



# Decent Work in the Platform Economy

International Labour Organization

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## Introduction

The “platform economy” emerged in the early 2000s alongside the growth of the Internet, providing opportunities for the production and delivery of a range of services through online marketplaces (platforms). Digital labour platforms take a variety of forms, although it is useful to distinguish between *crowdwork* and *work on demand via apps* (De Stefano, 2016). *Crowdwork* usually refers to activities or services that are performed online, irrespective of the location. Although some of these jobs entail the movement of work from the offline to the online economy, in other instances they are new tasks that permit the smooth functioning of web-based industries, such as content moderation on social media sites, the cataloguing of online products of e-commerce enterprises, and the transcription of YouTube videos. *Work on demand via apps* refers to physical activities or services that are performed locally; typical activities include transportation, delivery and home services. In these cases, an app is used to match labour demand and supply, usually within a geographically defined area.

This technical note provides a brief overview of recent developments in the platform economy in terms of employment, the nature of work and job quality and then outlines major policy issues. The review draws on the existing empirical literature and the ILO’s recent research findings.

## How large is the platform economy?

The exact size of the labour force on the platform is unknown, as reliable data is still scarce and different definitions and methodologies are applied. Despite these limitations, some studies provide a first picture of the extent of the platform economy: Two studies found that about 0.4 to 0.5 per cent of total employment in the US is in the platform economy (Farrell and Greig, 2016; Katz and Krueger, 2016). A study applying a broader definition of crowdworkers revealed that 3 per cent of UK adults performed work via online platforms at least once a week (Huws and Joyce, 2016). Platforms provide more than half of the total income for 2.5 per cent of the adult population in Germany, 2.7 per cent in the UK and 5.1 per cent in Italy (Huws et al., 2017). The diversity among European countries is also reflected in a study by the European Parliament, which found that “between 1 per cent and 5 per cent of the adult population in the EU has participated at some time in paid work in the platform economy” (European Parliament, 2017, p. 38). Canada was the first G7 country to include a set of questions on employment in the platform economy in its official Labour Force Survey 2015/16<sup>1</sup>. The results show that about 0.3 per cent of Canadians had offered

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<sup>1</sup> See <http://www.statcan.gc.ca/daily-quotidien/170228/dq170228b-eng.htm>.

transportation services via apps between November 2015 and October 2016 (StatCan, 2017).

Although employment through digital labour platforms seems to be small, it is expected to expand in the future, as more jobs, or tasks, move from the offline to the online economy. In addition, some developing country governments, including Malaysia and Nigeria, have already adopted strategies to encourage their workers to engage in digital labour (Graham et al., 2017).

## How is crowdwork organized?

Online digital businesses mediate work or services delivered between service providers and customers. Thus, there are typically three parties in the relationship: the crowdsourcer (often referred to as the client or requester), the intermediary (the platform), and the crowdworker. While digital labour platforms present major differences, all of them perform three specific functions: (1) matching workers with demand; (2) providing a common set of tools and services that enable the delivery of work in exchange for compensation; and (3) setting governance rules whereby good actors are rewarded and poor behaviour is discouraged (Choudary, forthcoming). Digital platforms differ in the types of services offered, with some offering the exchange of highly substitutable or standardized work (platforms such as Uber or CrowdFlower), and others providing a space for workers to develop more specialized services and build a network (see, for example, Toptal). This factor may determine to a large extent the price of a crowdworker's labour, but other factors also affect job quality, depending on the architecture of the platform. As the gatekeepers of demand, platforms largely control the ability of workers to interact directly with crowdsourcers, the ability to engage in repeated exchanges with the same customers, and the development of workers' reputations. This combination of factors thus determines the extent to which a particular platform can be considered as an enabler of entrepreneurship and free agency (Choudary, forthcoming).

