The digital economy and its implications for labour. 

1. The platform economy

The fascination with the transformative impact of information and communications technology (ICT) in a post-industrial era goes back to at least the early 1960s. The 1964 Ad Hoc Committee on the ‘Triple Revolution’ in their submission to US leaders included an assessment that reads as if it were summarising the current debate.

[Cybernation revolution] results in a system of almost unlimited productive capacity which requires progressively less human labor. Cybernation is already reorganising the economic and social system to meet its own needs. […] It is essential to recognise that the traditional link between jobs and incomes is being broken. (Ad Hoc Committee on the Triple Revolution, 1964: 5)

These days this transformative action is termed ‘the digitalisation of the economy’. This refers to how ICT is transforming what goods and services we produce, how we produce them and where we produce them. This touches upon many aspects of society: how labour is being exchanged on digital platforms, how consumers are becoming producers (so-called prosumers), how mass production is being recalibrated to local micro-production, how underused asset capacity can be shared at close to zero marginal cost, how enterprises are revisiting their decisions on where to produce in view of the use of robots, how new monopolies are emerging and, last, but not least, the implications of Big Data for economic structures. All these issues have major implications for how we organise our societies, how we tax, how we regulate labour markets, how we organise our welfare states and, in particular, how trade union actions can address these new challenges. While the line of research on innovation cycles and transformation of markets is longstanding, social sciences today are trying to understand the wider implications of the digitalisation of the economy. The literature is fast growing, but it is still asking more questions than it is answering with regard to what we are observing. Transfer will in 2017 publish two issues on the theme of ‘The digital economy and its implications for labour’. This first issue will focus on the specific theme of labour platforms, addressing in particular regulatory issues, while the second issue will engage with broader themes such as the Keynesian consumption dilemma and Basic Income. Many subjects will not be dealt with, such as the implications for labour of robotisation, the impact of ICT on working conditions in the workplace, or privacy. This is not to say that those issues are not important for social sciences and labour studies, but is rather due to limited space. Research on the ‘Digital economy and its implications for labour’ is an emerging discipline in the light of current developments and we are sure that Transfer will revisit other dimensions of this transformation in the near future.

In their opening contribution to this double special issue on digitalisation and its implications for labour, Valenduc and Vendramin discuss the academic studies and policy reports on employment and labour in the digital economy that shaped the debate since the 1960s, arguing that it is
the use of ‘Big Data’ as a strategic economic resource that distinguishes the current wave of
digitalisation, representing a ‘quantitative and qualitative leap’ in digitalisation (see also Valenduc
and Vendramin, 2016; Degryse, 2016).

Similarly to the 1960s, the current debate is largely dominated by the concern with the impact of
ICT on labour demand and skills needs, and less so on the transformative impact it might have on the
labour market at large. Interestingly, while the post-war debate seemed rather optimistic, seeing the
emancipatory potential of automation, the current debate seems much more defensive, focusing
largely on the prospect of massive job destructions. History, however, suggests that the job creation
aspect of technological change tends to be grossly underestimated, thereby rendering futile any
attempt to forecast the net impact on labour demand with any precision. This is illustrated with the
current estimate going from a loss of 50 per cent of jobs in the US to a 9 per cent net job loss in the
OECD area. However, while the impact of digitalisation on employment remains uncertain, we have
already witnessed transformative impacts of ICT on working conditions and employment practices,
raising concerns that are often avoided in the policy debate around digitalisation.

As discussed by Valenduc and Vendramin, the evidence clearly shows the transformative
impact of ICT on work practices as technology enables, as one of the factors, the spread of atypical
work practices as well as new forms of work. These include on-call work, casual work, employee-
or job-sharing and mobile work (see also Eurofound, 2015). These practices may provide a
welcome flexibility by, among other things, allowing a better reconciliation of work and private
life, but they also contribute to casualisation and polarisation of the labour market.

In this context, the emergence of digital labour platforms represents a key development, as they
contribute to the increasing deconstruction of the employment relationship. This first issue of the
special double issue on digitalisation focuses on the implications, challenges and opportunities
represented by the platforms. Digital labour platforms, that match clients with workers to perform
even the smallest of tasks in a one-off transaction, are often discussed under the misleading
heading of the ‘collaborative’ (European Commission, 2016), or even ‘sharing’ economy1, but
these platforms in fact facilitate an extension of the market mechanism, and in so doing possibly
undermine institutions that regulate it (Drahokoupil and Fabo, 2016b). Labour platforms thus
expand the access to labour organised through the market, by including contexts where the use
of offline matching services is otherwise too costly (transaction costs are too high) or parts of the
market where market failures are addressed by institutions such as regulated employment.

In this way, platforms can facilitate crowdwork, where clients are matched with workers in a
virtual marketplace. This may involve breaking down work activities into small tasks that are
divided among a number of workers. Platforms can also enable what some call collaborative
employment, where freelancers, the self-employed or micro-enterprises cooperate in some way
to overcome limitations of size and professional isolation (Eurofound, 2015). The article by
Pazaitis et al. explores the potential of cooperative platforms, controlled by workers, to allow
workers to organise their productive efforts so that they are able to have sustainable livelihoods.2

Labour platforms are likely to have a wider impact on labour markets. By lowering barriers to
entry through cutting transaction costs and addressing market failures that would otherwise hinder
the one-off transactions between strangers, platforms may increase competition among workers,

1. For obvious reasons, ‘sharing economy’ is the preferred term used by corporations such as Uber also in
   their lobbying efforts (see Drahokoupil and Fabo, 2016a).
2. See Carballa Smichowski (2016) and Bloemen and Hammerstein (2015) for a discussion of a legislative
   framework needed to sustain collaborative platforms.
which is likely to put pressure on pay and working conditions.³ This may also involve unfair competition through regulatory avoidance. Ride-hailing platforms, for instance, put professional drivers in competition with students or people on parental leave seeking an occasional top-up of their income, possibly without complying with safety standards and tax regulations.

