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## RESEARCH ARTICLE

# WORK AND EMPLOYMENT UNDER THE GIG ECONOMY<sup>1</sup>

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**ABSTRACT:** This paper aims to indicate the key issues yielding to explain why a regulatory framework and correct policy responses are needed for what here we define as a platform ‘society’ and to identify its key ‘collective’ features. These include the respect of workers’ fundamental rights (i.e. collective bargaining and representation) as well as they include the role of the state and public policy. These reflections are developed in the light of an in-depth examinations of the social implications of the gig-economy for work and employment.

**KEYWORDS:** gig-economy, platform, digital, work, employment

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## **1. What are the implications of digital platforms for work and employment?**

Digital labour platforms are defined as digital networks that coordinate labour service transactions in an algorithmic way (see e.g. Lehdonvirta 2018; Vallas 2019). The implications of digital labour platforms for work and employment are ambivalent. On the one hand, they can lower the entry barriers to the labour market, facilitate work participation through better matching procedures and ease the working conditions of specific groups (i.e. workers with strong family commitments, people with disabilities or health conditions, youth, people not in education, employment or training – NEETs – older workers, retired, long-term unemployed, people with a migrant background) (e.g. Huws et al. 2017). On the other hand, digital labour platforms typically rely on a workforce of independent contractors whose conditions of employment, representation and social protection are at best unclear, at worst clearly disadvantaged (e.g. Wood et al. 2019a; 2019b).

However, the implications of digital labour platforms go beyond working conditions and employment regulation: they can involve a significant re-organisation of work and production processes. We can call this (potential) effect of digital labour platforms an 'unbundling of tasks', which is in fact a radical deepening of the traditional division of labour, typical of Fordism. The principle of the division of labour suggests that jobs specialisation raises productivity, and leads to a more effective control of the production process. However, jobs as we know them today do not consist of a unique task; rather they are bundles of tasks with higher or lower degrees of complementarities. Combining complementary tasks into jobs increases workers' productivity and facilitates the organization of production. Any unbundling of tasks, therefore, should be such that the gains from additional task specialisation exceed the loss in productivity. Up to today the limits of task specialisation were mostly attributed to the presence of transaction costs and limited market size. Digital labour platforms change the limits of task specialisation, facilitating the unbundling of tasks. The augmented computing power, in particular thanks to the advent of cloud computing, gave access to abundant resources of computer storage and data collection that, together with the mediation of algorithms, allow for an efficient distribution of resources and a consistent reduction of transaction costs. Furthermore, digital labour platforms can also broaden the geographic boundaries of labour markets and operate very efficiently at a global scale. The ability of digital platforms to pool together at almost no cost millions of service providers, with increasing offshoring and outsourcing of tasks, can result in even further task specialisation to the detriment of jobs as we have traditionally known them.

The broader social implications of this breakdown of jobs and unbundling of tasks are still unclear. It is a well-known insight of sociology and social sciences more broadly that jobs are not only contracts for the provision of labour services, but positions in the social structure that provide access to resources, identity and recognition. More specifically, in Durkheim's words, jobs are a crucial anchor of 'organic solidarity', a system of representations rooted in and reflective of concrete social groups. The dissolution of jobs into atomised tasks provided via digital platforms could therefore undermine this crucial role of jobs as anchors of the social structure. On the other hand, by owing their market access to global platforms, independent contractors are highly dependent on the former. This has also implications for value creation and its distribution among those who bear most the economic and social risk (including the access to social protection). Attention has recently focused on digital platforms by emphasizing and studying the connections between transformations of capitalism and trends in work and employment (Zuboff 2015; 2019), and the global platforms' dual role as drivers for inclusion and inequality played out on dimensions such as race, class, gender, skills, disability or legal status (Schor and Attwood-Charles, 2017). Particularly it is the scrutiny of this inequality with regards to digitalization which needs much research nowadays.

On the other hand, and in many cases, what is key is less the 'digital' (i.e. the technology) and more the 'platform' (i.e. the organization of work and production). In other words, the opportunity which the digital platform arises come from innovative business models which are made possible by the very forces that are redefining globalization (Zysman and Newman 2006). These models rely less on the physical movement of goods and fixed investments in markets, and more on leveraging digital connectivity and ecosystems to expand across borders. The digital connectivity which is created - and operationalized through the idea of the digital platforms - generates different 'digital platforms' which are diverse in the way work and production is organized, function and structure. For example, Google and Facebook are digital platforms that offer search and social media, but they also provide an infrastructure on which other platforms are built. Amazon is a marketplace, as are Etsy and eBay. Amazon Web Services provides infrastructure and tools with which others can build yet more platforms. Airbnb and Uber use these newly available cloud tools to force deep changes in a variety of incumbent businesses. Together they are provoking reorganization of a wide variety of markets, work arrangements, and ultimately redefine modes of value creation and value capture.

