THE FUTURE OF WORK

New forms of employment in the Eastern Partnership countries: Platform work

Summary note

This summary note presents the main findings from a research on new forms of employment – one of several European Training Foundation's (ETF) actions supporting knowledge development on the future of work and analysing the impact of global trends on human capital: its formation, development and utilisation. The study aims to fill the knowledge gaps on emerging platform work in the Eastern Partnership (EaP) countries and to create a more thorough knowledge base for informed policy actions in these countries. The reflection focuses primarily on how to build on opportunities while mitigating the challenges brought by the new trends.

The evidence informing the study was collected through desk research, country-specific and platform-level interviews and the analysis of the Online Labour Index[1] datasets. Additional big data analytics were applied through automatic data collection from three selected platforms: Weblancer.net (Russian language), Guru.com and Freelancer.com (English language).

PLATFORM WORK

'Platform work is all labour provided through, on, or mediated by online platforms in a wide range of sectors, where work can be of varied forms, and is provided in exchange of payment.'
European Commission, Directorate-General for Employment, Social Affairs and Inclusion

The ETF's analysis focuses on two broad types of platform work:

■ digital labour platforms for remote services: remote delivery of electronically transmittable services (e.g. via freelance marketplaces);
■ digital labour platforms for on-location services: where delivery of services is physical, although matching and administration services between consumers and service providers are digital.

KEY FINDINGS

New forms of employment, including platform work, are emerging globally. The EaP countries – Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine – are no exception. Various forms of online and platform work already exist in the countries and there are sufficient grounds to expect that this phenomenon will grow in the near future. However, its prevalence differs significantly between the countries. While Ukraine and, to a lesser extent, Belarus are already globally recognised as being among the European leaders in highly qualified platform labour, in Georgia, Azerbaijan and Moldova these forms of employment are still emerging. Although Armenia has not previously been recognised as a prominent country for platform workers in the regional interviews, the media and earlier research, our findings indicate a relatively high prevalence of platform work among Armenian freelancers.

New forms of employment can be viewed as both a result and a manifestation of the economic, labour market and societal transformations in these countries, these being driven by global trends. Technological advancements and digitalisation bring new employment dynamics that challenge standard full-time employment on multiple fronts: augmenting remote work or so-called teleworking,

---

[1] https://ilabour.oii.ox.ac.uk/online-labour-index/

ETF
Working together
Learning for life
European Training Foundation

fostering short-term and flexible working arrangements and increasing the number of casual or project-based labour contracts.

Workers from all the countries access international Russian- and English-language web-based platforms. The most widespread web-based engagement relates mainly to higher-complexity specialist work in the information and communications technology (ICT) sector (software development and technology) and in the creative and multimedia industry, in line with the labour market demand. On-location international platforms are also present in the countries, and already face strong competition from locally grown platforms. The most widespread types of on-location platform work in the region are ride-hailing and delivery services conducted via mobile apps.

The impact of the Covid-19 pandemic varies across the countries and the types of platform. Lockdowns introduced by the authorities resulted in a drop in demand for on-location services such as ride-hailing. Although the demand for taxi services has fluctuated depending on the restrictions imposed in each country, the pandemic has stimulated higher demand for delivery services and increased competition between companies providing such services. At the same time, the situation has particularly encouraged remote platform work, also due to lockdowns and the rise in unemployment in the traditional economy. This type of work appears not to have suffered substantially, with information technology (IT) and software development services, as well as creative and multimedia services, benefiting from an increased demand in the longer run. The pandemic has also fostered online work, showing the need for countries to increase their digital preparedness through better access to digital infrastructures and improved digital literacy.

The emergence and growing popularity of remote and freelance work, including through labour outsourcing for clients in the developing EaP economies, are likely to be linked to its flexibility and job creation features in the context of underperforming labour markets. The growth of high-complexity web-based platform work in the EaP region is driven by the demand for these skills around the world, but is also conditioned by the presence of a qualified workforce. International clients appreciate the skills offered, the motivation of workers, the convenience, and the availability and lower costs of the Eastern European workforce. In this sense, remote platform work is part of the general and increasing trend of outsourcing highly qualified workers from the EaP region to other regions both through and outside online labour platforms.

New business models driven by innovation also have potential to contribute to competitiveness and employment growth, including through new entrepreneurial activities. International platforms face local competition, and new companies and start-ups are appearing, offering new services and workplaces, particularly for physical services delivery. Online platforms also ease entry into the labour market, enable individuals to offer their services to international clients, and provide new sources of income. At the same time, a particular feature has been observed in the region, especially in Belarus and Ukraine, as it is not only individual workers that are competing on international labour platforms, but also bigger groups, organisations and companies. These organisations collect orders through a single account, divide the labour into simpler tasks, and allocate the work among freelancers who, as new entrants, might face difficulties in competing for assignments, do not have sufficient capacity to complete them, or do not have sufficient foreign language skills.