However, there are a variety of platforms with an equally varied range of effects on the labour market. It is important to distinguish two types of effects (Drahokoupil and Fabo, 2016b). First, platforms can allow for the mutation of activities that traditionally relied on the employment relationship into activities of self-employment. This, perhaps, is the most radically transformative impact and deserves attention from researchers as well as policy-makers. So far, however, successful platforms, such as Uber, have rather reorganised sectors that had already relied on some form of self-employment. Secondly, platforms may facilitate the remote provision of services, thus potentially leading to the offshoring of work from local labour markets and also beyond the reach of local taxation and regulatory frameworks.

Evidence on the extent of platform work, as well as the working conditions involved, is provided in the articles by Graham et al. and Fabo et al. The contribution by Graham et al. focuses on global outsourcing platforms that hire digital workers in Sub-Saharan Africa and South-east Asia. While digital work represents an opportunity for workers to participate in the new labour markets, Graham et al. also identify a number of concerns. These include the low bargaining power of the self-employed workers competing in the global labour markets, their economic exclusion, discrimination, and their limited opportunities for skill and capability developments.

In Europe, as discussed by Fabo et al., most platform workers appear to use platforms to top up their regular income, but there is also a sizable minority, probably exceeding well over a million workers in the EU, that rely on platforms as their main source of income (see also Huws et al., 2016). Platforms can also provide an opportunity for workers who would otherwise be excluded from the labour market. However, only a small fraction of platform workers attain the equivalent of the local minimum wage. Most transactions on platforms are neither taxed nor covered by social insurance. The widespread lack of regulatory compliance make Fabo et al. conclude that the situation of platform workers is ‘reminiscent of 19th century laissez-faire capitalism’.

Low pay and, somewhat paradoxically, a lack of control over their working time are by far the top grievances of platform workers both in Europe and in the Global South. Lack of insurance is a major concern for those delivering food. Accidents, including serious injuries, are common among delivery cyclists. Unfortunately, the regulatory response has neglected the issues of rates of pay and working conditions. At best, in the EU, we hear about how important it is to ensure portability of insurance systems. However, portability cannot bring security, particularly if the problem is low pay.

This issue of Transfer considers a wider range of regulatory responses to the digital economy. It takes into account the variety of platforms, with different opportunities and limits for regulatory responses. Platforms that reorganise local markets are easiest to regulate as both customers and suppliers come under one jurisdiction.⁴ Matching platforms that set pay and contract conditions,

³ The reputation system, which is one of the mechanisms that overcomes market failures, further contributes to the marketisation of the world of work (see Huws, 2014).
⁴ The oligopolistic tendency which comes with the network effects also makes it easier for the regulator to target the handful of dominant platforms. Here, platforms in fact provide an opportunity to regularise undeclared activities, as their model allows for an efficient monitoring of micro-transactions as well as for their incorporation into insurance and tax systems.
such as Uber or Deliveroo, are also most compatible with protection that approximates to, or fully complies with, standard worker protection. In fact, there are example of markets where platform workers work under conditions that approximate to standard employment. However, a regulatory framework is required to extend such provisions to wider groups of workers.

At the other end of the spectrum are platforms that facilitate the remote provision of services, thus potentially leading to the offshoring of work from local labour markets, often across borders. This is one reason why an EU-wide framework is needed, but additional solutions need to be sought for outsourcing of services to low-income countries. These are discussed by Graham et al., who identify four broad strategies that could improve conditions and livelihoods for digital workers: certification schemes, organising digital workers, regulatory strategies and democratic control of online platforms.

Special measures thus should be considered to address the risks related to platform-mediated work. First, while many platform workers are likely to be eventually recognised by courts as employees, the specific nature of platform work calls for updating existing labour legislation. As argued in the article by Todoli-Signes, the specific nature of platform work requires new special labour regulations. The legal analysis in the article outlines a framework that corresponds to the flexible nature of platform work, but ensures an adequate level of social protection, including through self-regulation by collective agreements.

The question of the applicability of the current regulations is addressed also in the article by Donini et al. It considers first the EU legislation where competition law plays a major role. Accordingly, price agreements between self-employed persons are considered as cartels and are in principle not permissible, unless the workers are considered as ‘false self-employed’ (ECJ Case C-413/13, see Drahokoupil, 2016). The decisions by national courts, in the light of EU competition rules, of whether platform workers should be considered as employees, self-employed or false self-employed determine the scope to regulate their salaries and working conditions via collective agreements. Donini et al. then compare the experience of searching for an appropriate framework for different types of digital workers, including, but not limited to, platform workers, in Italy, France, and Spain. The article also considers the possibilities to extend collective bargaining to platform workers and proposals to promote the role of unions. It also concludes that a special regulation would be needed to overcome the rigid dichotomy between employees and the self-employed. Collective bargaining and trade union action then should be extended, as anticipated in recent rulings by the European Court of Human Rights, to a wider range of workers.

The platform economy represents a challenge, but also an opportunity (see Conaty et al., 2016), for efforts to organise workers. The News and Background section of this issue brings together experience and ideas on the way forward from Thiébaut Weber of the ETUC; Kristy Milland, Amazon Mechanical Turk worker and activist and Aileen Körfer and Oliver Röthig of UNI Europa.

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5. Uber pays a guaranteed minimum wage per hour in a number of markets. In Belgium, Deliveroo workers benefit from an agreement, negotiated by the agency SMart, that includes a minimum hourly pay rate, minimum working time, insurance against injury at work, and social insurance.
References


