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UKRAINE'S EMPLOYMENT SHIFT: THE RISE OF GIG CONTRACTS

The article is devoted to the study of the problems of using gig contracts. The purpose of this study is to analyse the popularity of gig contracts in the Ukrainian market during martial law, to conduct a comparative analysis of various forms of employment, and to identify the advantages and disadvantages of gig contracts for various stakeholders in the IT market. Particular attention is paid to identifying the advantages and disadvantages of using gig contracts for various stakeholders of the IT market, including employees and employers. The study identifies the key aspects that influence the choice of gig contracts as a form of labour relations, and outlines the main challenges and opportunities for the development of this market segment in the current environment. The findings may be useful for further improvement of the regulatory framework and optimisation of employment models in Ukraine.

Keywords: gig contract, IT market, individual entrepreneur, forms of employment, IT specialist.

ЗМІНА В СИСТЕМІ ПРАЦЕВЛАШТУВАННЯ В УКРАЇНІ: ЗРОСТАННЯ КІЛЬКОСТІ ГІГ-КОНТРАКТІВ

Стаття присвячена вивченню викликів та можливостей, пов'язаних з використанням гіг-контрактів. Основна мета дослідження - оцінити популярність гіг-контрактів на українському ринку під час війни, порівняти їх з іншими формами зайнятості, а також визначити їхні переваги та недоліки для різних стейкхолдерів в ІТ-секторі. У статті зазначено, що найбільший приріст зареєстрованих ІТ-спеціалістів на українському ринку спостерігається серед фахівців, які працюють в ІТ за гіг-контрактами. Проектна співпраця на основі цивільно-правових договорів з фізичними особами-підприємцями (ФОП) є переважаючою формою співпраці в ІТ-індустрії. Ця модель дозволяє компаніям користуватися перевагами спрощеного режиму оподаткування, а фахівцям - гнучко обирати графік та місце роботи. Однак у статті доведено, що кількість ФОПів у період воєнного стану значно зменшилася на користь гіг-контрактів. У статті висвітлено переваги та недоліки використання гіг-контрактів на основі експертних оцінок практичних кейсів ІТ-спеціалістів та їхніх роботодавців. На основі проведеного дослідження автор виділяє характерні риси гіг-контрактів: Спрощене адміністрування фінансових та податкових зобов'язань, пряма оплата на особистий рахунок, фіксація виконаної роботи та оплата за актом, право на відпустку та лікарняний, менша захищеність та обмеження в умовах договору. гнучкість у виборі видів діяльності, але залежність від законодавчих змін, можливість поєднання з діяльністю фізичної особи-підприємця. Методологія дослідження ґрунтується на комплексному підході, який охоплює як теоретичні, так і практичні аспекти використання гіг-контрактів. Для досягнення мети дослідження було використано комплекс методів, спрямованих на вивчення соціальних, економічних та правових аспектів застосування гіг-контрактів. Зокрема, було проведено порівняльний аналіз різних форм зайнятості на ринку ІТ на основі статистичних даних, нормативно-правової бази та практичних кейсів. За допомогою методу контент-аналізу та експертного опитування виокремлено порівняльні характеристики гіг-контрактів, трудових договорів та договорів з ФОП для забезпечення повноти та об'єктивності результатів.

Ключові слова: гіг-контракт, ІТ ринок, ФОП, форми зайнятості, ІТ-спеціаліст.

JEL Classification: J41, J48, L26

Problem statement. Over the past few years, the employment market in Ukraine has undergone rapid changes. Traditional contracts are no longer sufficient to meet the demands of modern work. One major shift is the rise of gig contracts, especially within the IT sector. Gig contract is an innovative collaboration mechanism that effectively balances the flexibility of civil law contracts with providing social guarantees to contractors, while minimizing the risk of requalification as employment relationships.

Taking into account the high popularity and acquired experience of their usage, it is logical to analyze the advantages and disadvantages for the IT market of Ukraine.

Analysis of recent research and publications. In the scientific literature, the issues of applying gig contracts in the Ukrainian market have been thoroughly analyzed. In particular, legal aspects of their usage have been highlighted [1, 2], international experience with their implementation has been analyzed [3, 4] and the peculiarities of applying copyright norms in the execution of gig contracts have been studied [5, 6]. The authors have identified legislative and academic conflicts in the applying of the Law of Ukraine "On Stimulating the Development of the Digital Economy in Ukraine" within the processes of Ukraine's European integration [7]. The macroeconomic impact of gig contracts on the labor market and the economy as a whole has been examined [8, 9], especially during the period of martial law [10] and in the conceptual framework of the term "migration mobility" [11].

