SELF-EMPLOYMENT IN POLAND –
THE PERSPECTIVE OF HUMAN
RESOURCES MANAGEMENT

ABSTRACT. Almost 19% of people employed in Polish economy represent self-employment. It is a diversified group, comprised of individuals for whom self-employment became an alternative form of cooperation with an enterprise in which they used to work in the past, or could continue working based on employment contract. Self-employment has been analyzed as one of the non-standard employment forms, apart from such options as commissioned employment or unregistered employment. The focus is on analyzing the phenomenon of self-employment from the perspective of human resources management process carried out in an outsourcing enterprise and cooperating with a self-employed one. The conducted research allows for presenting the specific nature of this process as well as its basic characteristics. The majority of respondents indicated that the solutions applied towards them are different from those used in case of regular workers. Moreover, in comparison to other groups of workers, employed based on atypical employment forms, the self-employed indicated positive aspects of such work much more often.

JEL Classification: J24, J41, M51, M54

Keywords: non-standard employment forms, self-employment, fake self-employment, human resources management.

Introduction

Entrepreneurs are increasingly investigating alternatives for both expensive and inflexible employment of workers based on employment contracts, which results in establishing non-standard employment forms. One of the options in this matter is entering into cooperation with individuals running their own economic activity, the so-called self-employed. Poland is ranked among the leading European Union Member States in terms of the self-employed share in the total workforce number. It is claimed that the vast majority of Polish self-employed persons do not exactly represent entrepreneurs developing their own businesses, but rather the ones for whom self-employment is the form of cooperation with a particular outsourcing enterprise implemented as the alternative to employment contract.

In such perspective the problem of human resources management within the framework of cooperation with the self-employed, presents and interesting issue. In the course
of the carried out research project the process of human resources management, referring to self-employment, was analyzed. In order to identify and evaluate this phenomenon both literature and empirical studies were carried out. A survey questionnaire, addressed to people working based on atypical employment forms, was used in empirical studies which constitute a pilot approach to identify the discussed phenomenon. The descriptive statistics was mainly used in the process of analyzing the obtained data. The conclusions present further research directions in the field of human resources management in the conditions of self-employment.

1. Self-employment – definitions and types

Self-employment presents a complex and ambiguous phenomenon which raises problems of definitional nature. In simple terms self-employment is defined as a situation in which an individual works for him/herself instead of working for an employer who pays a salary or a wage. A self-employed individual earns his/her income through conducting profitable operations within the framework of a trade or business they operate directly (Self-employed, 2014).

Self-employment is most frequently identified with running a business by a natural person. In Polish system the procedure of a business registration is free of charge (only filling in a VAT return is subject to a fee), there is no obligation of an initial capital; there is a personal responsibility for all receivables and liabilities resulting from running a business. Therefore, it represents the form of individual entrepreneurship which legal persons cannot take advantage of (Wach, 2005, pp. 37-44).

Starting one’s own business can take place when (Jagoda, Bąk-Grabowska, 2008, pp. 136-140):

- an enterprise is created from scratch, following the leading motive of developing an organization in the course of which self-employment is a transitional form;
- an enterprise is established by a person performing a free profession – the main motive is the freedom offered by running an independent business, it is also significant whether such solution is a customary one in a particular professional group;
- an enterprise is established by a person who renders services for a former employer with whom he/she used to be formally bound by an employment contract, or starts cooperation with a new employer based on the same rules.

The third of the presented options raises most controversies. Many authors emphasize that in practice self-employment is frequently regarded by employers as a beneficial alternative if compared to signing an employment contract. The problem starts when a natural person (often a former employee) runs business activities for an employer, consisting in fulfilling certain obligations in the subordination conditions in terms of place, time and manner of performing work. The presented characteristics are typical for an employment relationship. As a result of the indicated problem certain restrictions were introduced in Polish labour law system in relation to running a business, which theoretically prevent substituting employment relationship by the so-called fake self-employment (Duraj, 2007, pp. 44-46). In practice changing the law did not eliminate the phenomenon of fake self-employment, however, in its consequence the ways to circumvent formal restrictions started functioning, the example of which is a tip published online: “[...] It is enough to transfer responsibility from en employer to an employee. Moreover, it is advisable not to mention the place of work performance, or agree that a fee will be paid for renting a desk with an employer, i.e. a person running a business will be renting an area [...].” (Imposing self-employment, 2011). It is worth indicating that taking advantage of fake self-employment, in order to reduce the non-wage labour costs, is not a solely Polish problem. In accordance with UCATT report (the UK’s trade union specializing in construction) annually in Great Britain £1.9 billion is lost to
the government through bogus self-employment in construction. According to the report, employers save £1.2bn per year through false self-employment, by avoiding national insurance contributions of 13.8 per cent per worker. The report says recent years have seen a dramatic increase in workers being paid by payroll companies, which classify them as self-employed, although they work for construction firms (Berkin, 2012).