Notwithstanding the significant potential of platform work to create jobs at all skills levels and reduce incentives for migration, it is difficult to clearly assess its current capacity to offset outward migration and brain drain. However, this might prove to be easier in the future if platform work continues its strong growth.

Platform work brings many opportunities, but at the same time many risks. One serious challenge in this scenario is the increasing exposure of workers to global competition.
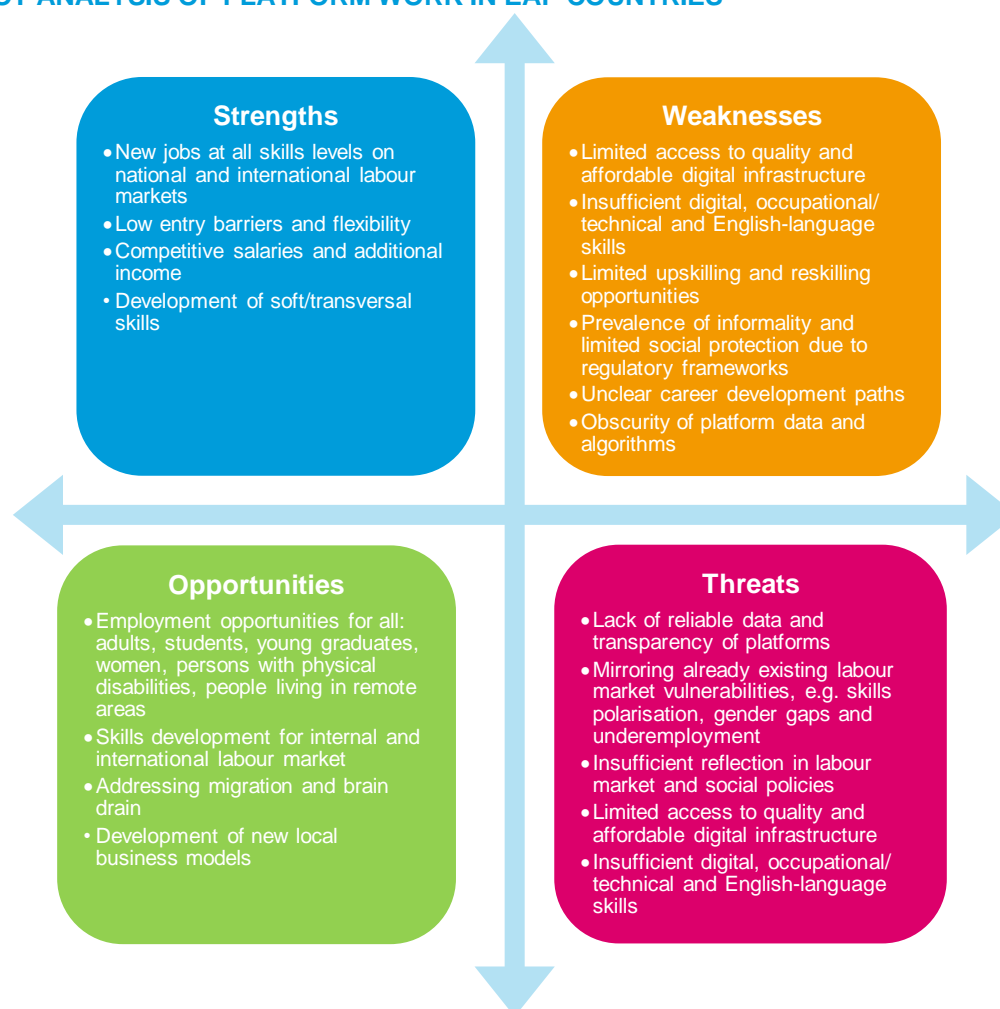
Policy actions will need to ensure that national rules protect workers, while maintaining the flexibility and innovation potential of the platforms.

With all the opportunities the platforms may bring, they visibly challenge the existing markets and their operators and practices, and raise concerns about the quality of jobs they offer. Platform work mirrors existing labour market vulnerabilities in the six countries, such as widespread informality, skills polarisation, gender gaps and underemployment.

