

# Extending social protections to workers in the sharing economy<sup>1</sup>

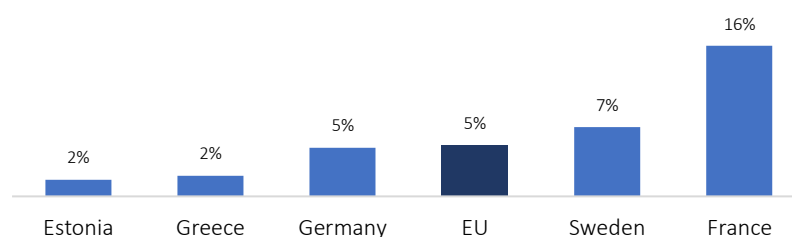
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- ◆ By 2016, 5% of Europeans have been providers of services in the sharing economy.
- ◆ Many workers in the sharing economy, like entrepreneurs in general, are in uncertain or disadvantaged situations and despite being prone to the same social risks as traditional workers, they are not entitled to the same social benefits.
- ◆ Regulations should take into consideration the particularities of this type of work in order to improve the possibility of social safeguards for these workers.

## What is the issue?

Technological progress is changing not only how goods and services are being produced and distributed, but most importantly, the structure of the labour market.<sup>i</sup> One of the sectors in which this impact is most evident is in the sharing economy (also referred to as platform, collaborative or gig economy). According to a 2016 Eurobarometer survey, around 5% of the EU respondents had offered services on a platform (Graph 1),<sup>ii</sup> a figure that is expected to rise in the next years.<sup>iii</sup> Some countries have an even higher share, as is the case in France (16%), while others like Estonia and Greece have a lower participation rate (2%).

Graph 1. Participation rate in the platform economy as service providers (2016)



Source: own elaboration based on Eurobarometer (2016)

Workers in the sharing economy are usually categorised as self-employed or temporary contractors, but the distinction is not always clear.<sup>iv</sup> Some of its workers earn most of their income through this source, while others take it as part-time job or engage in it with an even lower frequency. There is a myriad of employment opportunities within the sharing economy, and many of the jobs offered are temporary, short-term and task based.<sup>v</sup>

<sup>1</sup> This policy brief is part of the project *The Future of Work and Opportunities Arising from Non-traditional Working Arrangements*. For more information, please see page 4.

Although the emergence of platform work was facilitated by new communication technologies,<sup>vi</sup> it emerged in a context of weak economic growth with high levels of unemployment and a weak investment and financing climate.<sup>vii</sup> Under the platform economy, those looking for employment opportunities could meet those looking for cheaper services.<sup>viii</sup>

The variety of working arrangements that have arisen through collaborative work have different degrees of uncertainty regarding regulatory obligations, consumer rights and liability insurance,<sup>ix</sup> which makes it hard for governments to fit these situations within the existing regulatory frameworks. One of the consequences of this situation is that workers in the sharing economy experience lower levels of social security coverage or none at all. Since social protection policies are designed to target specific social risks (such as sickness, invalidity, work-related accidents, unemployment and old age),<sup>x</sup> sharing economy workers -as well as the self-employed- end up in a riskier situation than traditional workers.

Currently, access to social protection is often dependent upon the classification of platform workers as self-employed, temporary contract workers or employees. In case of being classified as employees, the difficulty of identifying the employer arises. In case of being classified as self-employed or contract workers, they experience limited access to social benefits or higher costs than traditional workers.<sup>xi</sup>

In France, for example, sharing economy workers who are classified as self-employed are not covered by the national pension scheme nor do they receive unemployment benefits or accident insurance.<sup>xii</sup> In Estonia, self-employed workers participating in the sharing economy need to pay 33% of their tax base to cover their own social security.<sup>xiii</sup> On the other hand, the European Parliament last year adopted the resolution on a European Agenda for the collaborative economy where, among other issues, the social protection of workers' in the sharing economy is discussed.<sup>xiv</sup>

Current regulatory frameworks are lagging far behind the rhythm of change in the labour market. This leaves platform workers in an uncertain or disadvantaged situation, who despite being prone to the same risks as traditional workers, are not entitled to the same social benefits.

