

Impact case study (REF3)

Institution: University of Oxford		
Unit of Assessment: 21 - Sociology		
Title of case study: Informing Policy for Successful Management of Digital Transformation of European Labour Markets		
Period when the underpinning research was undertaken: 2016 – 2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Vili Lehdonvirta	Professor of Economic Sociology and Digital Social Research	01 May 2016 - present
Otto Kässi	Researcher	01 Dec 2015 - 25 Sept 2019
Isis Hjorth	Researcher	01 Nov 2010 - 23 May 2018
Fabian Braesemann	Researcher	13 Mar 2017 - present
Alex J. Wood	Researcher	01 Nov 2015 - 31 Aug 2019
Period when the claimed impact occurred: 2017- 31 December 2020		
Is this case study continued from a case study submitted in 2014? N		
1. Summary of the impact (indicative maximum 100 words)		
<p>Studies by a team of researchers within the Oxford Internet Institute, led by Professor Lehdonvirta, on labour mediated by online platforms has informed senior European Union policymakers on how to best manage the impacts of digitalization on labour markets and the economy more generally. Lehdonvirta's research has shaped policy recommendations that have led to European legislation on Platform to Business trading practices; and his research and work for and with the European Commission (EC) Observatory on the Online Platform Economy has fed into legislative proposals for a Digital Services Package put before the European Parliament in December 2020. Lehdonvirta's research into taxation and the online platform economy has informed a new EC initiative on tax compliance, which manifested in a new Tax Package, adopted by the commission in July 2020.</p>		
2. Underpinning research (indicative maximum 500 words)		
<p>Labour markets are in the midst of a dramatic transformation, with standard employment increasingly supplemented by temporary "gig work" mediated by online platforms, ranging from food delivery to software development. The research of Professor Lehdonvirta, together with his team within the Oxford Internet Institute (OII), looks at the challenges faced by gig workers, and the economy as a whole, by this development.</p> <p>Platform labour promotes labour market inclusion because the barrier to entry for workers is low. In R1 Lehdonvirta and co-authors from the OII - Otto Kässi, Isis Hjorth and Mark Graham, along with Helena Bernard (Pretoria), examine how workers located in emerging-economies survive and thrive. An analysis of transaction records from a leading platform, supplemented with interviews with online workers from the Global South, R1 finds that individuals choose online labour platforms when they provide a better return on their skills and labor than employment at a local (offshoring) firm. The platform acts as a signaling environment that allows workers to inform foreign clients of their quality, in particular allowing those from emerging economies to partly overcome the effects of negative country stereotypes.</p>		

Towns and cities have always tended to pull in job-seekers, widening the gap with rural areas; in **R2** Lehdonvirta, Braesemann (OII) and Kässi argue that online labour platforms are countering this trend. Analysing data from a leading online labour platform in more than 3,000 urban and rural counties in the US, they find that rural workers made disproportionate use of online labour markets, and also tended to offer more skilled work to the online market than urban workers.

While gig economy workers experience a good deal of autonomy and task variety, the downsides include income insecurity and social isolation, exacerbated by poor access to social protection schemes designed around standard employment. In **R3**, OII researchers Alex Wood, Graham, Lehdonvirta and Hjorth evaluate job quality in the Southeast Asian and Sub-Saharan African gig economies, drawing on interviews and survey data to show that algorithmic control (eg. automated ranking of workers based on reputation data) is central to the operation of online labour platforms. While it offers workers high levels of flexibility, autonomy, task variety and complexity, algorithmic control can also result in low pay, social isolation, unsocial and irregular hours, overwork and exhaustion.

In **R4** Wood and Lehdonvirta argue that the poor working conditions are in part a consequence of online gig workers' weak bargaining power and dependence on platform companies. Drawing on ethnographic evidence from the US, UK and the Philippines, the authors argue that labour platforms create new forms of worker dependency through monopolistic market structures, such as reputation data lock-in, and platforms withholding client data from workers, thus preventing them from leaving the platform. This results in a 'structured antagonism' manifesting in conflicts over platform fees, pay rates, and lack of worker voice. While platform workers are often legitimately considered as self-employed contractors by their clients, platform companies should understand them to be in a dependent relationship; and therefore workers should not be denied the right to collective representation.

