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SCIENTIFIC REVIEW

Freelancing and the Digital Economy: The Case of Serbia's Emerging Role in the Global Market

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ABSTRACT

The digital economy has transformed the global workforce, enabling new modes of employment, notably freelancing, that transcend traditional geographical boundaries. Serbia, with its highly educated and technically skilled labor force, has emerged as a leading freelancing hub in Southeast Europe. This paper explores the factors driving Serbia's rise in the freelancing sector, analyzing key economic and social drivers, government policies, and digital infrastructure. It also identifies the main challenges freelancers face and offers policy recommendations aimed at solidifying Serbia's position in the global digital economy.

Keywords: *freelancing, digital economy, Serbia, self-employment, global market, gig economy.*

JEL classification: *M21, M51, F66*

INTRODUCTION

In recent years, digital advancements have facilitated the expansion of the freelancing market worldwide, providing millions of workers with opportunities for flexible, remote employment. Serbia, with its skilled workforce, cost-effective services, and digital infrastructure investments, has increasingly attracted international clients. This paper investigates Serbia's rise as a freelancing hub, examining the economic, regulatory, and technological landscape that has enabled this growth.

This paper aims to Analyze the growth of freelancing in Serbia within the context of the global digital economy; Explore the socioeconomic and policy-driven factors influencing Serbia's freelancing sector; and provide recommendations for policy and infrastructure developments to support sustainable growth in the freelancing market.

THE RISE OF THE GLOBAL FREELANCING ECONOMY

Digitalization and Changing Workforce Dynamics

Advances in digital technology have reshaped how individuals approach employment, shifting from traditional, fixed employment to more flexible, project-based freelance work. This has spurred the growth of online freelancing platforms, which connect global clients with freelancers skilled in areas such as IT, digital marketing, and creative industries.[7]

Freelancers are often categorized as a distinct type of entrepreneur, consultant, or founder who carry out their business activities independently of the organization to which they sell their services or products, managing all aspects of their work, including generating profit from their business engagements.[1]

According to the latest research by the company Upwork, Companies are relying more on remote freelancers today than 1

year ago. Companies are planning to scale back remote work options, but workers don't want to return to the office. In fact, many people say they'd consider seeking employment elsewhere if they can't work remotely.[2]

The Gig Economy and Its Impacts

The gig economy has significantly changed the dynamics of work and contributed to the emergence of new hybrid models that fall outside what is known as the 'standard employment relationship,' which is characterized by full-time engagements, permanent employment contracts, and worker subordination in carrying out business activities.[3]

The gig economy has brought about significant changes, such as:

- **Global Talent Accessibility:** Companies now have access to a diverse pool of talent across borders.
- **Cost Efficiency:** Freelancers, particularly in countries with lower living costs, offer competitive rates, making them attractive to clients in high-income economies.
- **Flexibility and Autonomy for Workers:** Freelancers enjoy autonomy over their schedules and project choices, although often at the cost of job security.

The gig economy is rapidly reshaping the global labor market. The gig economy and freelancing are becoming powerful and dynamic forces in the contemporary labor market, bringing about a significant alteration in the nature of work. The gig economy is not only changing the nature of labor but also having a larger impact on many facets of society. Nevertheless, the gig economy has a few significant disadvantages: Low job security; Pay that is not guaranteed; Limited benefits; Absence of legal protections; Dependency on ratings and reviews; Little to no ability to collectively bargain; and Uncertainty.[4]

Serbian freelancers are facing growing global competition and a

slowdown in demand for their services, while they are also under additional pressure due to tax changes in Serbia that make income reporting easier but increase scrutiny of undeclared earnings. At the same time, the share of women in the gig workforce has risen to 35.1%, placing Serbia among countries with a moderately balanced gender structure in the digital labor market, though it lags behind the average in Southeastern Europe and North America.[5]

Serbia's Position in the Global Freelancing Market

With a population highly skilled in technology, engineering, and languages, Serbia's workforce is well-positioned for freelance work. Young professionals, in particular, are drawn to freelancing due to the high level of digital literacy, competitive English proficiency, and familiarity with project-based work.

The cost of living in Serbia is significantly lower than in Western Europe or North America, allowing Serbian freelancers to offer competitive rates while maintaining a good standard of living. This economic advantage has made Serbia one of the most attractive freelance hubs in Europe.