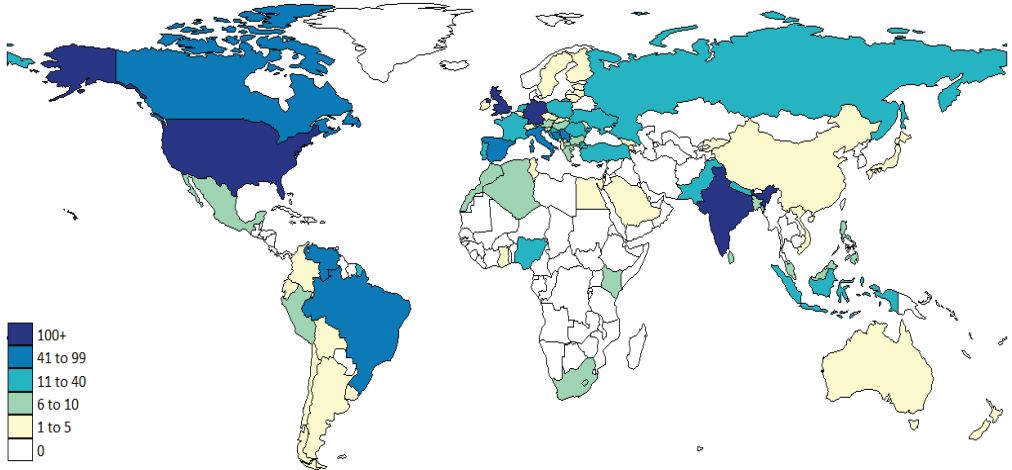
Crowdwork is also organized globally. Surveys conducted by the ILO on English-language micro-task platforms found a sizeable presence of workers in North and Latin America, Western, Central and Eastern Europe, the Russian Federation, as well as South Asia and parts of Africa (figure 1).<sup>2</sup> The survey findings highlight the relevance of

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<sup>2</sup> In late 2015, the ILO conducted a survey of 1,150 workers on two leading micro-task platforms: Amazon Mechanical Turk (AMT) and Crowdflower. This survey was re-run in spring 2017 covering an additional 2,350 workers on the same two platforms of the 2015 survey as well as on three additional platforms (Clickworker, Microworker and Prolific Academic). The objective of the surveys was to understand the working conditions on micro-task platforms as well as the work histories, employment patterns, working conditions and financial security of the workers. The 2017 survey was listed as a "task" on those platforms, with no restrictions as to who could participate, except in the case of AMT, which targeted

crowdwork in G7 countries as a sizable proportion of the survey respondents are based in G7 countries (mainly the US, UK and Germany).

**Figure 1. Countries where micro-task workers live**



Source: Rani and Furrer, forthcoming. Calculations based on ILO survey on crowdworkers, 2017.

Note: The colours indicate the (grouped) frequency of survey respondents.

As crowdwork may be easily conducted anywhere in the world as long as there is a reliable internet connection, many governments and policy-makers in both developed and developing countries have embraced crowdworking as a potential source of good jobs, with beneficial spill-over effects on related sectors (Kuek et al., 2015; Schriener and Oerther, 2014; Nickerson, 2014). Moreover, crowdwork provides flexibility to workers as they can choose when, where, and how they would like to work, as well as decide upon which tasks to perform (Felstiner, 2011; Ipeirotis and Horton, 2011; Barnes et al., 2015). As a result, workers with disabilities or caring responsibilities – as well as residents of rural or economically depressed areas – are highly represented amongst crowdworkers (Zyskowski et al., 2015; Berg, 2016). The platforms are also perceived as an efficient way of doing business, as firms can gain access to a diverse pool of labour at a low cost.