Furthermore, according to the research conducted so far, the inclusiveness potential of platforms for individuals who are in a less favourable situation in the labour market in terms of gender, geographical access, age or disability has not yet been exploited. The evidence collected shows the occurrence of a kind of 'creaming effect', with a predominance on the platforms of young and highly skilled male workers who live in urban areas and provide services remotely. Such individuals also profit from better pay from international clients than their peers in the offline economy. This is another particular feature of the region, showing the potential of digital work to provide decent pay in the context of developing countries. Those who use the platform for supplementary income without becoming dependent on it are usually satisfied and have a great sense of autonomy.

However, platform work can also reinforce disadvantages and push individuals towards the opposite extreme: underemployment, limited incomes and the low-skills trap. The gender gaps are substantial in all the countries and for all types of platforms work, with the minor exception of writing and translation tasks, for example in Ukraine. Similar to the offline labour market, geographical location remains important, with urban areas providing more work opportunities, with better access to internet infrastructure in general and a client base for on-location platform work in particular.

ETF
Working together
Learning for life
European Training Foundation

SWOT ANALYSIS OF PLATFORM WORK IN EAP COUNTRIES

Strengths
- New jobs at all skills levels on national and international labour markets
- Low entry barriers and flexibility
- Competitive salaries and additional income
- Development of soft/transversal skills

Weaknesses
- Limited access to quality and affordable digital infrastructure
- Insufficient digital, occupational/technical and English-language skills
- Limited upskilling and reskilling opportunities
- Prevalence of informality and limited social protection due to regulatory frameworks
- Unclear career development paths
- Obscurity of platform data and algorithms

Opportunities
- Employment opportunities for all: adults, students, young graduates, women, persons with physical disabilities, people living in remote areas
- Skills development for internal and international labour market
- Addressing migration and brain drain
- Development of new local business models

Threats
- Lack of reliable data and transparency of platforms
- Mirroring already existing labour market vulnerabilities, e.g. skills polarisation, gender gaps and underemployment
- Insufficient reflection in labour market and social policies
- Limited access to quality and affordable digital infrastructure
- Insufficient digital, occupational/technical and English-language skills

ADDRESSING THE CHALLENGES

Connectivity remains a key challenge for the further expansion of the digital platform labour economy. Access to high-quality internet is the core precondition for the spread of platform work. Although digitalisation is recognised by all EaP countries as a crucial trend influencing the labour market, both now and in the future, significant gaps remain. Compared to the situation in EU countries, the indicators on internet access and use are still considerably lower in the EaP region. Only in Belarus is the level of broadband subscription similar to that in the EU, while in other countries the level is only half, at most, of this rate. In Ukraine, Georgia and Armenia the share of the population using the internet is also significantly lower than in the EU and other EaP countries, according to World Bank data. Most internet users – like platform workers – are concentrated in cities and the coverage in rural areas is more limited. Most of the disadvantaged groups – such as women, older people or those from ethnic minorities – also tend to have poorer access to digital technologies.

Regulatory frameworks in the area of labour and self-employment in the region are not well suited to accommodating and promoting platform work and other new forms of employment. The labour laws currently in force in EaP countries – often with strong Soviet legacies – build mainly on the traditional

ETF
Working together
Learning for life

European Training Foundation

understanding of (full-time) employment, with an employee who is based in the company or on location and whose employment is established through a traditional labour contract with the company. National civil laws regulate self-employment that relates to individual entrepreneurial activities, but these arrangements are also often not well suited to flexible freelance work and other non-traditional forms of employment.

Informal work arrangements are very common in the platform work economy in the EaP region, replicating the general labour market issues in the online work environment. The unclear employment status of platform workers, often owing to the lack of an appropriate legal framework, a rather weak enforcement of existing regulations and lack of awareness of tax requirements on the part of the platform workers are some of the key factors in the current situation. Meanwhile, the insufficient observance of platform work transactions, especially in transborder remote work, makes tax enforcement efforts more difficult. Because of the prevalence of 'grey' labour arrangements on digital labour platforms, the countries lose tax revenue, while workers lose access to social protection and other benefits.

Working conditions and social protection often become serious issues even in formalised work, especially when platform work becomes bogus self-employment[2]. This applies especially to strongly algorithmically coordinated on-location work. This is often characterised by work processes that are very similar to regular employment (high levels of control by the platform, low worker autonomy in setting their schedules, prices, work methods, etc.), but the platforms treat workers as independent contractors, thereby avoiding employer responsibilities. In many cases in the EaP countries, platform workers are classified as own-account workers for legal, tax and social protection purposes, even though the nature of some of the work performed may not be fundamentally different from an employment relationship, leading to disguised employment. This poses additional concerns regarding the possible erosion of labour standards. Platform workers are covered only partially, or not at all, by traditional employment legislation, public employment service support and labour market policies. They are also absent in social dialogue as they are not represented in trade unions.

