



THE FUTURE OF WORK
AND EDUCATION FOR THE DIGITAL AGE

Transformation of Economic and Social Institutions for a New Era of Self-employment in High-income Countries

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Abstract

Platforms now exist that allow large number of individuals to register and accept work as self-employed workers. The self-employed in high-income countries are generally not subject to the provisions of labor laws, and in many cases their social security benefits are inadequate. As a result, they are exposed to economic risks such as income fluctuation. In order to respond to this situation, it will be necessary to reconfigure institutional arrangements including labor laws, tax laws and social security laws to provide systems that are neutral in relation to forms of employment, and to enable the self-employed to receive the same treatment as employees.



Challenge

With the advent of job-matching platforms, it has become possible for workers to freely select the workplace and working hours that best suit them. These platforms that offer the large numbers of individuals registering with them opportunities for work, which they take on as self-employed workers.

The economic significance of this new platform-based model of work should be discussed from both the macro and micro perspectives. However, before considering it, we should mention that there are significant differences in the situation of self-employed workers depending on their state of economic development. Although the percentage of the self-employed in developing countries is higher than in developed countries, many self-employed workers in the developing countries may work in agriculture and retail industries where platforms we are focusing are not relevant. Our discussion here will therefore focus on the situation in the advanced nations.

From the macro perspective, a mode of work that places no constraints on time or place creates an environment ideally suited to the realization of human creativity and innovation. However, there are concerns regarding a potential increase in the number of individuals falling outside the scope of social security systems predicated on corporate employment. Considered from the micro perspective, it is possible that the ability for individual workers to adjust work to match their own circumstances will increase their level of satisfaction. At the same time, however, there are also concerns over increasing dissatisfaction as a result of limited social and contractual protection of self-employed workers, lack of autonomy, and difficulties for collective representation and participation. [1]

However, according to the “Freelance Workers Survey of 2018” conducted by Lancers, Inc., the leading Japanese crowdsourcing company, work satisfaction of freelancers including corporate individual business persons and off-line workers is higher than the rest of workers in Japan.[2] Similar results have been obtained in other conducted online survey.[3] It is expected that the self-employed will increase to a certain extent, and cannot be ignored.



There is an expectation that freelance work should be left up to individual responsibility, and that policy support from the legal system or the government is unnecessary. As one of the experts involved in our project, Professor Shinya Ouchi, has suggested in numerous books and reports, the advent of a digital society will be characterized by an increasing number of people who are self-employed and work via the Internet, the elimination of the economic risks associated with this style of work, rather than their treatment as a matter of individual responsibility, is thus desirable as a matter of both industrial policy and from the perspectives of promoting people's freedom of choice.[4][5][6] "European Pillar of Social Rights" has been proclaimed by the European Parliament, the Council and the Commission. It says that where a principle refers to workers, it concerns all persons in employment, regardless of their employment status, modality and duration.[7] It means that they are trying to treat two forms of work equally.

The OECD report says that the main policies and institutional factors explain the share of self-employment across European countries based on cross-country time series panel regressions for the last two decades.[8] One of the results is that the generosity of the unemployment benefit reduces long-term share of self-employed, which means that self-employment plays the role of an alternative to unemployment. More attention should be paid to the laws and policies that are expected to affect selection of workers between the employed and the self-employed

Proposal

Understanding the actual situation of self-employed individuals working via platforms

In order to formulate a basis for the design of new systems, it is essential to understand the actual situation of individuals who are working via platforms. Examples of necessary data are the number of self-employed workers, the nature and conditions of the work that is commissioned from the self-employed, the relationship between the self-employed and the providers of work, and income including fluctuations in income over time.



However, understanding the situation of the self-employed is a challenging task. In the US, although the number of self-employed workers is said to be increasing, government statistics appear to show the opposite. Self-employed individuals identify in a variety of different ways in response to questionnaires, making it difficult to obtain an accurate statistical understanding of this group.[9][10] Because of this, measures to enable accurate data collection, including tax returns, official ID, and reporting requirements for the individual concerned will be essential in conducting surveys.

Reconfiguring labor, tax and social security laws

The treatment of workers by labor laws, the tax system and the social security system differs depending on the form of their employment. The specifics vary from country to country, but labor laws and social security systems are predicated on the idea of regular employees and are said to offer preferential treatment to employees over the self-employed. [11] These existing systems should therefore be modified in order to make them neutral in relation to the type of employment. However, in this reconfiguration of systems, it will be necessary to incorporate not only the perspective of worker protection, but also the perspective of industrial policy.

