

# *Labor Rights Protection under Platform Economy: Legal Challenges and Innovative Explorations*

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**Abstract:** In the rapidly evolving landscape of the digital economy, platform employment has emerged as a transformative labor force, fundamentally altering the traditional paradigms of the employer-employee relationship. This paper provides a comprehensive analysis of the unique dynamics and intricate legal challenges associated with platform work, where workers often navigate precarious labor conditions without the robust safety nets typically afforded in traditional industries. It underscores the limitations of current labor regulations, particularly in addressing pressing concerns such as income volatility and disparate benefits. By drawing insights from diverse global case studies, this study emphasizes the compelling need for platform companies to shoulder their social welfare responsibilities, ensuring fair treatment and security for their workers. Moreover, it critically examines the profound influence of socio-cultural factors and educational awareness on the platform economy, shedding light on the complexities of this emerging labor landscape. Advocating for a harmonious equilibrium between flexibility and security, this paper calls for substantial legal reforms and innovative policy initiatives that can adapt to the evolving nature of work in the digital age. Finally, it anticipates forthcoming trends in the digital economy and platform labor relations, underscoring the significance of proactive adaptation to foster equitable and inclusive employment practices.

## **1. Introduction**

In the wake of the internet revolution and the advent of the digital intelligence era, traditional manufacturing and service industries, along with the burgeoning platform economy, have undergone transformative changes. This transformation has given rise to unconventional forms of employment, exemplified by delivery drivers and online ride-hailing drivers, marking a distinct shift in the landscape of labor. The platform economy, while generating immense economic value, has also ushered in structural deformities. However, the current platform economy mode is deeply skewed. Large Internet platforms hold the absolute majority of resources, and use algorithms to dictate and oversee workers, all while evading the responsibilities and obligations stipulated by conventional labor laws. Rather remarkably, these companies have shifted the risks and costs associated with labor onto the shoulders of the workers themselves. A closer examination reveals that platforms operate not merely as intermediaries, as they often describe themselves, but as

entities that exert control over workers' time and labor, often at the expense of wages and security.

## **2. Characteristics of Platform Labor Relations and Legal Challenges**

In the evolving landscape of the platform economy, it's imperative to dissect the essential features that define this unique form of labor. This chapter delves into these distinctive characteristics while shedding light on the ensuing legal challenges.

### **2.1 Definition and Features of the Platform Economy**

#### **2.1.1 Fundamental traits of platform economy**

The platform economy exhibits several pivotal characteristics that distinguish it in today's economic landscape. First, it leverages economies of scale, necessitating a certain size to effectively accommodate a vast user and workforce base. Moreover, the platform economy capitalizes on economies of scope. This entails producing multiple products concurrently at a lower than manufacturing each product separately. Therefore, businesses within specific domains can diversify seamlessly, enhancing overall operational efficiency. Additionally, the concept of network externalities underscores the platform economy's unique dynamics. Particularly, it capitalizes on economies of scale on the demand side, with more consumers translating to higher per capita value. For example, takeout platforms seamlessly connect restaurants, consumers, and delivery drivers, embodying the multifaceted nature of these platforms [1]. Finally, the advent of big data analysis constitutes a defining feature of digital platforms. Their exceptional scale, speed and data utilization abilities enable them to transcend temporal, spatial, and sectoral constraints, evolving into expansive service platforms. This inherent capacity empowers digital platforms with a profound advantage in the transmission, analysis, collection and use of information, positioning them as formidable players in today's economic landscape.

#### **2.1.2 Uniqueness of platform workers**

Platform workers, often referred to as "employees of new employment forms", constitute a diverse and distinctive group of laborers who rely on internet platforms for their livelihoods[2]. Formally, platform workers do not conform to the subordinate elements of determining labor relations, and they have more "freedom" than ordinary workers, such as the ability to decide when to work and whether to work. Consequently, platform companies usually deny that their employees are employees, position themselves simply as technology companies, and point out that these workers have the freedom to set their own working hours and are not subject to direct supervision [3].

### **2.2 Rights Protection Issues of Platform Workers**

#### **2.2.1 Uncertainty in basic rights like wages and benefits**

The platform claims that they function merely as intermediaries between workers and consumers, so the wages of workers cannot be determined, and can only be assessed according to the number of jobs or the time of work. Furthermore, because platform workers are not classified as traditional employees, they are often excluded from vital benefits like industrial injury insurance, unemployment insurance and comprehensive social security. While some commercial insurance options exist, they are insufficient for the day-to-day physical labor endured by platform workers [4].