### Policy issues for decent work in the platform economy

Despite the potential of crowdwork platforms to provide employment opportunities, there are a number of concerns related to workers’ unclear employment status, unfair treatment, low earnings, non-payment, lack of social protection, and lack of voice

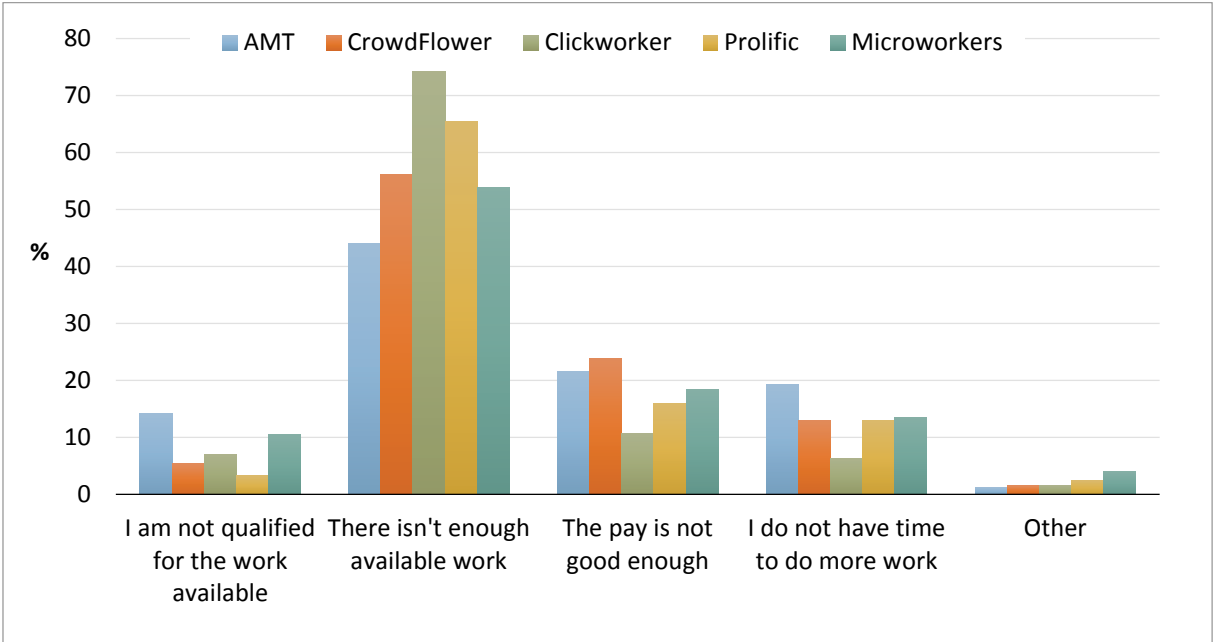
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largely US and Indian workers. As there is no database on crowd workers that allows drawing a random and representative sample from those platforms, the ILO relied on posting small batches of the survey on these platforms at different times of the day and the workers self-selected to participate in the survey. Further information can be found in Berg (2016), Rani and Furrer (forthcoming) and ILO (forthcoming).

(Nickerson, 2014; De Stefano, 2016). Most platforms do not apply employee protection under existing labour laws to the work being done, as workers are primarily hired as independent contractors. While some of these workers may be legitimately self-employed, in other instances they may be misclassified to avoid employment law obligations (Rogers, 2016).<sup>3</sup>

*Underemployment:* While there is flexibility in work, studies reveal that demand for work outpaces supply (Iperiotis and Horton, 2011). As a result, insufficient work is an important concern, with 89 per cent of crowdworkers surveyed by the ILO reporting that they would like to be doing more crowdwork than they are currently doing, even though 44 per cent of them access more than one platform. When asked why they were currently not doing more crowdwork, most reported that “there isn’t enough available work” (49 per cent), with some indicating that the pay was not good enough (22 per cent) (figure 2).

**Figure 2. Reasons for not doing more crowdwork, by platform**



Source: Rani and Furrer, forthcoming. Calculations based on ILO survey on crowdworkers, 2017.

