reducing the unemployment rate. They can create competition for workers and retain the working potential as such [16].

Understanding of this trend did not come immediately. In the conditions of the industrial economy that prevailed in Russia before the beginning of the two thousandths, the solution of employment issues was not associated with small business. The last quarter of the twentieth century in the labor markets of developed countries was characterized by strict state control over the growth of labor relations, the maintenance of a certain level of social justice in the distribution of income, the serious role of trade unions in protecting the interests of workers, etc. Such principles are more easily implemented in the economy of large corporations than in the economy that is based on small business [16].

Nevertheless, the rigid industrial model of economic growth is gradually being replaced by a flexible innovative model, which necessitated the transition to an active labor market system, with an

individual approach to each employee, an increase in the importance of vocational training and retraining, and the creation of an open information environment to serve the interests of both employees and employers [16]. It is in this model of the labor market that the role of small enterprises and individual entrepreneurs, which are much easier to adapt to new conditions and are flexible by their very nature, has become particularly important.

The impact of job creation in the small business sector can help to equalize supply and demand in the labor market. The creation of additional jobs in small enterprises leads to an increase in the total number of vacancies, the general indicator of which may be an increase in the number of vacancies in the employment service, the presence of a large number of which in different sectors of the region's economy, based on different forms of ownership, with different levels of remuneration leads to the formation of new features of professional mobility of the workforce, which in turn can lead to a reduction in stagnant forms of unemployment [17]. The above-mentioned circumstances indicate the stabilizing role of individual entrepreneurship in the labor market.

However, the employment situation in the small and medium-sized business sector in Russia is quite contradictory. Based on data from Rosstat and the Federal Tax Service of Russia for 2010-2016, the total number of SMEs increased by 1.2 million units or 27.6%. At the same time, the number of employed people in SMEs for the specified period decreased by 3.2 million jobs, or by 16.9%. [18]. This trend is explained by the fact that the labor market is changing structurally, and standard employment is giving way to non-standard employment. The most important factor in the development of the modern labor market, researchers call the growth of self-employment.

The category of the self-employed occupies an ambiguous position in the structure of employment, combining at the same time the characteristics of wage labor and entrepreneurship. On the one hand, the self-employed are similar to hired workers in that they do all work personally, on the other hand, like entrepreneurs, they do not have a fixed income, which depends on the financial success of their business. The earnings of the self-employed person largely depend on their professional skills, professional level, and the quality of the work performed. The self-employed persons are very self-sufficient, independently organize their work, search for customers themselves, and show their own entrepreneurial initiative [11]. Self-employed persons are a special form of employment, on the one hand, representing all the signs of entrepreneurial activity, but, on the other hand, having their characteristics. In particular, these are individuals who are not registered as individual entrepreneurs, who promote their business initiative independently without the help of

employees. In this respect, the self-employed persons are close to employees or the business community in certain professional or household characteristics [11].

Some scholars consider these concepts in a broad sense, where the essence is independent activity (i.e., carried out "personally") [19]. Therefore, according to this approach, the self-employed persons include all self-employed, in particular, the self-employed include "owners of small, microenterprises, entrepreneurs engaged in self-employment without forming a legal entity, employed in households" [20]. This category sometimes includes notaries, lawyers, i.e. persons who have a private practice, arguing that all these subjects independently provide themselves with work. Another approach to the definition of self-employment provides for a "highly specialized understanding of this category of citizens" [21]. The authors believe that it is necessary to distinguish between "individual entrepreneurs (registered) and self-employed persons who do not have the status of an individual entrepreneur (who carry out their business activities without state registration)" [21].

Researchers at the Alpen-Adria-Universität Klagenfurt believe that individual self-employment is the smallest form of entrepreneurship [8]. It represents enterprises with an owner and a single employee in one person. This group includes, in particular, freelancers whose activities are not taken into account by official statistics. According to the results of the study of these authors, the share of individual self-employed in the total number of people engaged in individual entrepreneurship in the EU countries is very significant and amounts to an average of 71.44%.

Currently, in the Russian Federation, the authorities are taking various initiatives to regulate the activities of self-employed citizens. One of the most discussed topics at the moment is the introduction of a special tax regime "Tax on professional income". In particular, since January 1, 2019, in four subjects of the Russian Federation (Moscow, the Moscow Region, the Republic of Tatarstan, the Kaluga Region), to legalize the self-employed, an "Experiment on the establishment of a special tax regime "Tax on professional income" has been launched in the federal city of Moscow, in the Moscow and Kaluga regions, as well as in the Republic of Tatarstan (Tatarstan)" [22], which provides for the introduction of a tax on income from the sale of goods, works or services to individuals at a rate of 4%, individual entrepreneurs, legal entities – 6% and the introduction of penalties (Article 129.13 of the Tax Code of the Russian Federation) [23]

Therein, today there is no consolidation of the concept of self-employed, their legal status in legislative documents. In this, first of all, the main difficulties of the practical implementation of the state's legislative initiatives are manifested.