## **2.2.2 Dilemmas faced by platform workers in employment relationships**

Platforms enterprises frequently misclassify workers as independent contractors to evade employment law obligations. Under the traditional mode of labor and employment, employers issue orders to direct employees to work, directly manage the labor process, and assess the results of labor. However, platform employment is distinct in that the allocation of orders, the management of labor process, the determination and issuance of labor remuneration, and the assessment and evaluation of labor performance are all orchestrated by algorithms. Thus, a perception has emerged that platform workers interact primarily with algorithms, adhering to market-oriented rules, while traditional employers play a minimal role [5]. This perception erects a figurative "firewall" between platform operators and workers, mediated by the algorithm.

## **2.3 Limitations of Current Legal Frameworks**

### **2.3.1 Constraints of traditional labor laws in platform labor relations**

The criteria for establishing labor relations, or defining employees in some countries, have long fueled debates in labor law theory and practice. These debates generally center around two categories: the theory of subordination and the theory of control. While these two perspectives differ between continental and common law systems, both rely on employer authority, particularly the employer's command and control over the worker.

In platform labor relations, discussions hinge on the extent of control exercised by platform enterprises over workers. The party opposing the identification of labor relations holds that the platform is an intermediary, which provides information services without directly managing platform practitioners. Platform employees may decide by themselves whether to accept the information provided by the platform, whether to provide labor, or whether to arrange working hours by themselves, and are typically independent contractors or contractors. The party that supports the identification of labor relations considers that platform employees must abide by the rules formulated by the platform company, accept the process supervision and post-evaluation of the platform enterprise, and conform to criteria associated with employer authority.

Platform enterprises often exploit algorithms to present themselves as neutral technology firms, thereby evading responsibilities under labor laws. This leads to the fact that platform workers do not pay less for work than traditional workers, but they cannot enjoy the same social security as traditional workers [6].

### **2.3.2 Challenges in identifying and safeguarding platform workers' rights**

Whether platform workers should be classified as employees or self-employed individuals is a core issue in the legislative and judicial fields of the current labor law. This debate is especially pronounced in the United States and the United Kingdom. The United States Department of Labor, the Labor Relations Commission, and judicial rulings have confirmed the status of "independent contractors" for platform workers, consequently excluding them from labor law rights. However, California's introduction of the "ABC" standard in September 2019 suggests a shift toward recognizing platform workers as employees, thus granting them minimum wage and other labor rights[7]. In the UK, platform workers are classified as "workers", a distinct category from employees and self-employed persons. This classification dispute has far-reaching implications for national labor laws, challenging the traditional dichotomy between employees and self-employed persons.

### **3. Innovative Explorations in Protecting Platform Workers' Rights**

With the existing deficiencies in the platform economy and inadequate protection of platform workers' rights and interests, it is crucial to explore an innovative model to safeguard their welfare. This chapter comprises a comprehensive examination of typical issues arising in cases from diverse countries and presents novel legal policies and suggestions.

#### **3.1 International Case Analysis**

##### **3.1.1 Practices of different countries in protecting platform workers' rights**

Countries worldwide are grappling with how to protect platform workers' rights. In Hangzhou and Nanjing, China, policies have been implemented to protect takeaway workers, including setting a pilot minimum wage standard, mandating rest time, and respecting their right to rest. In addition, appropriate subsidies are provided for delivery orders affected by bad weather or other circumstances [8].

The European Commission adopts a broad definition of affiliation that favors the granting of social security benefits to platform workers. According to the European Commission's Communication on the Collaborative Economy Agenda, "the existence of subordination is not necessarily dependent on the actual exercise of management or supervision on a continuous basis." This perspective opens the door to classifying platform workers as having a subordinate relationship with the platform, establishing a labor relationship, and granting labor law rights.

##### **3.1.2 Lessons learned and insights from case studies**

In China, online platforms do not typically offer employee benefits to their laborers, including social insurance, medical insurance, unemployment insurance, and pension insurance. This lack of benefits is a result of the non-traditional employment model used by these platforms. Additionally, there are no restrictions on minimum or maximum working hours, which often results in platform laborers either being overworked or having no work at all. As platform workers do not enter into labor contracts with the platform, they are often subcontracted to dispatch companies, who classify them as "labor dispatchers"; some food delivery companies also classify riders as self-employed. Platform workers only receive coverage of three yuans of commercial insurance per day, which is also deducted from the worker's pay[9].

#### **3.2 Novel Legal and Policy Recommendations**

##### **3.2.1 New legal protection approaches for platform workers**

For most workers, the platform economy is characterized by independent contractor status, as employers attempt to create legal distance between themselves and their workers to avoid labor costs and legal obligations to workers through casualization, externalization, and defining the relationship as a "business relationship" rather than an "employment relationship". To address this, we recommend that all workers, regardless of their occupational category, should earn at least the local minimum wage, or the wage stipulated in the industry's collective agreement, after deducting work-related costs. The State and government departments are considering the establishment of a social security fund for new forms of employment in order to reduce the burden of their contributions and increase their motivation to participate.

