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COVID-19 and Platform Work in Germany

Lessons for the New Normal

COVID-19 and Platform Work in Germany

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Abstract

During the COVID-19 pandemic, when public life was largely brought to a standstill by lockdowns and curfews, the vast presence of last-mile-delivery workers rushing to deliver parcels, grocery shopping or take-away-meals on the streets of German cities came to the fore. Platform-based service provision has become widespread in recent years. The platform economy more than quadrupled in recent years, reaching a size of 14bn EUR in 2020, compared to just 3bn EUR in 2016 (European Council 2023). COVID-19 has created an exceptional situation, both for platforms and platform workers: Platform companies faced unstable economic conditions and government restrictions. Meanwhile, many platform workers, especially in the delivery and mobility sector, were exposed to significant health risks as they ensured the upholding of social reproduction throughout the pandemic. However, public attention for the perils of platform workers has quickly died down again. Today, the platform economy continues to provide sought-after services and constitutes a source of income for a growing number of workers struggling with precarious employment conditions. It is crucial to take stock of the effects of COVID-19 on the platform economy* and its workers – both to gain an understanding of the new normal of platform work in the post-pandemic economy and to determine the political changes necessary to shape this new normal in favor of fair and decent working conditions and a resilient economy.

* This policy brief is based on the research project “*Automatization, digitalization and virtualization of work in the aftermath of the COVID-19-crisis*” funded by the German Ministry of Labor and Social Affairs (BMAS). The project has been carried out by Florian Butollo, Franziska Cooman, Matthias Danyeli, Nina Delicat, Jana Flemming, Christine Gerber, Lorena Herzog, Martin Krzywdzinski, Johannes Sonnenholzner, and David Wandjo. As part of the project, Christine Gerber and David Wandjo conducted ten case studies with platform firms to study the impact of COVID-19 on labor platforms and their crisis management strategies (Gerber/Wandjo 2023), which inform this policy brief empirically.

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1 Labor platforms and platform labor

The core idea of platform firms is to use digital infrastructure to build platforms that allow for a data-driven matchmaking between demand and supply. The term ‘platform’ describes a wide range of business models, including multi-sided product marketplaces, App Stores, and labor platforms (Srnicek 2017). Labor platforms, the focus of this policy paper, are typically differentiated into tethered and untethered platforms: tethered platforms are spatially bound – they allocate location-dependent services, such as mobility or delivery services. Untethered platforms are not tied geographically and typically provide services that are performed online, such as crowd work.

One decisive feature of labor platforms has been platform companies’ approach to consider workers fulfilling the orders placed via their platform interface as self-employed or independent contractors rather than as employees (Woodcock/Graham 2020). The income of formally self-employed platform workers, such as drivers, riders, and caretakers, is generated per task. According to the European Council, 55 percent of all platform workers earn

less than the hourly minimum wage of the country they reside in (European Council 2023). With online and local platform work being organized strictly on-call and dependent on the availability of orders, platform workers’ income is subjected to market fluctuations.

Platform firms’ avoidance of the standard wage relationship is part of their broader strategy of maintaining an asset-light business model with low fixed costs. The backbone of platforms are cloud-based Infrastructure-as-a-Service (IaaS) providers such as AWS, Microsoft, and Alpha/Google, which enable platform companies to rent – and scale – their IT infrastructure on a highly flexible subscription basis (Herzog 2022; Srnicek 2017). Having low fixed and easily scalable variable costs, platform companies are in a better position to respond to sudden changes in demand – such as due to COVID-19 – than conventional firms (Gerber/Wandjo 2023). However, as the experiences from the pandemic confirm, this flexibility is carried on the shoulders of platform workers that face precarious and unstable employment.