Serbian freelancers are predominantly active in **Information Technology (IT) and Software Development**, areas such as web development, app development, and AI-related projects; **Digital Marketing and Content Creation**, services in social media marketing, SEO, and content writing; and **Creative Industries**, graphic design, video editing, and multimedia production.

GOVERNMENT POLICY AND DIGITAL INFRASTRUCTURE

The Serbian government has made significant investments in broadband internet, which has contributed to the widespread digitalization necessary for freelancers. High-speed internet availability, even in smaller cities, supports the freelancing sector's growth.[8]

The government has implemented several initiatives aimed at supporting the digital economy, such as:

- **Digital Skills Development Programs:** Government-backed programs that provide young professionals with access to coding and other essential digital skills.
- **Simplified Tax Regimes:** Ongoing efforts to streamline tax policies for freelancers to encourage formalization of freelance income.

In Serbia, a new state portal dedicated exclusively to freelancers became operational on July 1, 2023. Through this portal, freelancers can access information about this form of work, as well as their obligations and rights under the newly adopted regulations and amendments to the law.[6]

OPPORTUNITIES AND CHALLENGES FOR SERBIAN FREELANCERS

Opportunities

- **Market Expansion.** The rise in global digitalization has opened new markets for freelancers, and Serbian freelancers are particularly well-positioned to meet this demand due to their technical skills and competitive pricing. High demand for IT services, graphic design, and digital marketing in Western Europe and North America has led international clients to outsource to countries like Serbia, where labor costs are lower without compromising quality. This trend aligns well with the Serbian economy, where freelancers can now access a broader and more lucrative market beyond the confines of traditional local employment.
- **Diversification of Income.** Freelancing provides Serbian professionals with opportunities to diversify their income streams, which can be especially advantageous in Serbia's often

unpredictable job market. Traditional employment in Serbia may not always offer competitive salaries, especially for young professionals. Freelancing allows workers to secure income through multiple clients and projects, minimizing the risk associated with relying on a single employer. This income diversification offers greater economic resilience, particularly valuable in times of economic downturn or industry-specific disruptions.

- **Platform Access.** With access to established freelancing platforms like Upwork, Fiverr, and Freelancer.com, Serbian freelancers can connect with clients worldwide without the need for costly international marketing efforts. These platforms provide valuable infrastructure for client communication, payment processing, and project management, which significantly reduces the entry barriers for Serbian freelancers. Furthermore, the digital profile and rating systems on these platforms enable freelancers to build reputations and showcase their skills, increasing their chances of attracting high-value clients and sustaining long-term freelance careers.

- **Skill-Building and Flexibility.** Freelancers in Serbia have the unique opportunity to work on varied projects across industries, which helps them develop diverse skill sets and stay current with global trends. Freelancing allows workers to select projects that interest them or align with their professional goals, providing a sense of autonomy and control over their careers. This flexibility enables Serbian freelancers to explore specialized niches, adapt to new market demands, and expand their expertise in high-growth areas like software development, digital marketing, and e-commerce.

- **Competitive Advantages and Cost Efficiency.** Compared to freelancers in higher-income countries, Serbian professionals benefit from a lower cost of living, allowing them to offer competitive rates while still maintaining a quality standard that

appeals to clients in wealthier economies. This price-to-quality ratio has made Serbian freelancers increasingly attractive to international clients seeking cost-effective solutions without sacrificing quality, further establishing Serbia as a valuable freelancing destination.

Challenges

- **Income Volatility.** While freelancing offers income diversification, it also brings inherent instability, as projects are often short-term and subject to fluctuating demand. This income volatility can be challenging, particularly for freelancers who rely solely on project-based work for their livelihood. Without consistent work contracts, Serbian freelancers often face periods of low or no income, which can strain their financial security. This unpredictability can be compounded by payment delays or disputes, as freelancers may not always have legal recourse when working with international clients.
- **Limited Social Protections.** One of the significant disadvantages of freelancing in Serbia, as in many countries, is the lack of comprehensive social protection. Unlike traditional employees, freelancers typically do not receive health insurance, retirement benefits, or paid leave, leaving them vulnerable to unexpected expenses or personal health issues. Serbian freelancers often need to pay their own contributions to access basic health insurance or pension funds, which can be prohibitively expensive. This lack of a social safety net discourages some professionals from fully committing to freelancing, particularly those who are older or have family obligations.
- **Intense Competition.** As freelancing has become more popular worldwide, competition on platforms like Upwork and Fiverr has intensified. Serbian freelancers face strong competition from countries such as India, the Philippines, and Bangladesh, where

living costs are also low, and freelancers are willing to offer their services at very competitive rates. This environment pressures Serbian freelancers to continuously improve their skills, specialize, and differentiate themselves through high-quality service and niche expertise. However, standing out in a crowded global marketplace often requires substantial effort, time, and marketing skills, which can be challenging for newcomers.