The desire of the state to use the self-employed persons only as a source of income, in the absence of any legal guarantees in their activities, leads to the fact that many self-employed citizens work outside the legal framework. According to a 2019 study, every second self-employed person in their main job does not formalize their relationship with the customer or the authorized bodies. For additional employment, 2/3 of the self-employed are already working without official registration. Similar results on the involvement of the self-employed in informal relationships were obtained based on the results of studies in 2016 and 2017 [11].

The legalization of the activities of self-employed citizens is largely associated with the level of their legal consciousness, which to a greater extent determines their further legitimate or illegal economic behavior. As noted earlier, more than half of the self-employed work without official registration. Working without official registration for many self-employed people is primarily a forced measure [24], which allows them not to enrich themselves, but to increase their income to some extent or, moreover, to survive.

Thus, today, it occupies a significant place in the Russian labor market. Self-employment is characterized, first of all, by signs that harm the quality of working life of the working population, and thus on the state of the labor market. These include the lack of basic social guarantees, oral registration of labor relations, secondary employment, etc. Unlike individual entrepreneurship, self-employment does not create jobs, but only finds employment that is not stable, which threatens to leave the self-employed without income at any time, thereby returning them to the ranks of the virtually unemployed. This leads to an interest in the international experience of regulating self-employment.

4. Discussion

According to a study by the McKinsey Global Institute, in 2016, the share of self-employed citizens in several foreign countries is comparable in number to the Russian Federation [6]. The approaches to the identification of the self-employed in the McKinsey Global Institute and RANEPА studies are mostly the same, which allows for a comparison of the results obtained.

Cross-country comparative analysis shows that states regulate the issues of self-employment in different ways. In the United States, a self-employed person is a citizen who has his/her own business, works as an independent contractor, or is a member of a limited liability company. Along with income tax, independent workers are required to pay social tax [25]. The American experience is

interesting because this approach provides very broad opportunities for the development of their business, entrepreneurship, and personal business initiative. In the UK, self-employment is a very common practice, has some national peculiarities in matters of legal regulation. Thus, if the work is done at home, then permission is required from the local authorities to use part of the living space for the provision of services. If when performing work, it is necessary to store information about contractors, partners, and maintain a customer base, then registration with the Information Management is a prerequisite. Following the legislation, the self-employed are required to take out civil liability insurance and keep records of financial transactions [26]. The experience of the UK is significant in that it allows tracing the dynamics of the processes of regulating self-employment. Initially, migrants who could not find employment in the formal sector of the economy and were forced to work informally were a marginal group, which was considered as a "survival arena" for the poor. However, gradually, due to a well-thought-out social policy, this space of labor practices has transformed into a popular, legitimate type of employment, which, although it has several restrictions at the legislative level, exists and develops. The specifics of regulating self-employment can be seen in the Netherlands. Here, persons receiving unemployment benefits are allowed to get a loan to develop their business, to compensate for additional training costs associated with the creation of a new business [27]. Access to self-employment is strongly supported and encouraged, and for some industries, it is necessary to purchase a license. Their own activity, the desire to work independently, finds institutional support. In the countries of the European Union, the self-employed is considered as an independent worker, "who receives a profit for his/her activities under the conditions established by national legislation" [28]. The documents of international organizations emphasize that it is necessary to promote the development of business initiatives and self-employment of the population. Directives on mutual recognition of diplomas, certificates, and other proofs of formal qualifications are issued to support and facilitate procedural issues as much as possible [27]. Thus, the legislation of the countries considered above actually combines the legal status of an individual entrepreneur and officially self-employed.

Therewith, foreign scholars believe that independent work has significant growth potential in the coming years since it is in demand both among independent workers and consumers [7]. This type of employment can bring real economic benefits, including providing opportunities for the unemployed, stimulating consumption, and increasing labor productivity [7].

Thus, self-employment practices are supported and regulated mainly at the national level: each country forms tax legislation, implements social security measures, regulates business law, the labor market, and insurance.

5. Conclusion

The research conducted in this paper shows that individual entrepreneurship and self-employment of the population have different effects on the labor market in the Russian Federation. The impact of individual entrepreneurship as a part of small business on employment is that, according to its social properties, it affects the quantitative and qualitative characteristics of the labor market. It is in small enterprises that jobs are created that contribute to reducing unemployment, as well as the implementation of intensive labor movement between enterprises of various forms of ownership, increased competition for employees, and the use and preservation of the labor potential of employees. These aspects refer to the stabilization function of individual entrepreneurship in the labor market, which is most clearly manifested at the regional level. Thus, individual entrepreneurship makes a positive contribution to the creation of balanced labor relations that take into account the interests of employees and employers. Self-employment, often acting as the only option to enter the labor market, under the existing legal regulation, is characterized mainly by signs that negatively affect the quality of working life of the working population, among which one can distinguish the lack of basic social guarantees and an employment contract, secondary employment, which provides fewer opportunities for self-realization of the individual in labor relations, compared to standard forms of employment. Thus, the hypothesis of the study appears to be proven.

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