One difficulty faced by policy makers and regulators is that conventional labour market statistics and economic indicators are ill-suited to measuring online gig work, making the size of the gig economy hard to assess. To address this, Kässi and Lehdonvirta developed the Online Labour Index (OLI) [**R5**], an economic indicator that approximates conventional labour market statistics. By tracking the supply of work on online gig platforms in near-real time, it measures online labour across countries and occupations, and publishes it in an interactive online visualisation.

While the above work highlights the great potential of online platforms for regional economic development, the income earned through these digital intermediaries presents a challenge for the collection of income tax and social insurance contributions. In **R6** Lehdonvirta, with Daisy Ogembo (Research Fellow in Law, University of Oxford), evaluate the efforts of Denmark, Estonia, and France to obtain data on platform users' earnings directly from platform companies, including Uber and Airbnb. He assesses the viability of scaling up these national initiatives into an EU-level "Digital Single Window" that would facilitate the automated reporting of income data by platforms to national tax and social security agencies, allowing collection according to national rules and integrating online work into the formal economy.

3. References to the research (indicative maximum of six references)

[R1] Lehdonvirta, V., Kässi, O., Hjorth, I., Barnard, H., and Graham, M. (2019) The Global Platform Economy: A New Offshoring Institution Enabling Emerging-Economy Microproviders. *Journal of Management* 45(2): 567-599. <https://doi.org/10.1177/0149206318786781> [output type: D]

[R2] Braesemann, F., Lehdonvirta, V., & Kässi, O. (2020) 'ICTs and the Urban-Rural Divide: Can Online Labour Platforms Bridge the Gap?' *Information, Communication & Society*. <https://doi.org/10.1080/1369118X.2020.1761857> [output type: D]

[R3] Wood, A., Graham, M., Lehdonvirta, V. and Hjorth, I. (2019) Good gig, bad gig: autonomy and algorithmic control in the global gig economy. *Work, Employment and Society* 33(1): 56-75. <https://doi.org/10.1177/0950017018785616> [output type: D]

[R4] Wood, A. and Lehdonvirta, V. (preprint published online March, 2019) Platform labour and structured antagonism: understanding the origins of protest in the gig economy. <http://dx.doi.org/10.2139/ssrn.3357804> (Forthcoming, *Socio-Economic Review*) [output type: U]

[R5] Kässä, O. and Lehdonvirta, V. (2018) Online Labour Index: Measuring the Online Gig Economy for Policy and Research. *Technological Forecasting and Social Change* 137: 241-248. <https://doi.org/10.1016/j.techfore.2018.07.056> [output type: D]

[R6] Ogembo, D., & Lehdonvirta, V. (2020) 'Taxing Earnings from the Platform Economy: An EU Digital Single Window for Income Data?' *British Tax Review* [2020](1): 82-101. <https://ssrn.com/abstract=3576426> [output type: D]

R1-4 are part of a body of work derived from research carried out as part of an ERC funded project, led by Lehdonvirta, entitled *Online Labour: The Construction of Labour Markets, Institutions and Movements on the Internet* (EUR1,499,911, Sept 2015-Aug 2021).

4. Details of the impact (indicative maximum 750 words)

Policy makers around the world are grappling with how to manage the challenges presented by the growing digitalization of labour markets and the economy more generally. As part of the European Digital Market Strategy **[E1a]**, formally announced in February 2020, the European Commission (EC) has been engaged in upgrading the rules governing digital services in the European Union (EU), culminating in the Digital Services Act Package **[E1b]**. Lehdonvirta's research has contributed to this process through a number of routes, outlined below.