The knowledge base and information on developments within online platforms is growing, though it is still limited. Platforms themselves do not disclose information that would support arguments that they are acting in the role of employers, and often dispute this. For instance, the main international platforms have proved to be very reluctant to disclose any data on registered workers. Many of them have measures in place to block any attempts at automated data collection from their websites. The algorithms that they use for worker-client matching, work organisation and other aspects also lack transparency. As well as effectively complicating the collection of evidence, such information asymmetries can be used against the interest of workers. Meanwhile, the national-level labour market information systems (e.g. labour force surveys) do not include measurement of the specificities of digital labour, including platform work.

This prevents platform work from being considered in labour market supply and demand forecasts, discussions on labour regulation, and strategic economic approaches. Moreover, platforms tend to protect their data on the numbers and profiles of workers as a trade secret.

---

[2] Business activities that do not include any managerial or proprietary tasks and which possess the attributes of an employment relationship but without entitlement to the corresponding labour law protections.

The skills development potential of the digital labour platforms is not yet fully exploited. The online platforms profit from skills pools available in the countries, both remotely and on-location. There are no formal skills requirements to enter the market, but workers need to prove their competences through service delivery and positive client ratings. While the platforms recognise the benefits of lifelong learning approaches for them and their workers or service providers, they do not seem to assume skills development responsibilities. They offer an easy entry to the market, but further guidance or support is limited. External private providers offer upskilling opportunities and skills certification, but the offer tends to be limited to IT professional skills. Only some of the on-location platforms provide introductory training, including for developing soft skills linked to customer relations. However, there are strong indications that platform work results in both an improvement in existing skills through deploying them and the development of new skills through completing challenging tasks. Visibility and recognition of skills acquired online, as well as further career development, are still to be enhanced.

POLICY REFLECTION

As the platform economy and new forms of work are set to grow and become a more significant reality in EaP countries, some policy interventions might be relevant. A number of initiatives have been launched at EU level, including the European Pillar of Social Rights, the New Skills Agenda and the Digital Services Act, aiming at recognition of increasing importance of new forms of work. New initiatives are on the way. In addition, country-specific initiatives to regulate platform work, for example in the UK, Spain and Italy have been implemented. However, the policy discussion in EU neighbouring countries is at a very early stage and limited initiatives are taking place, for example in Ukraine. Furthermore, a broader international reflection incorporating EaP countries is still needed owing to the transborder nature of platform work.

Our findings point to several actions that could address the challenges of platform work in the EaP region, while fostering opportunities. Some of these are quite specific to platform work, while others relate to broader areas of skills development, digitalisation and the regulation of the labour market.

Recognition of platform work in the policy discourse, along with other new forms of employment in increasingly digitalised economies, is the first important step. Any specific policy action would need to consider the benefits that the new policy can create for all the parties – platforms, workers, clients and state authorities. Tapping into the innovation potential of the digital labour market is important for the development of EaP economies. At the same time, incentives for workers to formalise their work and income can stem from a more holistic approach to economic regulatory frameworks. A broader international perspective and coordinated and systemic research will be necessary. Finally, trust in government is another key component that will be essential for the new policies to take effect. Therefore, policy and regulatory attempts should be followed by appropriate institutional organisation and relevant communication.

Addressing the existing challenges will require holistic approaches, embracing four dimensions.

1. Connectivity: infrastructure and digitalisation

Connectivity and digitalisation are crucial preconditions for fostering the expansion of new online business models. Further investment in the development of ICT infrastructure and enhancing access to the digital environment, especially in rural areas, could encourage the development of new employment outside the major cities of EaP countries. Quality and affordable access should be

considered, taking into consideration existing vulnerabilities. Furthermore, there should be a focus on fostering ICT and an affordable digital infrastructure in order to tackle the digital geographical divide and facilitate access to digitally supported new forms of work. This is particularly important for enhancing opportunities for individuals who are more disadvantaged on the labour market.

2. Labour market regulation, including employment status of platform workers and taxation

In the area of labour regulation and labour market policies, a clear regulatory framework that is suitable for the new forms of employment in digitalised economies is desirable. Such regulation could envisage conditions for flexible self-employment (freelancing) activities with multiple clients and create incentives for formal activities. Moreover, the role of public employment services in supporting the transition into employment and from job to job in the platform economy should not be underestimated. Platform work could become a pathway to work for the unemployed or underemployed through counselling, training and other support services. Enhancing access to services for platform workers, in particular to career guidance and skills development opportunities, would also be important. Examples of publicly supported programmes that help people gain skills to use such online freelancing platforms (awareness, knowledge and access to technology) and generate income or find employment can be found in other developing countries, such as Malaysia and a number of African countries[3]. However, that also requires innovating the current employment service delivery modalities and types of services in response to the increasing digitalisation of work.