First, with regard to worker protection, unlike a worker employed by a company, a self-employed worker is not subject to regulations such as those concerning working hours and minimum wage although there are exceptions for some cases. When the self-employed worker is subject to personal and economic constraints, legal protections apply to the self-employed worker as they do to an employee, for example, by treating the self-employed worker as an employee. However, when there are no personal constraints but only economic constraints, in many cases legal protections do not apply. Given that it is highly likely that a superior-subordinate relationship exists between the entity ordering the work and the individual accepting the order, it may be necessary to apply antitrust laws to strengthen the protection of the self-employed by clarifying the terms of contract.

In addition, while the treatment of matters including income tax and business



tax in tax laws differs from country to country, taxation should be fair irrespective of the type of employment concerned. For example, in Japan, because deductions for regular employees were generous and the self-employed were subjected to comparatively disadvantageous treatment, the taxation system for the latter is being revised to allow the self-employed to receive equivalent treatment to employees. In the US, the Trump administration has introduced preferential treatment for the self-employed, allowing a 20% income tax deduction. There appears to be some concern among experts that this will increase the number of self-employed falling outside the scope of protections, but the question as to whether to offer preferential treatment should not rest only with discussion of neutrality but should be discussed from the perspective of industrial policy. [12]

In addition, the treatment of benefits and burdens in terms of arrangements such as pension systems and social security schemes related to medical benefits is normally different for the self-employed and regular employees. Other than in certain nations, in most cases maternity and childcare leave and benefits in the event of illness, a reduction in work orders, or the loss of the worker's business are lower or nonexistent for the self-employed relative to employees, necessitating a change to a neutral system.

Granting the right to lifelong learning

In revising these systems, it will be important not only to strengthen protections for the self-employed, but also to ensure that they are able to continue working in a rapidly changing environment. In order to do so, workers should be granted the right to continue learning throughout their lives in order to enable them to secure good employment opportunities and realize lifestyle security through a stable income. In concrete terms, it will be necessary to position a career as a legal right in some sense, and to establish rights that create a basis for people to prepare for, begin, and develop their working lives.

The main entities that we can nominate to fulfill this role are both of public and private vocational training institutes. The important thing is that training must be conducted in accordance with the need of the workers concerned. In



Japan, the government has put in place and is implementing basic policies in relation to the development of vocational skills. In the case of public vocational training, emphasis is being placed on fostering human resource in regional areas via programs that reflect regional specificities and the needs of regional industries. While this is an important perspective the institutions involved are perhaps not best suited to providing information concerning the latest developments in technology. For this reason, it will be important to also involve a variety of other entities, including private companies, universities and other educational institutions, and individuals. It will be necessary to conduct comprehensive vocational training, exploiting the specific advantages of each institution.

Among these entities, universities will be able to play an important role in providing state-of-the-art technologies. Some universities allow graduates to take online courses at low cost. It will be essential to create mechanisms that extend such initiatives uniformly throughout society, providing everyone, irrespective of their income, with the opportunity to receive a good education.

According to a report by the World Bank, close collaboration between industry and vocational education also plays a role.[13] One of the cases discussed in the report involves vocational training conducted by Lenovo in China, in cooperation with a university. Linkages between private companies and universities make it possible to provide opportunities for effective training that reflects market need to a wide range of individuals, including the self-employed.

Creating mechanisms to realize collective representation and participation

Self-employed workers are exposed to the risk of loss of work due to factors such as fluctuations in the economy, childbirth, or illness. In order to respond to this risk, self-employed workers should be able to unite and form organizations, allowing them to create the groundwork for a new sense of belonging and solidarity with other self-employed in the same field.

Generally, intermediary organizations such as chambers of commerce, employer organizations, and trade unions allow the membership of self-employed workers.[14] (In Japan, however, it is not the case.) However, in such



organizations the claims of these workers, who are neither company managers nor contracted employees, tend to be drowned out. It will therefore be necessary to secure a safety net by creating intermediary organizations formed independently by the self-employed, enabling them to determine conditions such as working hours and a minimum wage amongst themselves.

However, such practices are regarded as bid rigging under existing antitrust laws, making it difficult to set fixed conditions in relation to remuneration. In order to address this situation, it will be necessary to implement the measures outlined above as revisions to existing antitrust laws.

The types of roles that intermediary organizations take on will be dependent upon how they are rooted in society in specific countries. The important thing will be to ensure that existing laws do not impede the activities of intermediary organizations. We must establish an environment in which individual self-employed workers are able to form a range of organizations as needed.

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