*Low pay:* A number of studies show that crowdworkers receive low pay, at least by the standards of industrialized countries (Felstiner, 2011; Bergvall-Kareborn and Howcroft, 2014). The ILO survey found that earnings varied depending on the platform and the country of the worker (Rani and Furrer, forthcoming). CrowdFlower and Microworkers

<sup>3</sup> Workers have to agree to the terms and conditions set out by the platform with no room for negotiation in order to gain access to work offered on platforms. These terms often contain “independent-contractor clauses” clearly stipulating that the worker is not an employee and that the platform is not obliged to cover any protection or benefits applying to regular employees (De Stefano, 2016).

were the lowest-paying platforms, with workers averaging US\$2 per hour. Prolific Academic and Amazon Mechanical Turk were the highest-paying platforms, with workers averaging US\$4.4 and US\$3.6 per hour, respectively. However, earnings at AMT varied by country of origin, with Indian workers earning almost US\$4 less per hour than their counterparts in the United States.<sup>4</sup> Moreover, 75 per cent of US crowdworkers earned less than the federal hourly minimum wage. An EU study found that pay rates below the statutory minimum wage are also prevalent in European G7 countries: While platform workers in Germany were paid on average 29 per cent less than the statutory minimum wage, the gap widened to 47 per cent in the UK and reached 54 per cent in France (EU, 2017).

Indeed, the low level of pay may be partially attributed to the significant amount of time that workers spend on unpaid work such as looking for tasks, taking qualification tests, and researching clients to ensure they can be trusted to pay. In a typical week, workers averaged 24.8 hours of work, of which 18.6 hours were for paid work and 6.2 hours for unpaid work. This meant that for every hour of paid work, workers spent 20 minutes performing unpaid work. A recent data-driven analysis, which involved a plug-in that tracked the worker log data of approximately 2,500 workers over two years on AMT, found that when unpaid work was taken into account, the mean wages of workers amounted to US\$3.13 per hour (Hara et al., 2018). Despite the concerns about low rates of pay crowdworkers appreciate the opportunity to earn extra money, especially in countries with relatively high rates of un- and underemployment (EU, 2017).

*Failure to pay:* Another issue related to low earnings is that of the failure to pay workers for the tasks they have completed. While the workers are highly flexible to perform their tasks from any location and at any time and do not have a supervisor who oversees them, their work is typically controlled by an algorithm – which has been referred to as “algorithmic management” (Lee et al., 2015). ILO survey findings show that workers with more than six months’ experience face a substantial amount of rejections: 43 per cent have had at least 5 per cent of their work rejected, and 32 per cent have had at least 10 per cent of their work rejected (Rani and Furrer, forthcoming). A number of platforms have rejection clauses (e.g. AMT, Clickworker, Microworkers) which allow the clients/ requesters to reject received work as unsatisfactory with little or no justification, while still being allowed to keep the work (Felstiner, 2011; Berg, 2016).

