

Platform Labour in Tallinn:

How to guarantee decent work?



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SUMMARY

Taking in account findings from PLUS project <https://project-plus.eu/> that did include the perspective of platform taxi drivers as well as policy makers, this short overview discusses the challenges and **possible policy proposals** for ensuring decent work for platform workers in Estonia, accounting for the local institutional setting. We highlight the current imbalance in platform work: being **independent contractors** without any **labour rights**, the platform workers are actually rather dependent on platforms with no space to realistically negotiate their contracts. The digital platforms **set the price ceilings**, leaving the principles of free competition to be questioned, and often exercise not entirely transparent **algorithmic management** over their contractors. As platform work can entail **tax avoidance** and thus leave platform workers without **social insurance coverage**, the report emphasises the problems related to the payment of taxes and discusses what aspects may hinder the sustainability of social security system. Key policy suggestions include need to improve **transparency**, securing right to be informed, and ensuring **fair working conditions** that prioritise safety over profit.

WHAT IS THE MATTER WITH PLATFORM WORK IN ESTONIA?

UNCLEAR STATUS – UNFAIR RIGHTS. In Estonia platforms can sign different types of contracts with their workers, but none of the platforms offer workers an opportunity to become an employee. Few (Wolt, GoWorkaBit) provide their workers the possibility to sign a service contract based on the Law of Obligations Act. Thus, platform work does not fall under the Employment Contracts Act with accompanied social protection rights like redundancy payments, paid annual leave, hourly minimum wage, protection from discrimination, unfair dismissal protection, right to form/join union, rest breaks, maximum working hours, minimum notice period, collective redundancy consultation etc. Taxi platforms like Uber and Bolt do not provide even service contracts to their drivers. Their workers fall either under the status of sole proprietors (self-employed persons), work through their own small company (either paying social security tax for themselves or not) or provide services as natural persons who declare taxes (if at all) as occasional income or through a newly established business account for natural persons¹. From occasional income², only income tax is paid, which does not provide social security coverage, and in the sample of drivers that we interviewed for the PLUS project, this option was often used.

NO TAXES – NO SOCIAL SECURITY. In principle, workers can pay their own labour taxes and also get social security coverage. However, this makes earning opportunities very low and as it is clear from the interviews we conducted for this project, rarely happens. Many platform workers **did not see the full tax compliance feasible** or even desirable (while one is healthy and young, they might not worry about sickness/old age). In Estonia, the social insurance coverage is guaranteed in the case of continuous payments of social tax – which all platform workers do not pay – above the established threshold. Even if they

“As much as it is possible to avoid taxes, people will do it, because otherwise it [driving platform taxi] is pointless”
(U_M_Tln_11).

“And unfortunately it is not possible to do this job honestly. It is not possible to pay taxes.” (U_M_Tln_4)

pay social tax, in the case of strong income fluctuations from month to month, as can be the case with platform work that pandemic made especially obvious, it might not be possible to obtain continuous coverage as revealed from the interviews with platform workers. The strategies to cope were to avoid social tax by obtaining social security coverage from elsewhere or taking the risk of being without social security. In case of obtaining the social security via self-employment or own company, it was a common strategy to keep the payment at minimum even during the months when the actual income was higher. At the same time, it was outlined that it was impossible to cover even the minimum amount of social tax during the low season after deducting all other costs for insurance, fuel etc. even if working full time or more as waiting hours do not bring income.

UNREGULATED WORKING HOURS – NO SAFETY. Platform service prices are generally low (and drivers cannot influence them), but higher during peak hours. When there are bonus systems in place, this can motivate platform taxi drivers to hurry in traffic at certain times, and might lead to long working hours. Unlike other companies that provide professional driving services, ride-hailing companies encourage over-working, providing no social security or income stability for fulltime hours

¹ In 2018, the Simplified Business Income Taxation Act was passed with the aim of simplifying tax responsibilities for natural persons. The act stipulated that the rate of business income tax is: 1) 20% of the amount received on the business account if the amount does not exceed 25,000 euros in a calendar year; 2) 40% of the amount received on the business account exceeding 25,000 euros in a calendar year. The rates include both income and social taxes, which are generally lower compared to the regular Estonian employment tax rate. Based on our research this option is not widely known/used by platform taxi drivers.