In an Italian case involving a dispute between a platform and a worker, the judge was confronted with the challenge of ensuring worker protection. However, the proposed solution was not entirely

rational. The judge suggested a narrow interpretation of the concept of subordination, defining it as the subordination of workers to managerial, organizational, and disciplinary powers resulting from specific orders given by the employer, as well as from continuous supervision and monitoring of performance execution. Unusually, another body of case law acknowledges that workers may have substantial autonomy and still be considered employees. However, the judges fully endorse a concept of control that relies on continuity and detail, without exploring alternative and diversified concepts. Unfortunately, this approach, while useful for dispute resolution, falls short of providing a systematic safeguard for platform workers.

### **3.2.2 Proposals for flexible and secure labor policies**

The platform economy offers distinct advantages, including worker schedule flexibility that permits one to adjust hours to suit individual needs, and complete tasks at a self-determined pace. The platform economy offers distinct advantages, including worker schedule flexibility that permits one to adjust hours to suit individual needs, and complete tasks at a self-determined pace. Thus, flexibility necessitates upholding and safeguarding. Nevertheless, it is unjust that workers are presently "exposed", signifying that they are unable to profit from any of the societal benefits that come with traditional employment. Labor law exists to combat the significant power imbalances between employers and employees, and to safeguard economically and statistically disadvantaged workers from exploitation. Given the lack of legal protections for platform laborers, platform companies are free to hire a significant number of workers at a minimal cost.

Furthermore, in response to the intricacies introduced by algorithmic management, platform operators, catering providers, and delivery services should leverage data technology. They should optimize order distribution processes, refine round-trip routes, establish reasonable time limits for food pick-up and delivery, enable delivery workers to work extended hours while implementing necessary anti-fatigue measures as required.

## **4. Balancing Flexibility and Protection Prospects**

For many platform workers, their labor offers a unique blend of enjoyment and fulfillment. Some even pursue hobbies alongside their work, leading to increased productivity. However, as labor protection aims to safeguard vulnerable employees from powerful employers and balance inequality in the workplace, it is imperative that the specific nature of platform work does not lead to weakened social protection for these workers.

### **4.1 Predicting future developments in the digital economy and platform labor relations**

The relentless march of technology and the ever-expanding reach of digital platforms are reshaping the nature of work. To address these evolving dynamics effectively, we must anticipate several key developments.

Firstly, the digital economy will continue to be driven by advancements in technology. Automation, artificial intelligence, and data analytics will play increasingly central roles in platform operations. This will impact not only the type of work available but also the skills and protections required for platform workers. Secondly, the composition of platform workers will likely diversify further. More professionals from various fields may turn to gig work, seeking flexible arrangements and broader market access. This shift will challenge existing labor classifications and necessitate tailored legal responses. Thirdly, platform workers, empowered by digital connectivity, may increasingly organize and advocate for their rights. This mobilization could lead to significant changes in labor relations, as seen in recent gig worker strikes and protests.

## 4.2 Strategies to address emerging issues and challenges

Reforms should encompass worker classification, benefits, and labor standards. Also, policymakers should develop comprehensive policies that address the specific needs of platform workers. These policies can cover social protections, benefits, and dispute resolution mechanisms tailored to the gig workforce. Additionally, platforms and governments should collaborate on educational campaigns to empower workers to protect their interests, as well as utilize data and algorithms to optimize work processes, prevent overwork, and ensure fair compensation.

## 5. Conclusion

In the ever-evolving landscape of the platform economy, where flexibility and innovation are paramount, safeguarding the rights and well-being of platform workers is an ongoing challenge. This dynamic workforce, contributing significantly to the digital economy's growth, deserves fair treatment and protection.

This paper highlights the insufficiencies and limitations of the legal protection granted by traditional labour laws in tackling new concerns, such as fluctuating wages and benefits. This study derives valuable lessons from an examination of country cases, supporting the notion that platforms have a responsibility to fulfil their social welfare obligations. Moreover, socio-cultural factors and educational awareness significantly influence the platform economy. The harmonisation of flexibility and security is advanced through improved laws and regulations as well as the implementation of policies. Finally, this paper discusses the current developments and possible future perspectives of the digital economy and platform workers.

The balance between labor flexibility and social security for platform workers is achievable through proactive measures and a commitment to upholding their rights. It is a challenge we must embrace to forge a fair and inclusive digital future.

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