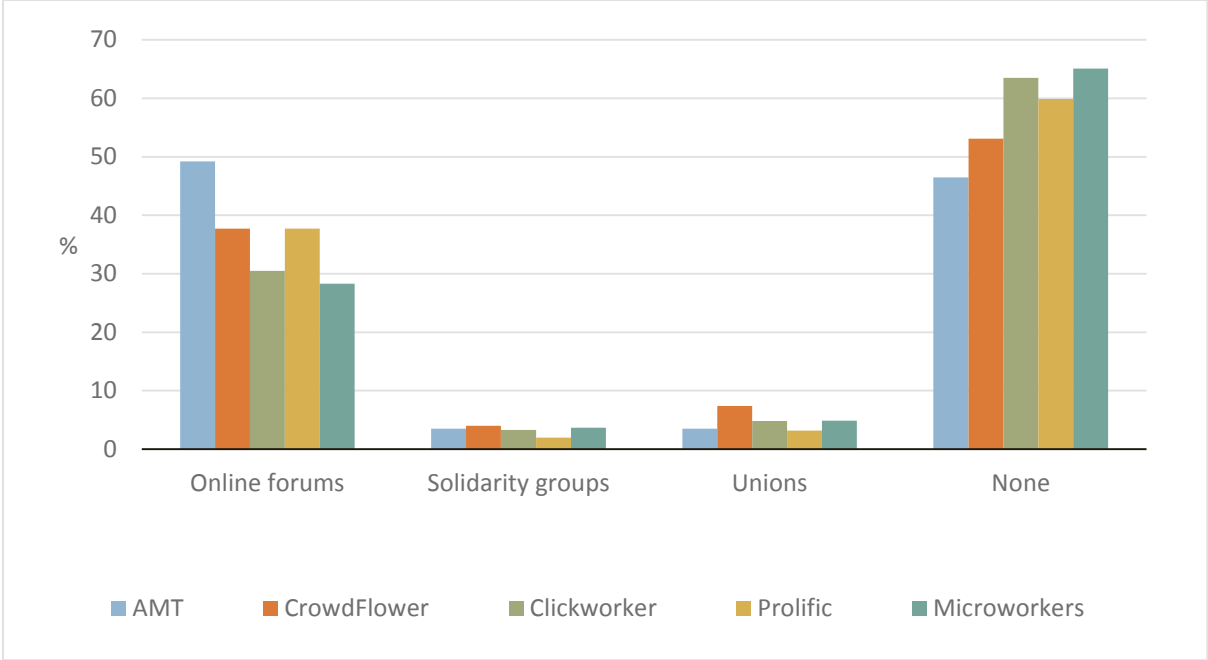
*Channels to raise grievances:* Failures in the payment of workers become even more serious in the light of limited mechanisms for crowdworkers to raise concerns.

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<sup>4</sup> These figures are gross earnings and do not reflect any taxes that may be paid. For example, as independent contractors, US workers are required by law to pay social security taxes as self-employed on their earnings, in addition to income tax.

According to the ILO’s survey, the majority of crowdworkers do not have any formal mechanism available to voice concerns (figure 3). Online forums seem to be the only means to discuss problems or to look for advice related to crowdwork, while trade unions and solidarity groups play a minor part. An attempt to address this situation is the Ombuds Office which was recently established by the German Crowdsourcing Association and the German Metalworkers’ Union, together with eight European crowdsourcing platforms. The Ombuds Office is meant to settle monetary disputes as well as other matters between crowdworkers, contractors, and platforms if an individual agreement cannot be reached in the first place<sup>5</sup>.

**Figure 3. Mechanisms to raise concern**



Source: ILO survey on crowdworkers, 2017.

*Social protection coverage:* An important feature of job quality is whether the job provides protections against risks such as illness, disability and unemployment, as well as preparing workers for retirement. As most digital platforms classify the workers as independent contractors, the workers are solely responsible for the payment of social security contributions, in addition to being excluded from other labour protections. As a result, and given the low level of pay, it is not surprising that only a small share of workers report that they contribute to social security or a pension. In the case of the 56 per cent of workers who state that crowdworking is their main job, only 55 per cent of them report that they have access to health coverage – and only 24 per cent make contributions to their health insurance. The proportions are even lower with respect to pensions: only 25 per cent of workers have access to a pension scheme, and only 15 per

<sup>5</sup> Further information can be found here: <https://ombudsstelle.crowdwork-igmetall.de/rules.html>.

cent make contributions towards a pension. There are regional variations, with workers from Western Europe having better coverage than those from Eastern Europe, Asia, Africa and Latin America (Rani and Furrer, forthcoming).

## Conclusion

Although still in its infancy, the platform economy provides important income and employment opportunities for a growing number of workers. Platform work enables those who would normally be excluded from the labour market on account of disability, care responsibilities illness, or other factors to participate. As this type of work grows, concerns are also emerging about job quality, social protection, and the channels available for freedom of association. Policymakers may wish to address these opportunities and challenges now instead of waiting for the platform economy to grow without appropriate regulatory and other frameworks.



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