Informing EU regulatory agenda on digital platforms: Platform-to-Business (P2B) trading practices regulation

Throughout 2017 and 2018, civil servants at the EC's Directorates-General Communications Networks, Content and Technology's (CNECT) E-Commerce and Online Platforms unit held a series of meetings with Lehdonvirta while preparing the proposal text for new EU rules aimed at promoting fairness and transparency for business users of online intermediation services, widely known as the online Platform to Business (P2B) regulation **[E2a]**. Lehdonvirta's research **[R3, R4]** highlighted the need to address the power imbalance between platforms and businesses/workers, including issues such as algorithmic control, reputation data lock-in, and the withholding of client data from workers. The final regulation, which became European law in July 2019, contains several provisions on these issues. Article 5 ("Ranking") deals with opaque algorithms by requiring platforms to '*set out in their terms and conditions the main parameters determining ranking and the reasons for the relative importance of those main parameters as opposed to other parameters*' **[E2b §5]**. Article 9 ("Access to data") aims to solve the problem identified in **R4** regarding the withholding of data, and requires platforms to '*include in their terms and conditions a description of the technical and contractual access, or absence thereof, of business users to any data on themselves and on buyers*' **[E2b §9]**. Lastly, the need for more transparency in platform companies' activities to enable statistics production identified in **R5** is reflected in the regulation which requires platforms to publish statistics such as the '*total number of complaints lodged, the main types of complaints, the average time period needed to process the complaints and aggregated information regarding the outcome of the complaints*' **[E2b §11]**.

The new P2B came into force in July 2020 and required practical practice changes by online platforms **[E2c]**. Henceforth, they are obliged to make their standard terms and conditions more transparent; and it is also compulsory for such platforms to inform businesses how they treat and rank goods or services offered by themselves or by businesses they control compared to third party businesses; and businesses should be informed how platforms can influence their ranking position. A review and update of the regulation is expected in the next few years, to which

Lehdonvirta is formally contributing through his appointment to the related expert group, detailed below.

Along with the new EU P2B regulations, the Commission created the Observatory on the Online Platform Economy to '*monitor the platform economy's evolution in order for policy-making to be more information-based and targeted*', composed of a group of experts in the field of the online economy and a dedicated team of Commission officials [E3a, p.2]. Lehdonvirta was appointed to the expert group which had its first meeting in September 2018 [E3b]. At this meeting, they concluded that one of the activities required to meet its goal was to identify '*suitable quantitative measures or indicators on the platform economy*' [E3c, p.5]. To this end, Lehdonvirta proposed the establishment of, and was appointed to chair, a subgroup on 'Measurement and economic indicators'.

In summer 2019, this subgroup issued a report with recommendations for the monitoring and measurement of the platform economy to allow effective regulation, citing Lehdonvirta's research among other sources [R4, E3c, p.34]. This report was one of three preliminary reports produced by the expert group designed to feed into the European Commission's work priorities in the digital area as outlined in its data strategy, and '*will provide evidence for the upcoming initiative on the ex-ante regulation of platforms with significant network effects as part of the Digital Services Act Package*' [E3c].

Access to social protection and collective representation for platform workers

In 2018 Lehdonvirta was also appointed to the EC's High-Level Expert Group on the Impact of the Digital Transformation on EU Labour Markets, a role he was selected for, according to the Head of Unit, Digital Economy and Skills within the Directorate General CNET, '*in recognition of his academic expertise and his demonstrated ability to turn his research into concrete recommendations for policy-makers*' [E4]. The 10-member group published its final report in April 2019 [E5] [R1-2, R4-5]. Of the nine policy recommendations contained in the report, Lehdonvirta led the drafting of four: equalizing the administrative treatment of standard and non-standard work arrangements; reinvigorating social dialogue, including by ensuring that platform workers are not denied the right to collective representation [R1-3, R4]; creating social protection which is neutral with regards to the form and technology of employment; and creating a "Digital Single Window" for employment contributions and taxes [R6].