² When natural persons work through platforms they might declare their income from driving as occasional income and pay only income tax from it or pay the taxes through the new option of the Simplified Business Income Taxation Act, which sets a lower level of tax obligations, but when fulfilling certain requirements, a person may also receive social security through that.

and promoting driving as an additional job. This leads to dangers in traffic for the drivers and their customers, who may be willing or forced to take the risk, but also to others who have no choice over participating in these situations.

NO AGENCY – NO CONTROL. In regard to platform taxi driving, we really cannot talk about having any amount of job security, as all the responsibility for their working conditions, social security coverage and safety is the responsibility of platform workers themselves. On the other side, this should be balanced by a great amount of freedom and flexibility that should come with this kind of job. However, qualitative interviews with platform workers illustrate that this is always not the case. **Platforms exercise considerable control over their drivers** through an algorithmic management that is often non-transparent. Workers felt that both their individual and collective agency is constrained by the control that taxi-apps exercise over the drivers, **including block drivers** if they do not fulfil the requirements or also for unknown reasons set by the platforms.

“So the driver is totally responsible for everything (...). In practice, as you [other drivers] also mentioned here: you do few so-called wrong moves, and already start getting [negative feedback, blocks etc. from the platform]” (Drivers’ focus group)

NO DATA – BLIND DECISION MAKING. Currently, it is not clear how many platform workers do not declare their taxes nor how many work without health insurance or more broadly are not covered by the social insurance jeopardizing also their social security in the future (e.g. pensions). On the other hand, many drivers have low awareness of their possibilities - drivers do not know how to calculate if taxi driving is beneficial, so they many donor the system for some period before realising that they actually pay for the opportunity to work (including also waiting hours).

WHAT ARE THE KEY POLICY IMPLICATIONS FOR ESTONIA?

Thus, the **main challenges** related to platform work are the following: (1) how to balance the **status** of independent contractor with the actual dependency from platforms - and to ensure safe and decent **working conditions** for platform workers; (2) how to ensure the payment of **taxes** and the sustainability of social security system – and to ensure that platform **workers do not fall through** the cracks of social security system; and (3) how to ensure platforms, workers, customers, and the state authorities have **data for evidence based decision making**.

First of all, it is unclear how many platform workers there are; what kind of relational statuses they have with platforms; how many hours they work, how much do they earn etc. For making informed policy decisions, it would be crucial to gain this data. Thus, we recommend **making it mandatory for platforms to share this data with the authorities and researchers**. Moreover, **platform workers should be informed and able to access the data that platforms collect about them**.

Furthermore, **the voice of platform workers is rather absent in the public discussions** about their situation and **they have little possibilities to negotiate with platforms**. If they have problems with platforms, the latter can just block their account without a due process, as our interviews with taxi drivers repeatedly revealed. As platform workers are formally some sort of independent contractors, not employees, they also do not have a possibility to form unions and negotiate collective agreements. De facto, however, they can be rather dependent on the platforms, and should be provided the possibility to exercise collective voice. What is more, **an independent institution for solving possible conflicts between platforms and their workers should be accessible for platform workers**.

It needs further analysis what other employee rights (e.g. minimum wage, paid holidays, sick leave) should be extended to (some types of) platform workers. The platforms and groups of platforms workers are rather diverse and making universal policy recommendations is difficult. Rather, **it could be possible to devise a more suitable policies based on the data platforms have**. However, considering the balance between worker-side flexibility and algorithmic control, it is clear from the PLUS research

that currently taxi platforms drivers are not totally independent contractors and platforms should be, at least to some degree, responsible for their employment and welfare.

If a person relies solely/mostly on platform work – or other kind of precarious forms of work – for their livelihood, it is likely that they, at least occasionally, will not be covered by the social security system. This issue is not solved even when platforms would offer service contracts to their workers, as the continuity and minimum pay threshold might not be reached. The **minimum income support schemas** would be highly relevant for platform workers (Hauben, Lenaerts, Waeyaert, 2020), however, it would challenge the sustainability of current welfare system and shift the costs of platform work from the platform to the state.

