



POLICY BRIEFING

THE AGE OF AI: PLATFORM WORK IN THE EU NEIGHBOURING COUNTRIES

INTRODUCTION AND BACKGROUND

This policy briefing is based on comprehensive research by the European Training Foundation (ETF) research, conducted in the EU neighbouring countries between 2020 and 2024, and synthesised in four regional studies: Eastern Partnership (EaP, ETF 2021) Western Balkans (WB, ETF 2022). Southern and Eastern Mediterranean (SEMED, ETF 2024), Central Asia (CA, ETF 2024 forthcoming). It explains the nature of platform work and the role of AI, presents key characteristics of platform work and typical profiles of platform workers across regions, and highlights main challenges. The aim is to draw policymakers' attention to this growing phenomenon in developing and transition economies and suggest possible policy actions to address related challenges.

The research used a mix of quantitative and qualitative research methods, including desk research, interviews, focus groups, and surveys. Due to limited statistical data, multiple sources and findings were triangulated to improve quality. The analysis is also backed by big data analytics, including automatic data collection (scraping) and text mining. Automated data collection targeted the most popular online labour platforms among freelancers, such as Upwork, Freelancer.com, People Per Hour, Guru.com and Hubstaff Talent. The Online Labour Index (OLI) (Kässi, Hadley, Lehdonvirta, 2019) significantly enhanced the analysis for all researched countries, while Gigmeter (Public Policy Research Center, 2022) provided significant input for the Western Balkans.

Why is the discussion on platform work important?

Technological advancements and the digital transition, accelerated by the COVID-19 pandemic, are creating new economic and employment dynamics. These changes challenge traditional full-time employment, promoting remote work (telework), short-term and flexible working arrangements, and casual or project-based contracts. New business models are emerging, and flexible forms of employment are rising globally and in the EU neighbouring countries. These offer new job opportunities and are popular due to lower entry barriers, reliance on practical over formal skills, and flexibility in work locations and schedules.

One notable labour market trend reflecting increased flexibility is the rise of platform work. Digital labour platforms have become prominent amid the evolving social and economic landscape. Online platform work is part of the broader trend of freelancing and outsourcing highly qualified workers.

What is platform work?

Platform work involves any work organised and mediated through a digital labour platform between platform workers, who provide services, and paying clients. A platform worker performs platform under an employment contract or another type of employment relationship.

The key feature of platform work is a triangular relationship between the platform worker and the client, intermediated online by a digital labour platform. Services are provided on demand, usually on a temporary basis, often fragmented into tasks.

Two broad types of platform work exist:

- Remote/online platform work: remote delivery of electronically transmittable services (e.g. via freelance marketplaces).
- On-location platform work: physical delivery of services, although matching and administration of services are digital.

What is the role of artificial intelligence?

Technology plays an important role in organising platform work. Algorithms match clients and platform workers and exercise digital control over workers. Digital platforms use algorithms to assign tasks, but also to monitor, supervise, evaluate, impose sanctions and terminate contracts. Algorithms serve three main purposes in platform work (Ganko, Jansova, 2022):

Matching customers with workers. Efficiently matching the supply and demand and establishing trust between market players are seen as the main functions of platforms, driving their growing popularity.

Performance monitoring and management. AI-facilitated technological tools can be used to remotely manage workers. This function often relies on automated decision-making systems based on real-time data for performance rating and behaviour monitoring.

Evaluation and control of worker performance. Clients' ratings and control systems may automatically affect task allocation. Algorithms can exclude workers from future jobs, impose sanctions, or terminate contracts without human supervision. Workers generally have limited opportunities to contest their performance assessments (Bernal 2020).

Key characteristics of platform work in EU neighbouring countries

Popularity

Digital labour platforms and on-location apps are gaining traction in economies neighbouring the EU. International and local platforms, both remote and on-location, are entering markets and heavily advertised on social media and web portals. The number of workers on international platforms from the Western Balkans increased more than 3.5 times between 2017 and 2022. Ukraine, Serbia and Egypt lead in platform worker numbers, while Kazakhstan has the highest prevalence in Central Asia. Armenia, Palestine and North Macedonia experience also have high share of platform workers per capita.

Despite increasing popularity, determining the prevalence of different types of work is hampered by insufficient data. Many people signing up do not equal actual activity. Multiple workers may secure assignments under one account, representing not only individual freelancers, but also groups or agencies/companies. Highly competitive digital labour markets benefit freelancers with strong track records and high ratings.