The recommendation to ensure platform workers' right to collective representation arises from the status of many of them as self-employed. Self-employed workers are considered by EU competition law not to be employees but businesses, and therefore collective bargaining by such workers may be prevented by the EU competition rules [R4]. Following the expert group report, in June 2020 the European Commission launched a process to address the issue of collective bargaining for the self-employed which involved a public consultation and close engagement with trade unions and employers' organisations. The aim, according to Executive Vice-President in charge of competition policy, was '*to ensure that those who need to can participate in collective bargaining without the fear of breaking EU competition rules*' [E6].

The recommendation to create a Digital Single Window - that is, a Union-wide system of receiving earnings data from platform companies for the purposes of taxation and social protection - resulted in a request by the Commission to Lehdonvirta to '*develop a conceptual paper*' [E7]. The resulting study [R6], according to a spokesperson for the EC Directorate General for Employment and Social Affairs, '*has been positively received by various services of the Commission. In fact, a new initiative on tax compliance and fight against tax fraud builds on some of the concepts developed by Professor Lehdonvirta and his colleagues*' [E7]. This initiative, outlined in an Action Plan consultation published in February 2020 and aimed at making taxation simpler and thereby cutting fraud opportunities, includes elements of the Digital Single Window, such as the provision of tax data from digital platforms direct to tax authorities [E8a]. This new Tax Package was adopted by the European Commission on 15 Jul 2020 [E8b]. '*This*', the spokesperson concluded, '*is an excellent example of how research supports policymaking and joint work with academia leads to improved public policy*' [E7]

5. Sources to corroborate the impact (indicative maximum of 10 references)**E1. European Digital Market Strategy:**

- a) European Commission: Shaping Europe's Digital Future
- b) EC: The Digital Services Act Package: <https://ec.europa.eu/digital-single-market/en/digital-services-act-package>

E2. Platform to Business Regulation (EU) 2019/1150 of the European Parliament and of the Council of 20 June 2019 on promoting fairness and transparency for business users of online intermediation services, PE/56/2019/REV/1 (11 July 2019),

- a) Proposal for a regulation of the European Parliament and of the Council on promoting fairness and transparency for business users of online intermediation services (26 April 2018), <https://ec.europa.eu/digital-single-market/en/news/regulation-promoting-fairness-and-transparency-business-users-online-intermediation-services>
- b) The legislation <https://eur-lex.europa.eu/eli/reg/2019/1150/oj>
- c) Platform-to-business trading practices – EC website <https://ec.europa.eu/digital-single-market/en/platform-business-trading-practices>
- d) Questions and Answers – EU negotiators agree to set up new European rules to improve fairness of online platforms' trading practices

E3. European Commission, Expert group to the EU Observatory on the Online Platform Economy

- a) Commission Decision of 26.4.2018 on setting up the group of experts for the Observatory on the Online Platform Economy
- b) Expert Group to the EU Observatory on the Online Platform Economy, website announcement <https://ec.europa.eu/digital-single-market/en/expert-group-eu-observatory-online-platform-economy>
- c) Progress Report, Expert Group for the Observatory on the Online Platform Economy: 'Work stream on Measurement & Economic Indicators' (2019) https://ec.europa.eu/newsroom/dae/document.cfm?doc_id=68357

E4. Statement from Head of Unit, Digital Economy and Skills, DG CNECT

E5. Report of the High-Level Expert Group on the Impact of the Digital Transformation on EU Labour Markets (April 2019), <https://ec.europa.eu/digital-single-market/en/news/final-report-high-level-expert-group-impact-digital-transformation-eu-labour-markets>

E6. European Commission, *Competition: The European Commission launches a process to address the issue of collective bargaining for the self-employed*, Press release, 30 June 2020. https://ec.europa.eu/commission/presscorner/detail/en/IP_20_1237

E7. Statement from European Commission, DG EMPL

E8. European Commission - Tax fraud and evasion

- a) Action plan on fraud / evasion and simpler taxation - <https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12233-Action-Plan-on-fight-against-tax-fraud>
- b) European Commission website – Package for fair and simple taxation - https://ec.europa.eu/taxation_customs/general-information-taxation/eu-tax-policy-strategy/package-fair-and-simple-taxation_en