In particular, the gig-economy comprises a distinctly new set of economic relations that depend on the Internet, computation, and data. The ecosystem created by each platform is a source of value and sets the terms by which users can participate. This

generate value creation (Foster 2019). Who does capture the created value? This implies to examine the distribution of risks and rewards for the platform users. There are a variety of mechanisms with various implications for gains distribution. Some platforms allow the owner to tax all transactions, whereas others monetize their services through advertising. Platforms can transform work previously done by traditional employees into tasks performed by contractors, consigners, or quid pro quo workers—or create entirely new categories of work. Therefore, it is the degree of dependency on the digitation of value creating human activity which is generating value capture. For example, in accordance to this logic Uber, Airbnb, and Facebook monetize human effort and consumer assets. This illustrates that the advantage of digital platforms often rests on an arbitrage between the practices adopted by platform firms and the rules by which established companies operate, which are intended to protect customers, communities, workers, and markets. Lyft and Airbnb are entrepreneurial initiatives that facilitate the conversion of consumption goods such as automobiles and apartments into goods that are monetized. Overall, this illustrates that the ‘sharing’ of the sharing or gig-economy has a more than passing resemblance to the ‘putting-out economy’ that existed before factories (Zysman and Newman 2006), when companies would ship materials to people to assemble items such as shoes, clothing, or firearms in their homes. In the current manifestation of putting out, the platform operator has unprecedented control over the compensation for and organization of work, while still claiming to be only an intermediary.

In virtual platforms, employers can hire the workers, not by the day but by the task, which can in the last minutes or seconds adapt the workforce to the needs of the moment. Moreover, digital platforms enjoy the freedom to set prices that does not exist in the field of labour protection (considering the minimum wage). Because a traditional company cannot compete with a company that sources all its services from independent contractors, as a traditional company has to pay the minimum wage, we may expect that in a free market economy, without public intervention, the traditional organizational model of industrial relations appears to be doomed to disappear as the result of the raising of legal uncertainty concerning the rules which apply in the digital space.

On the other hand, the competition and rise to the bottom of working conditions and social protection for those operating within the gig-economy crosses the borders between paid and unpaid work where precariousness unfolds (Pulignano 2019). One of the few detailed empirical investigations of remote gig work is Berg’s (2016) survey of 1510 workers on MTurk and CrowdFlower. Berg (2016) found low pay to be a problem, and that major contributors to low pay are the high ratio of unpaid work to paid labour and a lack of available work. Moreover, workers without alternative employment

(around 40 % of Berg's sample) lacked employment-linked social security (Berg, 2016). Likewise, D'Cruz and Noronha (2016) found that Upwork workers undertake substantial unpaid work in order to get paid work, and this invariably meant working at night. The competitive work organization, whereby all workers can view each other's bids, was also found to be a source of downward pressure on pay rates.

Several studies have also shown that programmers frequently participate in corporate-led 'hackathons', mobilising their skills without compensation and without any property rights to the products they themselves create (Zukin and Papadonataakis, 2018). Participants in platform-based firms must spend a great deal of time establishing an online presence, and frequently engage in lengthy efforts to compete for projects, with no certainty of reward (Aloisi et al., 2017; Ekbia and Nardi, 2017). Online platforms (e.g. Upwork, Freelancer, Amazon Mechanical Turk) enable individuals to gain virtual access to other individuals at global level in order to resolve specific problems and provide services in person and/or in situ (e.g. Deliveroo, Care.com, Uber) (see Eurofound 2015). Online workers can be both high- and low-skilled (Wood et al., 2018) depending on the nature of the tasks (macro or micro) they perform (Gerber and Krzywdzinski 2017). In both cases the vulnerability of digital work is a common feature with power asymmetries enshrined in digital platforms between the platforms owners and the users (European Parliament 2017; Lehdonvirta 2016). These asymmetries are reflected in the nature of the work and the modes through which it is enacted. In accordance to Zysman and Newman (2006) 'putting-out economy' platform workers lack control over compensation for the work they do. Although it could be argued that workers are able to retain some autonomy over their place of work, which in turn can be helpful to individual workers in overcoming the barriers to labour market participation (Pesole et al. 2018), autonomy for digital workers cannot reduce workers' exposure to unpaid activities, particularly when unpaid work becomes a condition for securing paid work (Wood et al. 2018). This has an unprecedented social impact on workers. On the one hand, workers need to make themselves available as and when required by the market and be prepared to do unpaid work, including, for example, searching for tasks, taking qualification tests and researching requesters, doing preparatory work (Berg 2016) and working unsocial hours in order to secure paid work (Wood et al. 2019a).