- **Tax and Regulatory Uncertainty.** The tax environment for freelancers in Serbia remains ambiguous, with freelancers facing complex reporting requirements that differ significantly from traditional employment. Although the government has made efforts to simplify tax regulations for freelancers, uncertainty about social contributions and income tax rates persists, creating confusion and potentially high tax liabilities. This uncertainty can discourage professionals from formalizing their freelance businesses, potentially limiting Serbia's growth as a regulated freelancing hub.

- **Language and Cultural Barriers.** While English proficiency is high among Serbian freelancers, language and cultural nuances can still create obstacles when working with international clients. Misunderstandings due to cultural differences or communication styles can affect project outcomes and client satisfaction. Furthermore, clients from Western countries may sometimes prioritize freelancers from English-speaking nations, creating an additional barrier for Serbian freelancers, especially those new to the global freelancing market.

- **Access to Financing and Investment.** Serbian freelancers may struggle to access traditional financial products such as loans or mortgages due to the lack of consistent income and formal employment records. Banks in Serbia typically prioritize applicants with stable, long-term employment, which places freelancers at a disadvantage when seeking financial support to expand their operations or invest in professional development. Limited access to financing can hinder a freelancer's ability to scale their services,

invest in advanced tools, or complete certifications that would help them remain competitive in the global market.

- **Work-Life Balance and Isolation.** Freelancing often requires long, irregular hours to meet international deadlines, which can disrupt work-life balance and lead to burnout. Additionally, freelancers frequently work alone, lacking the social interaction and support found in a traditional workplace. In Serbia, where freelancing culture is still emerging, freelancers may have limited access to coworking spaces, professional networks, or mentorship programs that could alleviate some of the isolation and provide community support.

RECOMMENDATIONS FOR STRENGTHENING SERBIA'S FREELANCING SECTOR

To create a thriving and sustainable freelancing ecosystem, Serbia must address regulatory challenges, invest in skill development, and enhance the support structures available to freelancers. The following recommendations highlight key areas for policy and infrastructure improvements to support freelancers in establishing a stable and competitive presence in the global market.

Regulatory Clarity and Simplified Taxation

Freelancers in Serbia often face challenges with complex tax obligations and inconsistent guidelines, which can deter freelancers from formalizing their businesses. A streamlined and transparent taxation system specifically designed for freelancers could encourage more professionals to enter the formal economy. Key steps include:

- **Standardized Tax Regimes:** Implement a simplified tax framework for freelancers, allowing them to declare income and pay taxes at predictable, flat rates. This could

also include a reduced tax rate for early-career freelancers to incentivize newcomers.

- **Clear Guidelines on Social Contributions:** Providing explicit guidelines for social contributions would allow freelancers to understand their obligations and the benefits they can expect. Such transparency could increase tax compliance and sector growth.
- **Digital Tax Filing Systems:** Investing in digital platforms that allow freelancers to file taxes easily and track their contributions can reduce administrative burdens, encouraging greater participation in the formal economy.

Investment in Digital Education and Upskilling

As the demand for highly specialized skills grows, Serbia's freelancing sector would benefit from targeted educational investments. Expanding training programs to underserved areas and focusing on advanced digital skills would help freelancers remain competitive. Recommendations include:

- **Rural Digital Education Programs:** Providing rural areas with access to digital skill training can reduce regional disparities and open opportunities for freelancers in smaller towns to participate in the global digital economy.
- **Advanced Skills in AI and Data Science:** Developing specialized courses in AI, machine learning, data analytics, and other high-demand fields could attract more clients willing to pay for expertise, raising the sector's overall earning potential.
- **Partnerships with Global Tech Providers:** Collaborating with tech companies to offer certifications in widely used software and programming languages can increase

freelancers' employability and signal skill level to international clients.

