

Abstract of advisory report:

[How does the platform economy work?]

[(Hoe werkt de platformeconomie? 20/09)]

This exploratory study of the platform economy examines the nature and position of platform companies, the position of platform workers, and enforcement regarding false self-employment. The Social and Economic Council (“the Council”) carried out the study in response to a motion by the Dutch House of Representatives.

1. Platform companies

Online platforms are part of the increasingly digitalising economy and organise the matching of supply and demand for goods and services. Platforms are a relatively young phenomenon. They came into being through use of the Internet by companies and private individuals and were given a boost above all by the introduction of the smartphone. In the absence of an unambiguous definition of platforms, this study has opted for a scope in terms of content. We limit ourselves here to commercial platforms and discuss them first in broad terms, after which we focus on work platforms.

Commercial platforms

The value of the largest commercial platforms is estimated at over USD 7000 billion worldwide. The platform economy is dominated by seven US and Chinese companies, with a combined market value of EUR 5000 billion (2018).¹ The COVID-19 crisis has given a boost to digitization, from which the major platforms, in particular, have profited. The American and – increasingly – Chinese platforms are widely used and have a major (as yet unquantified) impact: they lead to new products and services, changing value chains, and new issues, including in the area of market organisation and the labour market.

Such big platforms are absent in Europe and in the Netherlands. The platforms in Europe started later and face a number of obstacles, such as the lack of a joint market. However, the Netherlands plays and can continue to play an important role as an international data hub, an infrastructure that is a prerequisite for the work of platforms. Greater attention is now being paid to Europe’s trailing position, and steps are being taken at both national and European level to change this. One important condition for this is that the European rules should continue to be respected. There is close cooperation in Europe and in the Netherlands to tighten up competition policy and other rules, such as those regarding consumer protection, workers’ rights, privacy policy, and taxation.

Features of digital platforms

There are major differences between commercial digital platforms, which vary thematically between those that mediate in work, goods, money, communication, entertainment, and information. What they have in common is that they utilise a new technology to bring together supply and demand. This reduces transaction costs and

¹ KPMG (2018) *Unlocking the value of the platform economy*.

theoretically creates additional demand: users gain access to supply that was previously out of reach for them. Platforms profit from the features of digital information: it is basically free, perfectly copyable, and immediately available. Platforms also collect data on a systematic, large-scale, real-time basis about such things as search behaviour, transactions, and reviews. By utilising algorithms, they continuously adapt their service and improve matching between supply and demand. Because user data is often linked to adverts, use of many platforms is free of charge. Users and workers are not always aware that data is being collected and used or what data that is, or that they are therefore in fact paying, as it were, with the data they have provided free of charge. The use of data and algorithms also enables platforms to scale up and grow faster than traditional businesses. This is a prerequisite for a viable business model; a platform benefits from having as many users and transactions as possible so as to match supply and demand. The value of a platform increases exponentially with the number of users, for both its consumers and providers of products and services.

Platforms influence employment, both directly and indirectly. The direct employment consists both of the jobs created by platforms by bringing together the supply and demand for work through their platforms, ranging from jobs with few educational requirements to jobs for specialists and highly educated workers, and employment at the platforms themselves. The latter mainly concerns jobs for people with higher or secondary education in the commercial, technical, and ICT fields. There are also indirect employment effects due to the fact that platforms compete – with lower (labour) costs – with traditional intermediaries and companies, on the one hand, and offer opportunities for (new) companies to tap into new markets, on the other.

Expectations are that the number of online platforms is set to increase, will enter more sectors of the economy, and will operate more often in a business-to-business environment.

Work platforms

The work that comes about via work platforms is not in itself new; the innovation lies in the way the work is created – in many cases possessing a smartphone, being of the minimum age, and having received a certain amount of instruction are enough to get work – and in the importance of data, ratings, and algorithms.

Some 125 work platforms are active in the Netherlands. Three-quarters of these mediate in work performed on site, while a quarter concern online work. Of the work platforms that mediate in onsite work, those that match various types of jobs and freelancers and babysitting platforms are the most common. The online work platforms mainly involve software development, design, or translation work. Most work platforms in the Netherlands started up since 2010 and are relatively small, with turnover varying between €100,000 and €100 million.²

Besides the afore-mentioned differences in the type of activities in which the work platforms mediate, their working methods also differ. These differences include the algorithms used and the influence they have on the distribution and performance of the work. Some work platforms make use of the possibility of dividing work up into separate small tasks.