Despite the thorough examination of legal and tax issues related to the application of gig contracts in the works of domestic and foreign scholars, the current screening of practical experience is gaining importance in the context of the ongoing martial law in Ukraine.

Goal setting. The goals of this study are screening the indicators of the popularity of gig contracts on the Ukrainian market during the period of martial law, to conduct a comparative analysis of various forms of employment on the market, to highlight the advantages and disadvantages

of gig contracts for various stakeholders of the IT market.

Presentation of the main research results. Ukraine's employment market has undergone significant changes in recent years, driven by the increasing need for flexibility. Legal and economic changes affected the IT market to the greatest extent.

The main sectors of IT ecosystem growth are CyberTech & Cybersecurity, AI and IoT, HealthTech and AgriTech, EdTech and GovTech – with the latter being modelled worldwide – and many others [12].

IT extends beyond the realm of computer technology, reaching into all sectors of the economy, from industry and agriculture to healthcare and trade. Implementing IT innovations in non-tech industries creates opportunities to enhance processes and address complex challenges, driving economic growth and development.

In general, during 2018-2023, number of employees in the IT industry increased by 78,4% [13]. The analysis of Ukraine's IT industry covered companies classified under the 8 KVED (Ukrainian Classifier of Economic Activities) codes [14]. At the current stage, IT specialists are considered strategically important for the development of the economy. In particular, as of March 15, 2024, at the stage of military reserve approval by the General Staff and the Ministry of Economy were 2600 specialists. However, in January 2024, 3498 IT specialists were reserved. From them about 1500 specialists had repeat bookings. 368 companies were recognized as critically important for the economy by the Ministry of Digital Transformation [15]. Due to the option for project-based involvement, civil contracts with individual entrepreneur (IE) are the most common form of collaboration in the IT industry.

As of February 24, 2024, number of active IEs under IT related activity codes in Ukraine was 275 279. In 2023 half as many IT IEs were registered. Also, the IT members closed their IEs five times more often (figure 1). IT professionals who moved abroad were more active in closing down their sole proprietorships.

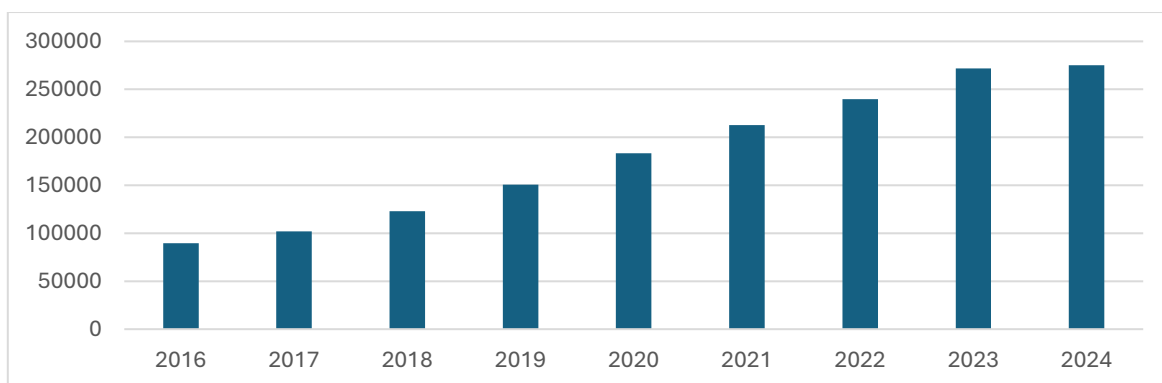


Figure 1. Dynamics of the number of IEs on the Ukrainian IT market.

Source: made based on [16]

Most often, IT IE choose the code "62.01 Computer Programming" as their primary activity — nearly 185,000 specialists are registered under this code, accounting for 67% of active IT IE. The number of specialists working under this code has decreased by 1,403 people, or 1%, over the past year [17].

Individual entrepreneurs remain the main way to employ IT professionals in Ukraine: 76% of IT professionals were registered as such at the beginning of 2024. However, the share of IT professionals working as sole proprietors is gradually decreasing: in the summer of 2023, it was 81%, and in 2021-2022, it was over 85%.