Public-Private Partnerships for Freelancer Support Programs

Strong partnerships between the government, private companies, and educational institutions can provide Serbian freelancers with valuable resources beyond technical skills, such as business management, client relationship building, and networking opportunities.

- **Government-Industry Collaboration:** The government could partner with local tech firms to establish mentorship programs and skill-building workshops, helping freelancers acquire business acumen alongside their technical expertise.
- **Freelancer Hubs and Networking Events:** Public-private efforts to create co-working spaces or freelancer hubs in key cities could offer not only affordable workspace but also opportunities to connect with other professionals and potential clients.
- **Support for Freelance Cooperatives:** Cooperatives allow freelancers to pool resources, negotiate better contracts, and access shared benefits such as group insurance. Such initiatives could provide freelancers with financial and social security, fostering long-term stability in the sector.

Social Protection Mechanisms

Freelancers often lack access to social protections available to salaried employees, leaving them vulnerable to financial insecurity. Tailoring social protection programs to freelancers'

needs would improve their overall well-being and attract more individuals to the sector.

- **Voluntary Pension Contributions:** Introducing a system that allows freelancers to contribute voluntarily to a pension plan could provide long-term financial security. Government incentives, such as tax deductions for contributions, could encourage participation.
- **Affordable Health Insurance Options:** Developing affordable health insurance plans specifically for freelancers could help alleviate one of the major concerns for those in the sector. Subsidized health plans or group insurance options may offer a solution for freelancers without standard employer-provided health benefits.
- **Financial Safety Nets:** Providing freelancers access to unemployment benefits or income support during times of economic downturn could help create a more resilient freelancing workforce, reducing financial strain in uncertain times.

International Marketing of Serbia's Freelancing Sector

Serbia could benefit from positioning itself as a prime location for affordable, high-quality freelance services. Building a strong brand around Serbian freelancing can attract clients looking for cost-effective solutions in Eastern Europe, enhancing the sector's visibility and reputation.

- **Promoting Serbian Freelancers on Global Platforms:** Developing a national campaign that markets Serbia's skilled freelance workforce on global platforms like Upwork, Fiverr, and LinkedIn could help increase demand for Serbian services. Highlighting the quality, reliability, and cost-effectiveness of Serbian freelancers would

position the country as a competitive alternative to other Eastern European and South Asian markets.

- **Creating a Serbian Freelancer Directory:** A government-supported directory or portal that aggregates and highlights profiles of Serbian freelancers can facilitate direct client connections, helping freelancers attract international clients more easily.
- **Participation in International Trade Fairs and Conferences:** Encouraging Serbian freelancers to participate in global freelancing and digital economy conferences can enhance their international network, create direct connections with clients, and raise the country's profile as a freelancing hub.

These recommendations offer a roadmap for strengthening Serbia's freelancing sector, promoting economic inclusion, and fostering international competitiveness. Implementing these measures would not only create a more supportive environment for freelancers but also help Serbia solidify its position as a reliable source of high-quality digital services on the global stage.

CONCLUSION

Serbia's freelancing sector has made remarkable strides, carving out a space in the global market that capitalizes on the nation's strengths in digital skills, competitive pricing, and accessible digital infrastructure. This emerging role is not only a testament to the adaptability and ambition of Serbian freelancers but also to the growing importance of flexible, remote work models in today's economy. With increasing numbers of Serbian freelancers serving international clients, the sector has become an essential part of the country's economy, offering both income stability for individuals and revenue generation on a national scale.

However, for Serbia to maintain and strengthen this position, policy adjustments are critical. Streamlining tax regulations for freelancers and introducing comprehensive social protections, such as health insurance options and retirement savings plans, would provide essential security for freelancers. Additionally, prioritizing digital education, especially in high-value fields like AI and data science, would enhance the competitiveness of Serbian freelancers on the global stage, attracting clients willing to pay premium rates for specialized skills.

Furthermore, initiatives to globally market Serbia's freelancing talent and develop collaborative public-private partnerships would support long-term sector growth. By promoting Serbia as a reliable source of high-quality freelance services, the country can increase its visibility in the global digital economy, drawing more clients and investment to its freelancing sector.

With a supportive regulatory framework and ongoing investments in digital capabilities, freelancing can become an even more prominent driver of Serbia's economic growth. By fostering an environment that enables freelancers to thrive, Serbia is well-positioned to transition from an emerging player to a leader in the global freelancing market, contributing significantly to both individual livelihoods and the national economy.

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