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Changing employment in the age of labour platforms

The Covid-19-induced exponential growth in digital labour platforms forces us to circle back to basic questions about the nature of work

One of the most significant socioeconomic changes accelerated by Covid-19 must surely be the rise of digital labour platforms. Of course, platform-based employment had already been growing exponentially before the pandemic. But the combination of lockdowns and stay-at-home orders, and the consequent greater reliance on remote work, has dramatically increased both their spread and intensity of use.

Until recently, there had been relatively little discussion of what the rapid proliferation of digital employment platforms meant for the nature of work and the employment relationship. But an important recent report from the International Labour Organisation (ILO) provides answers to many questions – and raises several more that policymakers and regulators need to address.

The rise of digital employment platforms

What exactly is platform-based work? Platforms are effectively digital marketplaces, connecting producers and consumers of goods and services – and in the case of employment platforms, connecting workers with those who would use their labour.

Digital labour platforms differ significantly from employment exchanges of old, owing to their diffuse and apparently non-hierarchical nature. They also give the impression of hands-off objectivity, by supposedly simply aggregating agents' desires and responses, although the algorithms used in such aggregation have been shown to generate their own forms of hierarchy and discrimination.

Digital labour platforms

The ILO report focuses on two main types of

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digital labour platforms. Location-based platforms provide work or services within a specified physical area. They include taxi and delivery services, domestic services like cleaning and repair, and various forms of care provision.

Online web-based platforms, meanwhile, cover tasks that could be performed anywhere in the world. These could be specific short-duration assignments like annotating images or transcribing videos, or involve complex and highly skilled work such as translation, legal or financial services, design and software development, and data analytics.

Both types of platform have expanded dramatically, but people tend to be more aware of location-based platforms because of their near-ubiquity in some places. The ILO estimates that the number of platforms worldwide increased from 142 in 2010 to almost 800 in 2020, with online web-based platforms tripling in number while location-based platforms grew almost tenfold.

The problem of measurement

Today, all kinds of businesses – from Fortune 500 companies to start-ups and small enterprises seeking people to perform specific tasks – rely on online employment platforms. In general, platforms drastically reduce search costs for both workers and those who would use their services.

Estimates of the number of people who obtain work through these platforms are hard to come by, partly because it is not clear how many regard them as their only source of income. But some surveys suggest that the proportion of the population in Europe that has done some platform work ranges from 9-22 per cent.

Most digital labour platforms operate by accessing and sharing information about workers with those who might use them. Their own employee base tends to be very small compared to the number of workers with whom they deal indirectly.

For example, the freelance work platform PeoplePerHour has only around 50 employees, but as an intermediary it provides work for around 2.4 million skilled workers. The ILO report provides much new information, based on a global survey of 12,000 platform workers. Workers engaged in location-based platforms generated the bulk of their earnings from that source, and around one-third of online-platform workers (more in developing countries) relied primarily on this

employment for their income.

Persisting wage inequality

Interestingly, cross-country wage differentials persist on online platforms, even though platforms should confer no geographic disadvantage. The ILO survey found that on freelance platforms, for example, workers in developing countries earned on average 60 per cent less than those in developed countries, even after controlling for basic characteristics like age and education and the types of tasks performed.

The crux of the issue is that those obtaining work through digital labour platforms are effectively self-employed, with the platform itself bearing no responsibility for wages or remuneration, or working hours and conditions. Some location-based platforms, particularly delivery and taxi services, have come under regulatory and legal scrutiny in countries seeking to treat them as employers, but this is still the exception.

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Furthermore, platform work – no matter how highly skilled – typically commands piece-rate wages. All the problems facing piece-rate workers since time immemorial are starkly evident: income insecurity, a highly unequal distribution of risk, and a tendency to self-exploitation that undermines any notion of worker autonomy and flexibility.

Then there are the concerns about the platforms' often opaque algorithms, and the fees and commissions they charge workers, who generally lack redress for any grievance, and often have no real communication with those running the platform. Moreover, their awareness of faceless global competition may intensify their feeling of powerlessness, and subject workers to ever greater downward pressure on the pay rate.

A brave new world

This is truly a brave new world for workers, with some fresh opportunities and numerous challenges. In many advanced economies, platforms are typically associated with the informalisation of the workforce. But in developing countries with mostly informal workers, platforms can sometimes be a step to formalisation.

How can regulation address this new-old employment relationship that seems so skewed against workers? Clearly, we need to rethink what constitutes an employer, and specify both their responsibilities and workers' rights in more detail. We also need more extensive and flexible considerations of labour standards that extend to piece-rate work.

Only some of this can be done at the national level. Because digital labour platforms operate across multiple jurisdictions, international policy coordination also is essential. Now that the world is once again recognising the importance of global dialogue and cooperation, regulation of platform work should be put on the agenda.

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