## **2. What social rules are appropriate for a platform ‘society’?**

It is clear from the above that although some platforms may open for entrepreneurial opportunity, many others by their very nature prove to be winner-take-all markets, in which only one or two companies survive, and the platform owner is able to appropriate a generous portion of the entire value created by all the users on the platform. More important, however, is that as the power is centralized, the platform owner can become a virtual monopolist. In that case, the platform owner can squeeze the platform community. However, the question of outcomes goes beyond the question of whether digital platforms spawn entrepreneurs or monopolists. We need to ask whether a society organized around platform owners servicing mini-entrepreneurs, contractors, and gig workers portends an even more unequal society. Does the answer depend on the character of platforms or on the policies and politics of the platform economy? If we want workers to accept the new arrangements, how do we assure them that if they accept the flexibility, they will not be the victims but rather the beneficiaries of the ever-greater social value and wealth that is being created? This brings to the core of the question: the policy debate.

However, the debate over policy is not straightforward or simple. As with all economic transformations, the disruptions will create winners and losers. Who will decide how the results of increased productivity are distributed? The reality is that the winners and losers in markets depend on who can participate and on what terms. Without rules there are no markets, and no market platforms. But what happens to the politics if important market rules are made unchallenged by the platform owners? How can policy encourage labor market arrangements that facilitate innovation, provide protection for workers, are efficient, and promote decent, sustainable lives for citizens? Collective bargaining and the representation of workers operating on digital platforms are key issues.

Collective bargaining can be an instrument enabling gig workers to protect themselves, thereby promoting decent working conditions on the platform. The function of collective bargaining is threefold: workplace democracy, redistribution and efficiency. Gig-workers face an inequality of bargaining power. By means of collective bargaining, they might be able to gain some bargaining power and change the way the workplace operates, and the way they are treated. It is important to bear in mind that collective bargaining allows workers to gain a voice and to take part in decisions on matters that affect their daily lives. That is why it is considered a basic human right. And this is also why it goes along another important aspect that is the representation of workers within digital platforms. How and by whom to represent digital workers is less than

straightforward. Although everybody seems to agree about that we must fight in various ways the monopolistic trends by digital platforms (see Snricek 2017), how to build up power against these monopolistic trends as the way in which to ensure 'democracy at work' for digital workers is uncertain. On the one hand, although traditional trade unions are not insensible to digital workers' needs we do often assist to organizing strategies by independent unions building up capacity to defend the interests of digital workers. On the other hand, 'cooperative platforms' (as platforms owned and controlled by the people themselves) are indicated as a desirable and plausible solution. Yet, all the traditional problems of cooperatives (for example, the necessity of self-exploitation under capitalist social relations) could be made even worse by the monopolistic nature of platforms, the dominance of network effects, and the vast resources behind these companies. Even if all its software were made open-source, a platform like Facebook would still have the weight of its existing data, network effects, and financial resources to fight off any cooperative rival (*Ibidem*).

In any case, the way gig-workers do the job does not seem sufficient reason to deprive them of their right to collective bargaining and representation. On the redistribution of power from employers to employees, once again there are no distinctions between traditional employees and gig-workers. The online platform holds the power. As a result, gig-workers suffer from unfair or unjust terms of engagement just as employees would be subject to in the absence of collective bargaining. Finally, with regard to efficiency, collective bargaining laws were intended to limit industrial conflict, which is obviously detrimental to efficiency. We face the same situation with gig-workers. Collective action against digital platforms has been reported in many parts of the world. Gig-workers can be organized and ready to take industrial action. Contract law is not suited to solve these problems, which will give rise to efficiency issues. In the end, all the questions examined illustrate that there is no difference between traditional employees and gig-workers. These workers on virtual platforms are not, economically speaking, entrepreneurs. On the contrary, they are individuals whose position is much closer to that of employees. Gig-workers are risk-averse, with limited access to financial and insurance markets and, as they are directly dependent on their labour to survive, they cannot diversify their risks nor negotiate their conditions individually.