However, there are significant disadvantages to using sole proprietorships: specialists are deprived of social guarantees: the right to days off, holidays, lunch breaks, sick leave, etc. In addition, the model of cooperation between companies and individual entrepreneurs can be qualified as ‘concealment of labor relations’, which will result in a significant fine. Therefore, this model does not contribute to business stability and does not create preconditions for attracting investment.

It should be noted that the largest increase in registered IT specialists on the market of Ukraine was noted among specialists who work in IT under a gig contract.

One of the key government initiatives supporting this shift is Diia City, a legal framework tailored to the IT sector. Diia City provides digital tools, such as digital contracts and signatures, simplifying employment and making gig contracts more accessible to both businesses and workers. These initiatives reflect the government's commitment to modernizing the labor market, encouraging the growth of gig contracts, and regulating employment models like IEs to ensure legal fairness.

In 2022, 87% of IT professionals were working under the IE model, while only 1% were employed through gig contracts. However, this is rapidly changing as the government begins to regulate the IE model more closely.

In 2023, the number of IT professionals working under gig contracts rose to 23.2 thousand, a 3.9-fold increase from the previous year's 5.9 thousand. Meanwhile, the number of IT workers registered under IEs decreased to 265 thousand, down by 2.9% compared to 272.8 thousand in 2022. This shift reflects growing interest in gig contracts as a formalized alternative, offering legal clarity and addressing some of the limitations inherent in the IE model.

While the gig economy is not a new phenomenon, it has

gained significant traction in recent years due to technological advancements and the COVID-19 pandemic. In 2016, 15% of independent workers in Europe were already freelancing. The pandemic significantly accelerated this trend as many companies shifted to remote work and hired freelancers for specific tasks. According to Gallup, in 2020, around 40% of the US working-age population was involved in the gig economy. This trend continues to grow, and it's possible that the traditional form of employment will gradually become obsolete in the next decade [18]. A gig contract is a unique form of hiring specialists that combines elements of both employment and civil law contracts. In other words, it's a work arrangement where individuals are not formally employed by the company but are brought in for specific projects, completing assigned tasks within set deadlines.

These contracts offer a modern alternative to traditional employment models and provide benefits such as flexibility, streamlined taxation, and reduced administrative burdens for both employers and workers. The gig contract model provides a number of benefits, particularly for the IT sector, which relies on project-based work and flexibility. Gig contracts allow companies to engage professionals on a short-term basis, making it easier to adapt to shifting demands without the complexities of traditional labor contracts. For workers, gig contracts offer greater autonomy, enabling them to manage multiple clients while benefiting from a legal framework that ensures protection and fair taxation.

A study of the IT labor market reveals that while the gig economy is expanding, there has been a steady growth in the number of employees on company payrolls. Specifically, the percentage of full-time IT professionals has risen from 6% in 2021 to nearly 8% at present (figure 2).