Addressing informality in platform work requires a level of digitalisation of governments themselves. Various types of platform work can be contrasted with traditional employment in terms of fundamental differences in transaction costs (for workers and clients/employers) of matching demand and supply. Technologies behind on-location platforms enable almost perfect registration of transactions and accounting at the level of individual engagement of each market participant. In this regard, proper registration and taxation of platform work requires a policy approach and specific technological solutions, such as linking platform billing systems with tax authority systems. Further development of electronic systems, such as universal income declaration systems for natural persons, is another step in reducing informality. That would separate the fiscal obligations from the type of contractual relationship in which platform workers participate.

3. Skills strategies to address skills demand

Tapping into the human capital potential of the EaP region and further skills development are essential. With regard to skills and education curricula, education and training systems should focus more on the skills needed for highly digitalised and dynamic economies, with the highest 'premiums' for workers in the global economy. The needs of platform workers should be included in the reflection on learning provision, as well as in the tools accompanying lifelong learning approaches. As new learning environments emerge (private non-formal training provision, on-the-job learning, freelance mutual learning and support communities, online tutorials, etc.), it is also a matter of connecting them into a coherent learning ecosystem.

Implications for the education and training systems are then important.

---

[3] For more information, see www.samasource.com/

Developing key competences would support better integration and performance in the digital labour market. This refers to occupational (technical skills) – such as those relating to science, technology, engineering and mathematics (STEM) and ICT, multimedia arts and design disciplines – accompanied by foreign language skills (English and Russian in particular). In addition, education curricula at all levels should include the development of transversal skills, such as self-organisation and time management, communication and self-presentation, learning to learn and entrepreneurial skills, which are necessary to successfully compete in global freelance markets.

Career management skills are also increasingly important in the online labour market. As online platform work may facilitate the first entry into the labour market for young people, initial education and training needs to focus strongly on improving young people's digital literacy, core/technical expertise and interpersonal skills.

Continuing training and adult education also have a very important role to play. Stronger emphasis on adult skills development – embracing the growing diversification and flexibility of learning pathways, training programmes and skills certification modalities – is essential for supporting transitions from other jobs/sectors and within platform work. Both national qualification systems and international certification programmes (especially in the area of digital skills) should be considered for making on-the-job skills acquisition visible and widely recognised in both online and traditional labour markets. This is particularly relevant to, for example, advanced digital skills development among IT specialists, where there is a tendency to pay less attention to formal education while focusing on actual/practical skills, which could be gained through non-formal or informal learning.

Recognition of skills and experience acquired on a platform would support their portability to another platform or offline work. Learning taking place within platform work should then be recognised and validated. Supplementary tools that might support access to validation arrangements in the future could then be explored; examples include e-portfolios, Youthpass and electronic badges. The current reflection at EU level on the micro-credential system and individual learning accounts could be helpful in addressing the challenges faced in the current setting of platform work.

4. Extending knowledge and understanding

Finally, policy action in the area of platform work should build on evidence. The available information on the exact prevalence of different types of platform work, worker demographics and worker motivations at the regional or country level is not exhaustive. The new global and local digital labour market phenomena are very diverse and complex, and are changing rapidly, so continuous research is needed. This may include ensuring consistency with existing labour force statistics. The inclusion of questions on platform work in the labour force surveys of official statistical agencies could complement the limited data shared by the platforms. Moreover, increasing platforms' data transparency will be crucial for any policy action, as the evidence collection is hampered by platforms' protection policies, while unintelligible algorithms govern worker-client matching and work organisation.

The new global and local digital labour market developments require further research and a more systematic data collection to inform policies. At the same time, a wider policy reflection at international and country levels would help to make the most of the opportunities for the benefit of all the parties involved.

ETF Working together Learning for life
European Training Foundation

Where to find out more

Website
www.etf.europa.eu

ETF Open Space
https://openspace.etf.europa.eu

Twitter
@etfeuropa

Facebook
facebook.com/etfeuropa

YouTube
www.youtube.com/user/etfeuropa

Instagram
instagram.com/etfeuropa/

LinkedIn
linkedin.com/company/european-training-foundation

E-mail
info@etf.europa.eu

ETF
Working together
Learning for life

European Training Foundation

THE EU AGENCY SUPPORTING COUNTRIES
TO DEVELOP THROUGH LEARNING