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## The granular revolution of the platform economy

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# The granular revolution of the platform economy

Bonn, 22.01.2018. Whether you wish to have a video of your holidays edited for EUR 7, your application portfolio translated into English for EUR 30 or a logo designed for your new company for EUR 6, the internet makes it all possible. Jobs are placed worldwide on platforms such as Fiverr.com, Proz.com, Upwork.com and Amazon's Mechanical Turk (MTurk), and the work carried out in Manila, Bangalore and even San Diego. Other services, such as Uber taxi rides, Airbnb accommodation and Deliveroo food deliveries are provided on our own front doorsteps. These physical services compete with established taxi firms, hotel chains and delivery services. However, what the local and global platform economies both have in common is that they are in the process of revolutionising the business world.

Rapid growth in the platform economy, estimated at 25% per annum globally, is alarming news for established firms in all sectors. Economist Ronald Coase grasped this principle long before the internet age and was awarded a Nobel Prize for his work. Coase pointed out that the essential reason why companies exist is transaction costs. Of course, the Royal Swedish Academy of Sciences could hardly have foreseen when it presented the prize in 1991 that internet platforms would one day turn one sector after another upside down. Customers can find suitable service providers on digital platforms in the blink of an eye and transaction costs are reduced to swiping your smartphone screen. From translation agencies to taxi firms, a growing number of companies are suddenly no longer needed by the market.

Around one quarter of internet businesses are transaction platforms. This equates to a market capitalisation of USD 1.1 trillion and is having a tangible impact on the labour market. The trend is most advanced in the US, where freelancers are expected to account for 40% of the workforce by 2020.

By contrast, in developing economies, the trend is unfolding from a different perspective. In these economies, where informal employment is the rule rather than the exception, the move to online platforms is a step towards formalising employment relationships. Workers are gaining more contractual security and enjoying greater freedom in selecting their customers. Platform work can also promote career development. According to a study by LMU Munich, freelancers at Upwork.com take on progressively more complex tasks over time. Even state coffers can benefit: Incomes from the platform are often paid electronically, making them easier for tax authorities to trace.

India, the Philippines and the Ukraine are the global market leaders for online services, and Malaysia is set to see significant growth. The South-East-Asian country's employment strategy aims to have 340,000 clickworkers generating USD 500 million in revenue by 2020.

However, most of the global market demand is coming from North America and Europe. This brings with it a degree of responsibility. In Germany, for example, the National Action Plan for Business and Human Rights requires German firms to ensure that human rights law is also being upheld in their supply chains abroad.

A new alliance for a fair platform economy could be formed to promote better working conditions for clickworkers in a similar vein to the Textiles Partnership, which sees German businesses working to improve the situation in textile supply chains. In order to be effective, such an alliance would need to be established at global level and involve platform operators from San Francisco and Bangalore. After all, the key leverage for a fair platform economy is found in the contractual conditions of the platforms themselves. Platform operators could create a code of ethics, for example, to provide more security for platform workers with regard to getting paid for their work.

The International Labour Organization (ILO) and national employee representatives such as Verdi and IG-Metall are taking their first tentative steps beyond the employee world to address the new target group of platform freelancers, and are also calling upon platform operators to provide greater contractual security, minimum wages and more insurance coverage. Some have a vision for platform cooperatives on which freelancers enjoy mechanisms of collective bargaining.

At the same time, national governments need to gear up for the age of technological disruption on the labour market. Denmark and Sweden (perhaps soon to be joined by France) serve as role models here, protecting people instead of jobs by opting for a generous social safety net, retraining and job-placement services instead of protection against dismissal. This gives Nordic companies a competitive edge, as they can respond flexibly with their workforce to the increasing pace of digital transformation of the economy. Policy-makers around the world are realising that we cannot turn the clock back. While the economy is transforming, we also need to move labour market policy out of the industrial age and into the digital age.