The next issue to be discussed is the number of entities/enterprises for which the self-employed perform their activities. In its narrow understanding the term of self-employment is referred to a natural person who runs a business or performs a free profession with respect to exclusively a single or mainly a single entity, in the conditions of a relatively permanent relationship (Kubot, Kuczyński, Masternak, Szurgacz, 2005, p. 81). This presentation is contradicted by, e.g. T. Duraj, who claims that there is no legal requirement related to employment relationship with just one outsourcing entity or remaining in the conditions of economic dependency (Duraj, 2007, pp. 24-25). The proposal by S. Deakin can be regarded as a compromise, since he distinguishes two categories of the self-employed: dependent self-employed and independent self-employed, performing work for many outsourcing entities (Deakin, 2000).

There is also no agreement regarding the problem of employing workers by the self-employed. In such circumstances the person running his/her own business takes up the role of an employer (in case of employment contract) or a contracting party (in case of civil law contracts). In accordance with the prevailing statements the self-employed individuals are referred to as persons who do not employ any third party in the process of rendering services for the benefit of the contracting party (Duraj, 2007, p. 25). However, even in the methodology estimating self-employment, applied by Eurostat, these employers who are self-employed are also taken into consideration.

The presented approaches point to the inconsistencies in defining the concept of self-employment, as well as identifying its constitutive characteristics. This, on the other hand, can result in difficulties while analyzing the process of human resources management in the conditions of self-employment.

2. The scale of self-employment

An extensive scale of the discussed phenomenon in particular countries can justify the research of self-employment problem, also in the context of human resources management. Such factors as e.g. gender, age or immigrant status were taken into consideration in the research process.

In Poland – in accordance with Eurostat research – the self-employed constitute a group of almost 2.9 mln people of which nearly 2 mln are men. Poland is ranked at the top of the European Union Member States in terms of self-employment share in the total workforce number (18.9%), after Greece (31.9%), Italy (23.4%), Portugal (21.1%) and Romania (20.1%). 78% of the self-employed Poles do not employ any workers and thus they represent the self-employed in the strict sense (Teichgraber, 2013). Poles are also above the European average in terms of their declared willingness to become self-employed (47% against 37%). In Europe, as compared to 2009, the percentage of people who prefer employment relationship has increased, because it ensures greater stability and the sense of security, which can also be influenced by a difficult economic situation and the related problems in running a successful company (Entrepreneurship..., 2012).

It may come as a surprise that in Poland the highest percentage of self-employed in total workforce occurs among the oldest age groups (see Table 1).

As the data covering the entire European Union show, this tendency is not characteristic for Poland only. The research carried out in Great Britain indicates that even though young people increasingly decide to become self-employed, they find it more difficult...
to remain on the market, whereas among senior citizens the percentage of self-employment is the highest (Smeaton, 2003, pp. 379-391).

Table 1. Self-employed as a share of total employment in EU-27 and Poland (%)

<table>
<thead>
<tr>
<th></th>
<th>Total</th>
<th>Age 15-24</th>
<th>Age 25-49</th>
<th>Age 50-64</th>
<th>Age 65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-27</td>
<td>15,2</td>
<td>4,3</td>
<td>13,9</td>
<td>19,2</td>
<td>49,0</td>
</tr>
<tr>
<td>Poland</td>
<td>18,9</td>
<td>5,5</td>
<td>17,4</td>
<td>24,9</td>
<td>44,9</td>
</tr>
</tbody>
</table>


The data referring to self-employment scale should be analyzed in connection with the information about the remaining, atypical employment forms applied in Poland. The so-called commissioned employment is used to a great extent, which consists in signing civil law contracts with the contractors of tasks commissioned by enterprises. This solution is used by the majority of enterprises operating in Poland (Nogalski, Wójcik-Karpacz, Karpacz, 2010, pp. 170-179). The high share of unregistered employment persists – in line with the official statistical data unregistered employment is responsible for 4.6% of total employment (Unregistered employment..., 2011). Additionally, tripartite forms are also used. They are based on cooperating with human resources suppliers, such as temporary work agencies or outsourcing companies. Therefore, Polish job market can be regarded as highly flexible in terms of the non-standard employment forms application.