2 Platform labor in Germany

In Germany, between one and six percent of the working population rely on digital platforms for a share of their income (BMAS 2020; Fairwork 2022). The precise scope of platform work is difficult to determine and varies depending on the methodology and definition of platform work applied. The ETUI Internet and Platform Work Survey conducted in Spring 2021 finds that 4.3 percent of surveyed working age adults (aged 18–65) in the EU engage in platform work, while only 1.1 percent are full-time platform workers, applying a narrow definition of platform labor (Piasna et al. 2022) – platform

work most often represents a source for additional income. Yet, the share of workers in Germany, who rely on platform work as their main source of income lies above the European average (ibid.). The main domains of platform companies in Germany are food delivery, mobility, care, micro- and macro tasks (Gerber/Wandjo 2023). Food delivery, mobility and care services are tethered and tend to concentrate in urban spaces, such as Berlin or Hamburg whereas micro and macro tasks are performed online and are therefore spatially unbound.

Platform work in Germany includes low-skill, low-pay jobs, as well as high-paying specialized jobs. The domestic working conditions for platform labor are equally heterogeneous: Most food delivery platforms now provide employment contracts to their workers. Riders can now count on common labor standards such as paid sick leave, paid vacation days, parental leave etc. However, the majority of labor platforms – both tethered and untethered

– operate on a model of actual or bogus self-employment or a sub-contractual model. In addition, a majority of platform workers in Germany are migrants, who are in a structurally vulnerable position and whose knowledge on their legal rights may be limited by systematic barriers (Fairwork 2022).

3 Labor platforms in and after the pandemic – key results

3.1 Food delivery and crowd work platforms are the winners of the pandemic ...

The pandemic has produced both winners and losers among platform firms: the pandemic led to a surge in demand for food deliveries, accelerating food delivery platforms' expansion. In addition, a number of new delivery platform entered the German market in the midst of the pandemic (Piasna et al. 2022). A core challenge – and bottle neck – for platform firms in the food delivery sector has been to recruit and sustain sufficient workers to meet these demand spikes (Gerber/Wandjo 2023).

Besides food delivery platforms, platform mediated crowd work thrived under COVID-19 and likely benefitted from the overall expansion of remote work and e-commerce boom during the pandemic (ibid.). The pandemic has led to a surge in e-commerce and pushed many traditional retailers to expand their online presence and capacities. With the shift from brick-and-mortar retail to e-commerce, the overall demand for micro click work sourced through platform providers rises, increasing the market for crowd work platforms (ibid; Sabanova/Badoi 2022). In addition, the rise of remote work may have prompted other firms to outsource online tasks to labor platforms (Piasna et al. 2022).

3.2 ... while ride hailing and care work platforms have lost out ...

In contrast, ride hailing and other mobility platforms, as well as care service platforms, struggled during the pandemic: Due to pandemic containment measures, mobility and interpersonal contacts were heavily restricted, which caused demand to plummet drastically. In contrast to food delivery platforms, many ride hailing platforms still operate on bogus or actual self-employment, independent- or subcontracting models. Platform firms hence did not have to lay off any drivers themselves and the substantive loss of income had to be carried by workers not the platforms (Fairwork 2022). For the continuation of the service, albeit on a significantly diminished scale, cars were equipped with partition walls and drivers were instructed to disinfect cars regularly (Gerber/Wandjo 2023).

3.3 ... all at the expense of the platform workers.

Platform workers have contributed decisively to sustaining social reproduction during the pandemic, while being exposed to an increased risk of infection as they continued to work under COVID-19. In many instances the risks and challenges the pandemic posed for labor platforms were carried primarily by its workers. Some delivery platforms have taken measures to mitigate these risks, such as providing masks, antigen tests and disinfectants to riders, introducing measures such as hygiene concepts for central hubs, contact-less delivery, features for contact-less, app-based tipping, and organizing trainings virtually rather than in-person (Gerber/Wandjo 2023). In contrast, care platforms left safety and health measures up to the workers and their clients (*ibid.*), reflecting a great imbalance in burden sharing. This practice of offloading risks onto platform workers is at odds with profit-sharing arrangements, which are usually unilaterally dictated by, and to the benefit of, the platform firm. In other words: COVID-19 both, made visible and exacerbates, the structural power imbalances in the gig economy, which allow platform firms to externalize risks, while squeezing wages and internalizing profits. COVID-19 may have been exceptional; however, this highly unequal risk-sharing arrangement will play out at every future crisis if left unaltered.