An opportunity more than a threat

Platform work has created numerous new employment opportunities, particularly in addressing skilled job shortages in traditional labour markets in EU neighbouring countries. Platform workers report more positive aspects of digital work than their peers in developed countries, particularly in the EU. Increased flexibility and low entry barriers make platform work attractive for both full-time and part-time employment. This allows many workers to

earn additional income alongside their main jobs. Platforms provide access to global markets and clients, especially for remote and highly qualified workers. Meanwhile, countries facing persistent unemployment and underemployment, on-location platforms offer lower-skilled employment opportunities, mainly in cities.

Digital platforms can significantly enhance competitiveness and employment growth, including through new entrepreneurial activities. Access to digital infrastructure is important for seizing opportunities presented by these innovative business models.

Demand

Similar patterns of labour and skills demand have been found across all regions. In line with global labour market trends, the most common web-based engagements involve higher complexity specialist work. This is primarily concentrated in the information and communications technology (ICT) sector, including software development and technology, as well as in the creative and multimedia industry. The most prevalent types of on-location platform work are ride-hailing and delivery services conducted via mobile apps. Additionally, domestic, ancillary and care services are gaining visibility in many countries.

Earnings

Earnings from platform work are generally higher than national averages in the offline economy, leading to a greater job satisfaction. Remote work, especially on international platforms, offers significantly higher gross hourly wages. On-location ride-hailing and delivery platforms also provide for higher incomes. For example, in Morocco and Lebanon platform workers

earn 25% to 80% more than their counterparts working outside platforms in the same sectors (ILO, 2021). However, this does not always translate into higher monthly wages due to substantial deductions for platform fees, social security contributions, and taxation. Overall, men earn higher average rates than women, primarily due to their greater presence in better-paid occupations across all countries.

Who is a platform worker?

A typical platform worker is a young man leaving in a capital or another major city. Young people are the primary actors in the platform economy, seizing new opportunities for their first employment, often as a complement to their studies or additional work. On-location platforms tend to employ aged 25-40, while online workers are generally younger, around 30.

approximately 70% of online freelancers and over 90% of drivers on ride-hailing platforms are men. However, there are exceptions where women outnumber men, such as in online writing and translation or clerical and data entry services, particularly in Ukraine (Gigmeter, 2022). More women are also engaged in care and cleaning services on on-location platforms. The strong gender divide in earnings can be partially explained by the types of occupations and skills in demand, which tend to favour men.

Platform workers do not usually have employment contracts and operate under civil law as self-employed, independent contractors, or individual entrepreneurs. However, there are exceptions. For instance, in Moldova, on-location transport services are regulated by standard

employment contracts, ensuring that these workers have formal employment relationships.

Not degrees but skills

Remote workers are typically highly qualified, with upper secondary or tertiary education levels and prior work experience. In contrast, on-location work generally requires lower skills, though there is evidence of overqualification among these workers. However, detailed information about their skills and educational backgrounds is limited.

All potential platform workers must possess at least basic digital skills, but higher levels of proficiency correlate with better pay. Strong competition in international marketplaces for the highest-paid platform jobs means workers need advance digital skills and a good command of the English language. Successful platform workers also need a range of occupational skills, personal dispositions and competences developed through formal education and training before beginning their platform economy careers. Using online platforms for job searches can help to develop soft skills, such as analytical and problem-solving abilities, self-presentation and communication. Career management and entrepreneurial skills are also essential.

Platform work contributes to both improving existing skills through their application on the job and developing new skills. Some types of platform work, especially remote work, are associated with the ongoing development of on-the-job skills through self-learning processes. However, skills and career development within platforms are often limited, which can lead to deskilling.

Main challenges

Platform work introduces unprecedentedly efficient global matching of labour demand and supply, creating new and flexible work opportunities. However, it often mirrors and reinforces existing inequalities in existing labour markets.

The inclusiveness potential of platform work remains untapped. Gender employment and income gaps are significant, and people with disabilities, ethnic minorities, and rural residents - who could benefit from remote work - are underrepresented in the online labour market.

Unclear and unregulated working relationships in platform work often lead to informality, income instability, and uncertain working conditions. Platform workers are frequently not covered by social security, employment benefits, or trade union protection. Employment under civil law means that even formally employed platform workers miss out on many protections and rights guaranteed by labour codes, such as those related to working time, holidays, social security, sick leave, and unemployment benefits. In some cases, even if contributions for the self-employed are similar to those paid under regular employment contracts, they do not come with the same level of rights and benefits.