The research problem, also analyzed in the area of self-employment, is the activity performed by immigrants in running their own business. It is claimed that immigrants from non-Christian countries of origin have higher odds of self-employment, higher levels of unemployment among natives, increase the odds of self-employment, and self-employment is more frequent among immigrant communities that are small, highly educated and have a longer settlement history (Tubergen, 2005, pp 709-732). It seems that the case of Polish emigrants does not entirely confirm the above presented rules. In Great Britain, for example, the growing number of self-employed is associated with a large number with Polish workers (Self-employment as..., 2013; Self-employed up..., 2013).

3. HRM in self-employment – methodology and research results

An extensive scope of self-employment raises the question of human resources management practice encountered by the self-employed in their relations with an outsourcing company. In this perspective self-employment is considered as one of atypical employment forms. It seems particularly founded in these cases when a self-employed person renders services for one or mainly one enterprise remaining in the situation of dependency – simultaneously – not employing any workers.

The authors of the study entitled “Out of the Shadows. Managing self-employed, agency and outsourced workers” emphasize that the self-employed indicate different ways of being treated by employers than it takes place in case of a traditional employment relationship. The identified problems are well referred to by one of the respondents: “A lot of the things you take for granted as an employee go out of the window when you are self-employed. Its not just regular earnings, but simple things like not getting feedback on your performance. It’s as if paying you is the only feedback the employer thinks you need” (Leighton, Syrett, Hecker, Holland, 2007, pp. 25-27).
In 2012 a research project was carried out aimed at the identification and assessment of human resources management process within the framework of non-standard employment forms. The conducted empirical studies were to provide an answer to the question whether the process of human resources management, in the conditions of self-employment, presents the characteristic qualities in terms of this process implementation within the framework of other employment forms and allow the identification of further research directions referring to the problem.

Employment forms are understood as the forms – resulting mainly from the legal basis – of relationships between employees and entrepreneurs for which they perform work. Non-standard forms covered the solutions different from traditional employment relationship based on employment contract. The following employment forms were distinguished: employment resulting from the civil law employment contracts (including commission agreements and work-piece agreements), unregistered employment (without any contract signed), self-employment, employment through a temporary job agency and through outsourcing companies (Bąk-Grabowska, Jagoda, 2012, pp. 23-26).

Based on the literature references discussing human resources management problems covering, in particular, the issues of employment flexibility and also the methodology of social studies, a survey questionnaire was developed and addressed to people working based on non-standard employment forms. The implementation of basic personal problems was considered within the framework of human resources management (such as the selection, professional development, office facilities, evaluation and rewarding), but also creating working conditions (both material and non-material, referring to work time management and employee participation) and also the establishment of organizational culture. The presented arrangement of problems most resembles the work potential management area distinguished by Małgorzata Gableta (Gableta, 2003, pp. 8-16).

The study covered over 100 respondents currently working within the framework of one non-standard employment form. 93 properly filled questionnaires were obtained. The cooperation based on an atypical employment relationship had to refer to an employee’s relations with an enterprise and thus commissioned work for natural persons was not considered. The sample selection was, therefore, relevant to the research. The availability of respondents and the credibility of obtained information were crucial to meet the necessary conditions, which could be done by involving the working students, mainly of the weekend courses, in the research process (Lichtarski, 2007, pp. 25-40). Due to the sample non-representativeness and the resulting absence of statistical generalization possibility, the obtained data analysis was limited to descriptive statistics. The self-employed constituted 12% in the analyzed sample under analysis. The obtained data were analyzed in terms of the results obtained in the group representing self-employment and also in relation to the results presented by the remaining groups employed based on non-standard forms.