Hence, we are in need of new 'integrated' spaces of regulation and action for gig-workers. Action in organizations takes place within a context characterized by different (i.e. operating within different organizational spheres) but interdependent actors which find a way collectively to frame action vis-a-vis one another. As Fligstein (1999) argues the purpose is to promote stability for the organizations themselves by finding a political compromise that allows the inter-firm interaction to evolve. Likewise, nation

states after WW2 provided social regulatory schemes. At that time the character of state regulation of labor relations has created important advantages for workers and professions in their different bargaining positions vis-à-vis the employers (Burawoy 1985). Similarly, we can argue that today the role of the state and public policy is crucial in the way in which it can intervene governing the way in which technology (i.e. cloud, big data, algorithms and platforms) is deployed. This implies to avoid technological determinism as technology itself will not directly influence our future and the society at large.

### **3. The role of the state and public policy**

The state should have the right to control the platforms. Antitrust cases and local regulation could break up monopolies and ban exploitative lean platforms. Government agencies can impose new privacy controls and coordinated actions on tax avoidance. Yet, we should not forget about some radical and indirect ways the state can intervene as well. For example, investing the state's vast resources into the technology which is necessary to support these digital platforms and offering them a public utilities. In a recent study on digital platforms in Europe, commissioned by UNIEuropa Global Union, within the scope of a EU project, Ursula Huws, Neil Spencer and Matt Coates (2019) stress the importance of this aspect very clearly. She argues that there is no reason in principle why the technologies on which platform services are based could not be used in ways that contribute to the improvement of working conditions, the development of local economies or to improve the quality of local services, in line with broader European public policies. For example, the improved matching of supply and demand for services enabled by platform technologies, if developed under the control of municipalities or non-profit bodies, or in the form of public-private partnerships, could be used to develop flexible systems for providing household services on a just-in-time basis, ranging from ready meals for people who are sick, older and housebound to emergency baby-sitting services, transport services for the disables or care services that are more carefully tailored to individual needs. They could, in other words contribute to the development of digitally managed welfare states fit for the 21st century. Making household services such as cleaning and maintenance more readily available could also serve to improve work-life balance, by easing the burden of housework which still falls disproportionately on women, thus contributing to gender equality in line with the spirit of the Directive on work-life balance for parents and careers.



Hence, It would be possible to avoid the inequalities in access that are inherent in purely market-based services by integrating these platforms with public service provision. Huws (2019) indicates that it could be useful, for example, to make certain services free to particular categories of users, to introduce means-testing, to apply existing rules on entitlement to public services to platform services, or to provide households with vouchers or a basic income part of which could be used to purchase such services. Placing these platform services wholly or partially under public management would bring them under democratic control, opening up the possibility for local communities to have a say in service prioritization. This would mean to introduce a degree of public control which according to the researchers would support and retain service quality. This is because it could ensure, for example, that all workers are suitable trained, qualified and vetted, that health and safety standards are met and that workers are properly compensated, with employment rights, decent working conditions and entitlements to maternity, paternity and parental leave, sick leave, holidays and pensions.

These policy initiatives are not the only ones. They could also be complemented by other policy steps to address the social protection, wages and working conditions of platform workers more generally. This would include clarification of their employment rights and a reform of social protection systems to better protect workers as often categorized as self-employed in this field. Some new possibilities opened by digitalization could be helpful and be used with this regards. For example the flexibility offered by online platforms for matching supply and demand in real time. This could make it easier to meet the needs of users with unpredictable demands for services, such as people with intermittent medical conditions or workers on on-call contracts, by providing them with just-in-time provision of services (such as emergency baby-sitting or short-term care). It would, further, be possible to combine these platform services with other public goals, such as ensuring that the food delivered is nutritious and ethically or locally sourced.

A local platform strategy could be combined with initiatives to ensure decent working conditions, professional training and employee benefits for the workforce. An integration with existing care and home help services could be achieved where relevant. Such local platform strategies could, in addition to creating new kinds of decent employment in local communities, bring other forms of benefit to local communities. If the platforms provide market services as well as subsidised ones, then the extra value created by them would be more likely to remain in the local economy, generating a range of multiplier effects. Once platforms are set up, there would be no reason in principle to restrict them to providing household services. They could also be used to

create other sorts of employment for local job-seekers, such as, for example supplying business services to local start-ups or SMEs. Consultation with local stakeholders, including local governments and trade unions, would, however, be required to ensure that they were not inadvertently undercutting existing businesses in so doing. Overall, as Huws, Spencer and Coates (2019) argue local economies and communities can benefit of all this in several ways. The value generated by these new economic activities would remain in the local economy; the flexibility offered by digital technology in matching supply and demand in real time would result in better quality services, responsive to the varied needs of local residents; and the improved work-life balance of the local population could release more time for other activities such as creative work, voluntary work or active citizenship.

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