2. Platform workers

Proportion and development of platform workers

It is not possible to draw any unambiguous conclusion regarding the number of people working via platforms in the Netherlands. Differences in the definitions and methodology used mean that the estimated proportion of platform workers in the labour force also differs. International comparative research shows that the proportion of platform workers in the Netherlands is easily a factor of ten higher than that revealed by Dutch research. Based on Dutch research, the estimated proportion of platform workers is less

² Many platforms do not wish to share this information.

than 1% of the working population and remained stable between 2017 and 2019. For most workers, platform work supplements their job as an employee or as a “self-employed person without own employees” [a “zfp-er”], but for some of them it is their main activity and their main source of income.

Despite it having grown strongly in the past two decades, the extent of platform work remains limited. Given that the current platforms in the Netherlands display solid growth ambition and there are opportunities for new activities that can also be performed via platforms, the platform economy can still grow considerably. This is partly dependent on the speed with which the technology develops and the extent to which the work is regulated. Policy decisions can play a major role in facilitating the development of platform work.

Type and extent of work

Although most media and policy attention focuses on site-based platform work, the proportion of Dutch platform workers doing online work is currently about twice as high. The online activities most frequently performed in the Netherlands are writing and translation, software development, creative work, and multimedia. Most of the site-based platform workers deliver meals. Another frequent activity is the provision of domestic services. The remaining site-based platform workers are active mainly in professional services and passenger transport.

Features of platform workers

People working via “gig” platforms are, on average, more likely to be male, younger and better educated than non-platform workers, and more likely to have a migration background. They also more frequently have a household with children. There is, however, a great deal of variation associated with the type of platform work: meal-delivery workers are relatively young and taxi drivers are almost always men, whereas cleaners are almost always women. Cleaners and deliverers have a relatively low level of education, while platform photographers and Dutch taxi drivers are relatively highly educated. Research has shown that platform workers often perform work that is below their educational level, but the opposite also occurs.

Reasons and satisfaction

People who work via platforms choose to do so in order to earn an income (or additional income) and because they feel a need for flexibility and autonomy. For self-employed entrepreneurs, this is one of the channels for acquiring assignments. In addition, the low access threshold for platform work is attractive for people who find it difficult to get a regular job in any other way. Most platform workers do this work “on the side”, but for a quarter of platform workers it is their main source of income.

Although most platform workers are satisfied with their work, many of them quickly quit because they have found other work, because the work pays too little, because there is not enough work, or because the other conditions are unsatisfactory.

Employment relationship

The overwhelming majority of platform workers work as contractors. A minority are employed on the basis of an employment contract. In actual practice, these are mainly flexible contracts, in particular zero-hours contracts. Some platform workers are employed on the basis of the “Home Services Regulations” [*Regeling Dienstverlening aan Huis*].

There is a great deal of discussion about the status of platform workers under employment law. In the Netherlands, most work platforms have geared their business model to working with *zfp-ers*. The role that a platform then plays in actual practice in the allocation and performance of the work regularly raises the question of whether the platform is not in actual fact an employer (and there is thus a contract of employment). This has consequences for the position of the platform worker concerned under employment law, and also for the options for making use of social security provisions.

This discussion can be seen as part of the broader debate about *zpp-ers*, with the platform economy putting that debate under a magnifying glass, as it were.

Income and earnings

The “gig-related” nature of platform work means that income is uncertain and also highly dependent on the nature of the work. On platforms offering online assignments, there is often fierce international competition between workers, resulting in lower earnings. The earnings for that type of work may be below the minimum wage in the country concerned, and the tasks involved are also often very brief. Project-related and site-based services often pay better, but that income can still be low because of the irregular nature of the work, the waiting time between assignments, and because, in the case of *zpp’ers*, one must allow for general costs and reserves for such things as illness, disability, lack of work, training, and pension. Workers with a high and/or specialised professional and educational level can sometimes earn more gross hourly income via platforms than a salaried worker would, but here too account must be taken of the costs they still need to incur as *zpp’ers*.

In the Netherlands, a site-based platform worker earned an average of EUR 646 (gross) per month in 2019 via the platform for which he or she was most active. That amounts to an average of EUR 15 (gross) per hour (including unpaid time). There is great variation in the level of remuneration: a quarter receive a maximum of EUR 8 (gross) per hour – which is less than the statutory minimum wage – while a quarter receive a minimum of EUR 19 (gross) per hour. Online platform workers earn about the same amount per month via the platform for which they are most active as onsite workers, but they work fewer hours per week, meaning that their hourly wage is on average higher, namely EUR 25 (gross) per hour. This includes, for example, such work as designing websites and logos and translating texts. Both site-based and online platform workers who are deployed as *zpp’ers* also have to pay their operating costs and put aside reserves for social risks.

Training and development

Platform companies usually invest little or nothing in training and development. This is often because of fleeting employment relationships and/or tight margins, but also because of work platforms’ fear of being viewed as employers. On the other hand, platform work – depending on the type of work – can also offer opportunities for developing skills and building up a CV.