The self-employed group, comparing to all non-standard employed workers, declared their employment history longer than 1 year (60%) most often. The respondents represented mainly such sectors as construction, consulting and gastronomy. The predominantly indicated motivation for starting self-employment was the possibility to earn more money than in case of a regular job. Those employed based on other non-standard forms did not point to this reason so often. The next two motives which received most indications were: freedom in the selection of contracting parties and organizing own work time, as well as the level of income and also the feeling of freedom which is absent in case of a regular job. Moreover, the self-employed represented the only group which did not point to such reasons as no alternative to take up a job in a non-standard form, or the pressure from an employer.
Table 2 presents the most frequent answers regarding the implementation of particular personnel processes by the self-employed. Further description also refers to the results obtained for other employment groups.

The specific nature of this employment form was identified in the context of responses given about the procedures for selecting contractors by an outsourcing enterprise. 80% of respondents claimed that they entered into cooperation with a particular enterprise as a result of relations capital, recommendation by a friend, 20% changed into self-employment following their previous employment in a particular enterprise based on employment contract. The cases when the self-employed were subject to some sort of selection tools were quite rare and if so it was either an interview or getting acquainted with their resume. Diverse opinions were expressed by the respondents regarding their work induction – part of them felt that this process was carried out correctly, whereas others considered it improper and expressed the feeling of being left alone without any support. Some of the self-employed reported they were familiar with such techniques as induction trainings, organized by the owners of selected brands.

Table 2. The implementation of human resources management process towards the self-employed – the most frequent responses given by the respondents

<table>
<thead>
<tr>
<th>Personal subprocess</th>
<th>The most frequently given response by the self-employed about the process implementation</th>
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<tbody>
<tr>
<td>Recruitment</td>
<td>Recommendation by a friend, using relations capital</td>
</tr>
<tr>
<td>Selection</td>
<td>None of the selection techniques were used</td>
</tr>
<tr>
<td>Work induction</td>
<td>Diversified responses</td>
</tr>
<tr>
<td>Professional development</td>
<td>Upgrading qualifications at one’s own account and cost</td>
</tr>
<tr>
<td>Assessment</td>
<td>No formal assessment</td>
</tr>
<tr>
<td>Salary</td>
<td>Earning more than full-time workers</td>
</tr>
<tr>
<td>Promotion</td>
<td>No possibilities of promotion</td>
</tr>
<tr>
<td>Work moving and rotation</td>
<td>Performing the same work at the same position</td>
</tr>
<tr>
<td>Redundancy</td>
<td>The absence of employment protection and extensive freedom of an employer regarding cooperation termination do not constitute a problem</td>
</tr>
<tr>
<td>Work time organization</td>
<td>Freedom in work time organization</td>
</tr>
<tr>
<td>Employee participation</td>
<td>Taking part in all participation forms</td>
</tr>
<tr>
<td>Social protection</td>
<td>Exclusion from social protection</td>
</tr>
<tr>
<td>Material conditions of work</td>
<td>Establishing material conditions of work at one’s own account</td>
</tr>
<tr>
<td>Workplace atmosphere</td>
<td>The same treatment as full-time workers</td>
</tr>
</tbody>
</table>

Source: Author’s compilation based on research results.

Within the framework of professional development the self-employed were most often indicating their care in upgrading their qualifications individually and at their own expense (64%). The second group of respondents, who pointed to this option most often, were those who signed a work-piece agreement (34% of indications). 18% of the self-employed informed about their participation in trainings organized by an outsourcing enterprise. Additionally, it was reported that functioning as a contractor for a different enterprise is the best way to develop diverse competencies.

As far as work evaluation is concerned, the self-employed respondents were predominantly of the opinion that their work remains beyond any sort of evaluation (45%), or that such evaluation is performed by the contracting party based on the results, e.g. keeping the deadline, the absence of defects, etc. (27%). The self-employed constituted the group most
rarely subject to the same evaluation methods which were applied in case of full-time workers (9%). For comparison, among those working based on non-registered employment this option was indicated by 20% of respondents.

Half of the self-employed indicated that they earn more than regular workers. It should be emphasized that the group which ticked off this item most often was made up of those performing non-registered employment (53%). At the same time, none of the self-employed declared earning less than regular employees, while in case of workers who got a job though a temporary employment agency 42% of them indicated this option.

Self-employment, by its nature, does not offer the opportunity of hierarchical promotion in an outsourcing company. 80% of respondents confirmed that such option does not exist and, at the same time, all of them also stated that it does not constitute a problem. However, 10% declared that the possibility of promotion is open for them to the same extent as for regular workers, which gives reasons to conclude that these cases refer to fake self-employment.