CONCLUSIONS: KEY POLICY RECOMMENDATIONS FOR ESTONIA

WHAT NEEDS TO IMPROVE?	
(a) better transparency – informed decision making	(b) fair working conditions – safety before profit
Transparent algorithmic management should be guaranteed to drivers. Conditions for service provision should be transparent, and platforms should oblige to always give reason when locking an account at platform.	The maximum working hours need to be limited for safety of drivers and customers. Platforms should obligate to limit working hours per day and per week. Platform drivers need to declare their total hours. Platforms should secure fair pay and societies should achieve the basic income goals so that overwork is not a necessity
The power of apps needs to be balanced by power of apps. It would be advisable to nudge drivers' tax compliance and decision making by a digital tool which enables easily to assess the costs (eg insurance, devaluation of their type of car, fuel, taxes) and net gains. State could provide such tools for free to enable drivers strive for decent pay and promote paying tax.	The compliance of contractual status with the content of work should be ensured. Platforms that exercise considerable control over their workers should also take the responsibility for their employment. Those working as independent contractors should be able to exercise more freedom over clients, service prices, etc.
Data is crucial for policy making. Blind policy making should be replaced by evidence-based policy making when regulating platform work. It should be mandatory for platforms to forward information and make possible for state to act based on evidence. More exploratory research on new practices is needed, especially impact studies for (not) implementing policy measures.	The right for collective voice should be guaranteed. Sense of positive identity and professional community should be encouraged. Communication between drivers should not be monitored or discouraged by threats of locking of account. There should be clear mechanisms in place to launch effective negotiations and settle disputes between drivers and platforms.

These research results lend plenty of support to launch in Estonia the EU initiative on platform work.

Further information on platform work in Estonia:

Kall, K., Roosalu, T., Unt, M., & Ojamäe, L. (2021). Platformisation of Tallinn's taxi industry: Results from the PLUS Project. RASI toimetised nr 13. Tallinn: Tallinna Ülikool.

WHAT TO DO TO SUPPORT PLATFORMS AND PLATFORM WORKERS IN ESTONIA?

Improving transparency and securing right to be informed:

- **Data is crucial for policy making.** Problem: lack of information on how many platform workers pay taxes, how many are missing social security coverage etc leads to blind policy making. Solution: It should be mandatory for platforms to forward information and make possible for state to act based on evidence.
- **The power of apps needs to be balanced by power of apps.** Problem: many drivers do not know how to calculate if taxi driving is beneficial, many work for some period before realising that they actually pay for the opportunity to work (given the cost of care and including also waiting hours). Possible solution: It would be advisable to nudge drivers' tax compliance and decision making by **a digital tool** which enables easily to assess how big are **the costs** (insurance, devaluation of their type of car, fuel etc, taxes) and how big are **the net gains**. The state can provide tools to enhance the possibility to assess if it is a decent pay and promote the tax payments.
- **Transparent algorithmic management** should be guaranteed to workers. Be they independent or dependent contractors, conditions for service provision should be made transparent by platforms. There should be an obligation for platforms to always give reason for locking an account at platform.

Fair working conditions and safety before profit:

- **The maximum working hours need to be limited** for safety of drivers and customers. Problem: unlike other companies that provide professional driving services, ride-hailing companies encourage over-working, providing no social security or income stability for fulltime hours and promoting driving as an additional job. This leads to dangers in traffic for the drivers and their customers, who may be willing or forced to take the risk, but also to others who have no choice over participating in these situations. Possible solution: like in the case of professional drivers, platforms have legal obligation to control and limit the working hours per day and per week. Additionally, platform workers need to count and declare their hours independent of platform, while societies should achieve the basic income goals so that overwork is not a necessity
- **The compliance of contractual status with the content of work** should be ensured. Problem: many platform contractors do not have access to neither labour protection nor freedom over their working conditions. Solution: two tier approach where rights and obligations are in balance. Platforms who exercise considerable control over their workers should also take the responsibility of their employment. If people work as independent contractors, then they should be able to exercise **more freedom** over clients, service prices etc.
- **The right for collective voice** should be guaranteed. Problem: Platform workers need freedom and mechanisms to express their concerns, organise and be aware and participate in the decisions that affect their lives, but currently it is difficult to be active as there is no-one to negotiate with and drivers report fear to get blocked. Solution: There should be **clear mechanisms in place to settle disputes between taxi driver and platform**.