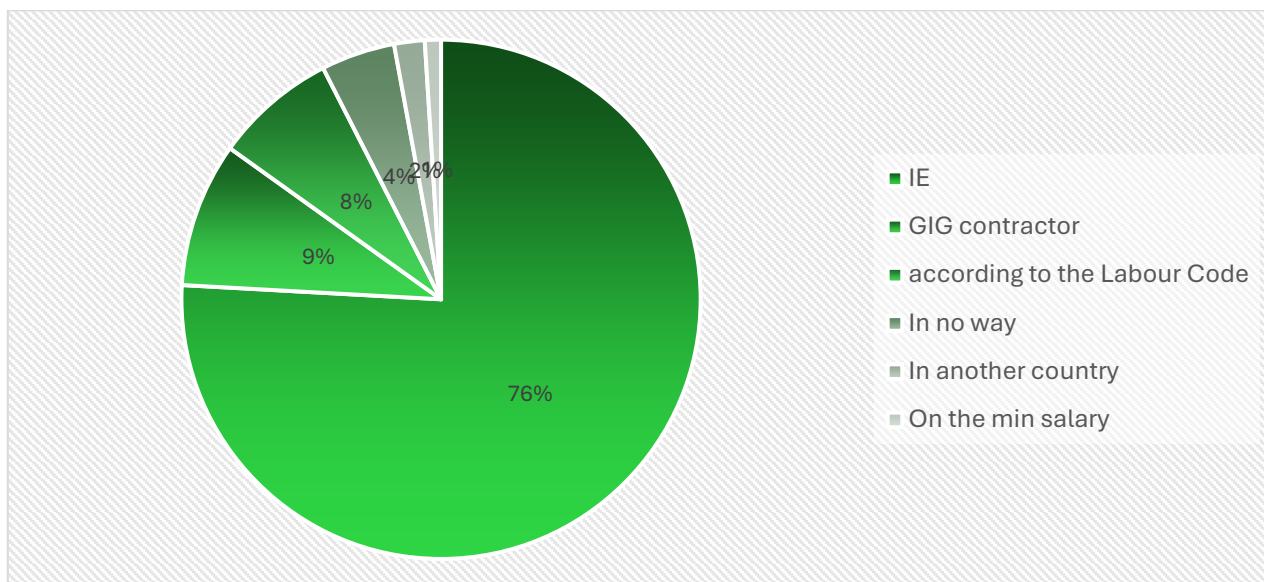


Figure. 2 The structure of employment forms in the Ukrainian IT market 2023
Source:[19]

Based on the analysis of expert assessments, comparative characteristics of various forms of employment were formed in terms of individual elements.

Table 1 covers such characteristics as subject of the

contract, legal regulations, social guarantees, flexibility, taxation, control and risks, demonstrating the main differences in the legal status, social security and level of flexibility of each contract type.

Table 1

Comparative characteristics of forms of employment in the IT market

Characteristic	Gig contract	Employment contract	F contract
Subject of the contract	Gig specialist and resident of Diia City	Employee and employer	An individual entrepreneur and legal entity
Legal regulations	Civil law	Labor	Civil law
Social guarantees	Limited (vacation, sick leave)	Full social package	Missing
Flexibility	High	Low	High
Taxation	Simplified system	General system	Simplified system
Control	Limited control by the customer	Full control by the employer	Minimal control
Risks	Retraining in labor relations	Employer's liability for violation of labor legislation	FOP responsibility for the quality of the performed work

Source: compiled by the authors

Let's look closer on advantages of gig contracts for both the companies and specialists. (table 2).

Table 2

Comparative characteristics of forms of employment in the IT market

Characteristic	Advantages for companies	Advantages for specialists
Flexibility	Ability to quickly scale the team for specific projects, adapt to changes in the market.	Flexible work schedule, the ability to independently plan working hours.
Expences	Reduction of costs for the labor remuneration fund due to payment for the amount of work performed.	The possibility of receiving a higher salary due to the additional tasks undertaken.
Access to talent	A chance to attract highly qualified specialists from different parts of the world.	The opportunity to work on various projects, expanding your experience.
Administrative processes	Simplification of hiring and firing procedures, reduction of administrative burden.	The possibility of self-realization and independence in choosing projects.

Source: compiled by the authors

Despite these positive developments, challenges remain. One of the main concerns is ensuring job security and social benefits for gig workers. As gig contracts become more prevalent, it is crucial to establish regulations that protect workers from exploitation and guarantee fair treatment. While flexibility is a key benefit of gig contracts, it must be balanced with appropriate legal safeguards to create a sustainable employment ecosystem. Based on the conducted research, the characteristic features of the use of gig contracts can be summarized as follows:

With gig contracts the company assumes all tax obligations for the employee, including the payment of social security contributions (USV), personal income tax and military service. Payments under gig contracts are sent directly to the employee's personal bank card. Unlike FOP, separate business accounts or money transfer from them are not required. At the end of the month, it is enough to sign the act of completed works, which confirms the provision of services under the contract. This is the only formality for receiving payment, which simplifies the procedure of mutual settlements with the company.

A gig contract usually includes provisions for paid holidays and sick days, making closer to an employment contract with an employee, but without the legal obligations of

a traditional form of employment. Gig contracts provide less legal protection compared to IE activities or an employment contract. This is expressed in the need to study the terms of the contract in detail, in particular NDA (non-disclosure agreement) and NCA (non-competitive agreement) in order to avoid unfavorable obligations.

A gig contract provides a simple start for activities without registration person as IE, but at the same time increases the risk of legislative changes. In the event of a tax increase for gig contractors, the scope for protest much smaller than in the IE, which unites many professional fields. A gig contractor can simultaneously conduct activities as an IE, submitting zero declarations in one of the areas or not paying additional VAT.

Conclusions. In conclusion, gig contracts offer a promising solution for the evolving needs of Ukraine's labor market. As the country continues to modernize its employment landscape, gig contracts will play a central role in providing flexibility and legal clarity for both businesses and workers. Stakeholders—including business leaders, workers, and policymakers—must work together to leverage these changes and create a balanced, sustainable work environment for everyone.

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