Policy implications

Policy discussions on regulating platform work, increasing transparency in algorithmic management, and improving working conditions are ongoing. The main aims are to protect workers, reduce informality, and maximise the inclusiveness potential of the platform economy. A key development at

the European level is the new EU Directive on improving the working conditions of platform workers (see table below). This pioneering initiative should guide policy actions in countries aspiring to join the EU and serve as inspiration for others.

Several countries neighbouring the EU have started strategic discussions on new forms of work, but more policy actions are needed. Policymakers should consider the following main lines to address the challenges of platform work, while leveraging its opportunities:

■ Digitalisation

Digital infrastructure and competences are fundamental prerequisites for capitalising on emerging opportunities and creating new business models. As digitalisation advances, it becomes increasingly imperative for public and private sectors to collaborate more effectively. This entails initiatives aimed at promoting greater digital inclusion, including e-government services and e-payments. Concurrently, policymakers must remain vigilant as regards the role of digital technologies in job creation and economic development. This is relevant to the growing application of AI at the workplace and to the improvement of transparency, fairness and accountability in algorithmic management.

■ Labour Market

Policies should address the unique challenges faced by platform workers. Despite growing labour market flexibility, safeguarding the rights of individual workers remains paramount, including ensuring access to social and trade union protection. Labour laws might need to be adapted to encompass the realities of platform

work, providing a legal framework that ensures the rights and benefits traditionally afforded to employees. A more nuanced approach to informality would not only benefit individuals but also enhance tax compliance. In addition, creating a clear framework for portability and recognition of work experience and skills acquired through platform work and other forms of employment should be seen as a priority for action. There is also a clear role for public employment services (PES) to support the transition into employment, entrepreneurial activities and from job to job within online and off-line labour markets. Further attention should be paid to women and young people, as well as migrants, refugees or people with disabilities.

■ Skills, Education and Training

Continuing training and adult education are essential for addressing skills mismatches and shortages. Leveraging human capital in the EU neighbouring countries and promoting skills development is crucial. Initial education also plays a key role. Education systems should focus on the skills needed emphasising digital skills and

STEM competences, particularly among girls. Key competencies and transversal skills require special attention.

The needs of platform workers should be included in learning provision strategies, connected to the lifelong learning tools like micro-credentials and individual learning accounts. Career management services and counselling are vital.

■ Evidence for policymaking

Robust data collection and analysis are essential for evidence-based policy making. Adopting a systematic approach to data collection on non-standard forms of employment, by combining data from digital labour platforms, Labour Force Survey and other sources, can help identify and promote key sectors that promote economic growth. A more detailed identification of skills needs will enhance skills development and matching. Additionally, applying AI tools to monitor demand and supply on digital labour platforms has a strong potential, including integration within national statistical services.



European Parliament and European Council Directive on improving working conditions in platform work

The new Directive aims to improve the working conditions of individuals employed through digital platforms while preserving the benefits and opportunities offered by the platform economy. This Directive applies to digital labour platforms that organise platform work in the EU, regardless of their place of establishment or where the service is provided.

Taking an alternative approach to the legal presumption of labour relations, the Directive leaves it up to EU Member States to introduce an 'effective legal presumption' in their national laws. This requires EU Member States to define criteria that indicate control and subordination of workers by a platform, based on their labour laws and collective agreements. Employees, their representatives, or national labour institutions can activate the presumption, which can then be challenged by the platform.

The directive also establishes the first EU rules on the use of artificial intelligence in the workplace, in line with the EU Artificial Intelligence (AI) Act adopted by the European Parliament on 13 March 2024. It mandates greater transparency in algorithmic management and prohibits certain algorithmic decisions, such as suspending accounts or processing emotional or psychological data. Additionally, the Directive addresses portability of data related to work track records and performance.

This Directive represents a significant step towards protecting platform workers while ensuring that the platform economy remains a viable and beneficial employment sector within the EU.

Source:

Directive of the European Parliament and the Council on improving working conditions in platform work approved by the European Parliament on 24 April 2024, <https://www.europarl.europa.eu/news/en/press-room/20240419IPR20584/parliament-adopts-platform-work-directive>

European Parliament legislative resolution of 13 March 2024 on the proposal for a regulation of the European Parliament and of the Council on laying down harmonised rules on Artificial Intelligence (Artificial Intelligence Act) https://www.europarl.europa.eu/doceo/document/TA-9-2024-0138_EN.html

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