### Why is this important?

*Many Europeans are participating in the sharing economy.* In 2016, around two out of ten Europeans had already used the services provided by collaborative platforms, and more than three out of ten had heard of them.<sup>xv</sup>

*The sharing economy has an important economic potential.* Estimates show that in 2015 the gross revenue from this sector was €28 billion (almost double as in 2014). Studies show that it will become an important part of the economy if the existing regulatory barriers are reduced. The sharing economy in Europe has a potential to achieve €572 billion revenue per year if it operates under full capacity.<sup>xvi</sup>

*In the sharing economy, social protection is often externalised to the worker.*<sup>xvii</sup> Like entrepreneurs, most workers in the sharing economy have uncertainty regarding the hours that they will work in a month and thus, their earnings.<sup>xviii</sup> Because they are usually considered as self-employed or temporary contractors, they access limited social protection that is provided by the government for traditional employers. This is mainly observed in the case of sickness, unemployment and maternity leave. In the case of old age, they can face a higher burden for their pension contributions or cannot access the scheme at all. For example, self-employed workers in Estonia have universal state coverage for unemployment benefits, but they have to cover sickness and

maternity leave from their tax base. In Germany, self-employed teachers need to contribute monthly to the public pension scheme while other self-employed persons are exempted from making contributions. Self-employed workers in France are entitled to different types of social security schemes depending on type of self-employment. For example, self-employed without employees have the option of being covered by either the self-employed workers regimes, the regular regime, or the agricultural self-employed workers regime.

**One third of Europe's GDP goes to social protection.** Social protection expenditure in the EU in 2015 was 29% of GDP, a figure that has been increasing since 2010.<sup>xix</sup> This expenditure is financed mainly by social contributions (54%) and general government contributions from taxes (43%).<sup>xx</sup> Almost half of social protection expenditure goes to old age and survivors, and around one third to sickness, healthcare and disability.<sup>xxi</sup> Given the magnitude of this expenditure, it is essential to analyse why a particular group of citizens, platform workers, entrepreneurs, and in some countries civil servants, are being excluded and how existing policies can be improved in order to maximise the resources that are already available.

### What should policymakers do?

1. **Implement Active Labour Market Policies (ALMP) targeted to increase workers' ability to find jobs** within the platform economy as a way of providing job security to platform economy workers.
2. **Reform legal frameworks** in a way that acknowledges the different types of non-traditional working arrangements that exist within the platform economy.

### How should they do it?

**1. Implement ALMPs targeted to increase workers' ability to find jobs within the platform economy.** One of the main risks of platform work is job insecurity. An alternative way of providing this type of social protection is through Active Labour Market Policies focused on training, designed in a way to equip workers with the necessary tools to find jobs within the platform economy. Platform workers may be momentarily unemployed or may not be working at full capacity. By implementing training programs within the ALMPs framework, the workers' potential to find jobs will be maximised, such as in the case of Germany.<sup>xxii</sup>

**2. Reform legal frameworks.** Due to the nature of platform work, many working arrangements occur within its scope. One way of categorising workers can be according to the income earned through the different platforms under which they operate. By the information exchange between the government and the platform administrators, governments could know how much a certain worker is earning through each platform. With defined income thresholds, categories of workers could be created to identify those for whom platform work is their main income, those for whom platform work represents a moderate income and those who do not make a living from it. Those who do it in a small scale could be exempt from taxation, but it would not be the case for those over a certain income threshold. One of the challenges presented by this situation is the unification of the information, since workers move from one platform to the other.<sup>xxiii</sup> This requires governments to create a universal registry instead of a platform-based one. By creating a specific category of workers under the platform economy, legal frameworks could be redesigned in a way that acknowledges the particularities of this working arrangement and its effect on the workers' welfare.

## Information about the project

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|--------------|---|
| Project      | This policy brief is part of the project <i>The Future of Work and Opportunities Arising from Non-traditional Working Arrangements</i> .                                |
| Institutions | The project is carried on by students of the Willy Brandt School of Public Policy, in partnership with the European Centre for International Political Economy (ECIPE). |
| Supervisor   | Dr. Edgar Aragón  |
| Focus        | The project is focused on the European Union (with emphasis on the specific situations of Germany, France, Greece, Poland and Sweden), the United States and Japan.     |
| Date         | The project was executed between October 2017 and February 2018.  |

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The views expressed in this paper are those of the authors and do not necessarily represent the views of the Willy Brandt School of Public Policy or ECIPE.

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<sup>ii</sup> Eurobarometer (2016). *Flash Eurobarometer 438: The use of collaborative platforms* [dataset]. Retrieved from: [http://data.europa.eu/euodp/en/data/dataset/S2112\\_438\\_ENG](http://data.europa.eu/euodp/en/data/dataset/S2112_438_ENG).

<sup>iii</sup> European Parliament (2016). *The Social Protection of Workers in the Platform Economy* PE 614.199 - IP/A/EMPL/2016-11. Retrieved from: [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/614184/IPOL\\_STU\(2017\)614184\\_EN.pdf](http://www.europarl.europa.eu/RegData/etudes/STUD/2017/614184/IPOL_STU(2017)614184_EN.pdf).

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<sup>v</sup> European Commission (2016). European agenda for the collaborative economy - supporting analysis, *Commission staff working document SWD(2016)184/F1*. Retrieved from: <https://ec.europa.eu/transparency/regdoc/rep/10102/2016/EN/SWD-2016-184-F1-EN-MAIN-PART-1.PDF>.

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