In the area of employee relocation and rotation, the majority of self-employed indicated that they perform the same tasks/occupy the same position (80%). The remaining ones claimed that they operate as contractors for different enterprises, or that they work at different positions in a given enterprise and decisions in this matter are made by their manager. The option was underlined by 10% of the self-employed.

None of the self-employed declared that the absence of employment relationship, offered by an employment contract, constitutes a problem. At the same time 30% observed that within the framework of this employment form an enterprise has an extensive freedom in undertaking decisions about discontinuing their cooperation. In their additional comments respondents emphasized the importance of their independence and indicated that it is them who decide about the cooperation termination as well as identified financial problems, faced by their own company, as the only reason resulting in the loss of employment.

The self-employed, apart from those employed based on work-piece agreement, represented the group which most frequently pointed to the possibility of enjoying freedom in managing their working time (64%). None of them stated following the same work time organization as regular workers. It is not certain whether the self-employed respondents understood correctly the questions about the applied, in an enterprise, forms of employee participation and social activities – in both cases some of them (40% and 25% respectively) declared their participation in all applied forms of participation and social activities. There are concerns that respondents referred these issues to their own business rather than an outsourcing enterprise.

As far as material conditions of work are concerned the self-employed predominantly reported that they themselves are responsible for establishing such conditions (82%), whereas in terms of the atmosphere at work they most often felt treated as equal with regular workers (36%). At the same time the self-employed constituted the group which, out of all non-standard working groups, chose the following statement most often (27%): “frankly speaking I feel better than a regular worker employed in an enterprise – I come here as a specialist/expert and I enjoy greater freedom”.

Moreover, the respondents were offered an unrestricted opportunity to express their thoughts regarding disadvantages and advantages of the employment form they perform. Among many indicated disadvantages of self-employment the following basic groups of problems can be listed:

- the absence of fixed remuneration, unpredictability of income;
- commissioned work resulting in the absence of social protection, i.e. no severance pay in case of dismissal, no paid holiday, etc;
- duties related to company administration, accounting, bureaucracy;
high level of responsibility, constant focus on and concerns about the company future, the need to search for commissioned work individually, which is accompanied by stress and the feeling of uncertainty;

- problems with work time – many overtime hours invested in running a business, working at weekends, no time to go on holiday. One of the respondents shared the following comment: “in fact this form of employment restricts my freedom of operations resulting from the lack of time”.

Among the advantages of self-employment the following were mainly listed: flexible work time organization, high earnings (“I can keep all the profit for myself”), freedom and independence. Some indications referred to human resources management from the perspective of an outsourcing company, e.g. “I can participate in bonding events organized for company personnel”.

In answering the question about the respondent’s plans, i.e. whether he/she will continue the current employment form, the self-employed represented the group which expressed the most positive opinions regarding their current and past situation. The majority of self-employed do want to continue functioning within the framework of the same employment form and keep developing their companies. For comparison, in relation to the remaining non-standard employment forms all, or almost all respondents, declared their future willingness to work based on other solutions and mainly listed an employment contract as the desired form of work, however, also running their own business.

Final remarks

The presented results indicate the specific nature of human resources management process in the conditions of self-employment. The majority of respondents indicated that the solutions applied towards them are different from those used in case of regular workers. Moreover, in comparison to other groups of workers, employed based on atypical employment forms, the self-employed indicated positive aspects of such work much more often.

The quality of the study seems to be the possibility of comparing the results of particular employment groups and thus identifying differences in carrying out the processes of human resources management depending on the applied form of employment. The presented research project was performed in cooperation with working students. The disadvantages and advantages of such approach were already discussed by e.g. J. M. Lichtarski (Lichtarski, 2007, pp. 25-40). The lack of sample representativeness poses a limitation which makes statistical generalizations impossible. The presented conclusions, resulting from the performed research, refer to the respondents covered by the study. This influences the need for further exploration of the research area.

Two fundamental research paths are observed in the analyzed subject matter – the application of nomothetic approach maintaining the sample representativeness rigours, or undertaking qualitative research based on the case study method. The latter approach opens more extensive opportunities for an in-depth analysis of the problems in question, for capturing an overall context or the identification of determinants responsible for the implementation of personal processes. The preferred technique of data collection, in this case, could take the form of a scientific interview, whereas the generalization of conclusions could be based on an analytical approach (Kvale, 2011, pp. 202-204).
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