Labour relations

Platform workers who work as *zpp’ers* do not have formal participation rights pursuant to the Dutch Works Councils Act (WOR). Platform workers who wish to unite with a view to participating collectively may experience practical obstacles, for example because they do not have a fixed workplace, often carry out their work individually, and often do not know their colleagues

Collective agreements on terms and conditions of employment are not often (yet) in place within the platform economy. This has to do with such things as the blurring of distinctions between sectors, the deployment of *zpp’ers*, relative unfamiliarity with the mechanism of the collective labour agreement in this part of the economy, and the desire of some platform companies not to be subject to a collective labour agreement. As a result, questions arise as to the suitability and applicability of collective labour agreements in the platform economy, sometimes leading to legal proceedings. For employers, this means that an uneven playing field can develop between companies that compete within the same market but do not apply (or do not have to apply) the same minimum terms and conditions of employment. This becomes problematical if terms and conditions have been declared universally binding and therefore apply to all companies in a sector.

Working hours and working conditions

A significant proportion of platform workers perform this work in addition to a “regular” job or devote a full working week to it. This can lead to very long working days. There

may also be pressure to work many hours for the platform or to perform assignments quickly, thus increasing the risk of unsafe situations. It appears that platform workers not only work irregular hours but also often work in the evening and at night, and that they also run a relatively high risk of an accident at work or work-related harm to their health, particularly when they are young and inexperienced. Finally, working for a platform can be a source of stress, for example if the amount of work a person is assigned depends on the number of jobs he or she accepts, the speed with which he or she carries them out, and the ratings received.

3. Enforcement

The Dutch Tax and Customs Administration [*Belastingdienst*] and the Labour Inspectorate [*Inspectie SZW*] are involved in enforcement of legislation and regulations regarding how employment relationships are classified. These are general enforcement tasks, i.e. not aimed exclusively at platform workers. The Tax and Customs Administration is responsible for enforcement of the provisions regarding wage deductions and social insurance contributions, while the Labour Inspectorate deals with compliance with labour legislation and legislation on working hours and working conditions.

Enforcement regarding the correct classification of employment relationships by the Tax and Customs Administration is inadequate. An enforcement moratorium has been in place since 2016, as a result of which enforcement regarding the correct classification of employment relationships for the purpose of wage deductions (tax and social security contributions) has not taken place for years. The enforcement moratorium applies until 2021. Discussion about the classification of the employment relationship of many platform workers is leading to legal proceedings and an enforcement vacuum at the Tax and Customs Administration. It is often difficult for the Labour Inspectorate's inspectors to establish the nature of the employment relationship. False self-employment is not a punishable fact for the Inspectorate, and if it turns out that labour legislation is being complied with regardless of the employment relationship, no further investigation can be carried out into false self-employment.

4. Conclusions and points to consider for policymakers

Employment relationship of platform workers

The employment relationship of platform workers is often unclear. Are they employees or (self-employed) entrepreneurs? Most work platforms deploy workers as if they are *zzp'ers*, but it is questionable whether that is always correct. The nature of the employment relationship determines the applicability of collective labour agreements and other workers' rights, and is therefore very important for the position of workers. The Council recommends that decisions on this matter be taken quickly, and that oversight by the Tax and Customs Administration and the Labour Inspectorate be stepped up rapidly.

Fair income, safe work

The Council's second conclusion concerns decent work, meaning that people earn a fair income and are entitled to social protection, training, participation, and safe work. Part of the platform economy falls short in this regard. Platform workers who work onsite, such as cleaners, drivers, and meal-delivery workers, often have little security, low earnings, and no right to social security such as unemployment benefit. For online platform work, remuneration is often even lower, due to the greater supply of work and competition from platform workers from low-wage countries. In addition, work platforms often utilise algorithms to distribute and direct work, which can affect the autonomy and privacy of platform workers. In order to improve this situation, Dutch and EU legislation need to be properly aligned, with attention being paid to the differences in the working methods of the platforms.

Level playing field

Thirdly, the Council notes that new entrants, such as platforms, may distort the market if they are not subject to the same rules as other enterprises, for example rules concerning taxation or the use of data. A European approach is needed so as to ensure a level playing field and to protect the rights of entrepreneurs and consumers. The aim in this regard must be to prevent unfair competition and undesirable positions of power. At the same time, however, such new entrants encourage other companies to update the way they work, their products, and their services.

New technologies

Finally, the Council wishes to emphasise that the platform economy offers many opportunities. People can find work relatively easily via a platform, consumers are given more choice and service, and companies can realise greater turnover. In order to make better use of the opportunities that the platform economy offers, the Netherlands will have to do more to develop and implement new technologies. This calls for more venture capital, more appropriately trained staff, especially at the larger platforms, and investment in digital skills. Employers, employees, government, and the platform companies need to work together on this.