Many platform workers are acutely aware of the power imbalances vis-à-vis venture capital backed platform firms (Cooiman/Niebler 2023). Underlying the platform economy are venture capital firms, which are often times indirectly publicly funded (Cooiman 2023) and seek unstable hypergrowth (Cooiman 2022). The list of examples, where platform workers are taking action and demand change is growing by the day. In the food delivery sector, platform workers are setting up work councils, despite frequent attempts of union busting. Likewise, trade unions are increasingly catching up with the phenomenon of platform work, albeit not to the same extent for all forms of platform labor. Yet, the legally entrenched rights for representation and co-determination are confined to the standard employment relationship. And across platform services, the majority of platform workers are still self-employed or sub-contracted and equipped with few rights and little bargaining power to negotiate their wages and working conditions (Woodcock/Graham 2020). With crowd work, collective organizing is further undermined by the isolation this work implies: performed remotely, crowd workers typically receive their tasks through web applications and have hardly any personal contact at all, rendering them highly invisible (Gerber 2021).

4 Platform labor in the post-pandemic economy – policy recommendations

Since the pandemic is largely overcome and containment restrictions have been lifted, the demand for platform services has resumed, while the experiences of platform workers under COVID-19 are easily forgotten. Yet, the platform economy will grow further – the European Council expects the European platform economy reach 43 million platform workers by 2025 (European Council 2023) – and the lessons from the pandemic should not go to waste. In 2021 the European Commission published a draft legislation to regulate platform work in the European Union, which is currently under negotiation. Based on the outlined insights from our research project we recommend the following policy measures:

1. *Enforce labor standards and commit platform firms to employer responsibilities*

As has become evident during the pandemic, platform workers are a crucial pillar of social reproduction. The precarious working conditions that a majority of platform workers are subjected to are the result of platform firms avoiding standard employment relations with their workers. Through this practice, platform firms dodge responsibilities and shift unproportionate risk and burden onto the platform workers. In addition to withholding rights that come with standard employment including paid leave, health protection and social insurance, platform companies' practice of circumventing employment relations also bans platform workers' access to representation and co-determination. The EU directive on platform work therefore needs to target bogus self-employment and sub-contracting in the platform economy through strict criteria that establish standard employment as the norm (presumption of employment) and bestow the employer with the burden of proof for any deviations. In addition, minimum standards on fair pay, contractual transparen-

cy and decent work conditions should be established for platform workers that are correctly classified as self-employed (see also Fairwork 2023).

2. *Improve platform workers' proficiency on legal rights and promote collectivization*

While crucial workers, platform workers are also a vulnerable and marginalized group, with a high share of migrant workers. To protect workers from wrongful exploitation, we recommend the funding of multilingual know your rights campaigns and the establishment of local workers centers in metropolitan areas. Given the lack of interaction and often-times isolation of platform work, physical spaces for community building among platform workers should receive support. In addition, the EU directive should enable collective bargaining and provide for representation of platform workers that will remain self-employed (see also Fairwork 2023).

3. *Provide platforms with alternatives to venture capital*

Underlying the European platform economy is a venture capital market, subsidized and funded by the state. Platform companies' reliance on venture capital is the driving force behind the precarious hypergrowth focused structure of platform labor. Given the unsustainability of this model, policymakers need to revise public funding schemes and provide alternatives: instead of intermediated funding via private venture capital funds, platforms that serve social or environmental policy goals should have access to direct funding and financing options.

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