

# ECONOMIC AND SOCIAL COUNCIL

Study Guide for Zurich Model United Nations

Written by Lilly Schwarzenbach and the ZuMUN Secretariat

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## SUBMISSION DEADLINE

Delegates are requested to submit a position paper  
A guide on how to write a position paper is available on

<http://zumun.ch/preparation/>

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Saturday 29th of April 2017

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## YOUR CHAIRS

Lilly Schwarzenbach

Hello my dears!

After finishing a degree in linguistics, I have now moved on to computer science at the University of Zurich. It's been quite a change but I'm very curious and I like challenges so it couldn't be better.

My MUN history can be summarized in just a few words: I have been a board member for MUN Bern for 2 years, a board member of Junes (UNYA Switzerland) for 2 years as well, been part of organizing committees, chaired before and mentored aspiring public speakers. During the last year, I took a break from MUN but I'm excited to be back and to be a chair at ZuMUN 2017! I am already looking forward to meeting all of you and to be part of something amazing!

Skander Manaa

Hello ECOSOC delegates!

I'm 19, Belgian-Tunisian, and finding my way in the fields of political studies. After finishing high school last spring I decided to take all my earnings from small jobs during past years and to travel around the world for a year to discover different cultures and ways of thinking. Now, 6 months later, I've come back home for a break and found myself interested in ZuMUN as a great way to get back in debating and world events, something I've missed a lot.

I started out in MUN by going to Model European Parliament as a delegate, and coming back the next year as head of fraction. I have also participated in The Hague MUN for two years. I'm psyched to be able to live the adventure that is MUN once more and I look forward to meeting and talking to each and every one of you! Good luck!

## ABOUT ECOSOC

ECOSOC – the Economic and Social Council – has been established in 1945 as one of the six main organs of the UN. Its main focus is on economic, social, sustainable development, health, education and environmental issues. Its mandate is set out in Chapter X of the UN Charter.<sup>1</sup>

ECOSOC may<sup>2</sup>:

- Initiate reports and studies concerning issues relating to its mandate;
- Make recommendations to the General Assembly and to the specialized agencies concerning mandated topics as well as human rights and fundamental freedoms;
- Prepare draft resolutions for the General Assembly on issues relating to its mandate;
- Call for international conferences on issues relating to its mandate;
- Enter into agreements with other agencies – subject to the approval by the General Assembly and to Article 57;
- Coordinate the actions of specialized agencies through communication with the agencies and recommendations;
- May take appropriate steps to obtain reports from other agencies;
- May report its findings on reports from other agencies to the General Assembly;
- Provide information to the Security Council as well as assist the Security Council if requested;
- Carry out the recommendations by the General Assembly within its power;
- Carry out requests by Member States or specialized agencies with the permission of the General Assembly.

ECOSOC only has 54 members at all times which are elected by the General Assembly. Every year, 18 members are retired and 18 new members are elected. A country is eligible for re-election immediately after retirement.<sup>3</sup>

Each member of ECOSOC has one vote. Decisions are made by the majority of votes.<sup>4</sup>

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<sup>1</sup> <https://www.un.org/ecosoc/en/about-us>

<sup>2</sup> <http://www.un.org/en/sections/un-charter/chapter-x/index.html>, Articles 62-66

<sup>3</sup> <http://www.un.org/en/sections/un-charter/chapter-x/index.html>, Article 61

<sup>4</sup> <http://www.un.org/en/sections/un-charter/chapter-x/index.html>, Article 67

However, most of ECOSOC's work is carried out in sub-commissions such as the Human Rights Council, the Commission of the Status of Women, regional commissions as well as commissions of issues such as statistics, narcotics and science and technology.<sup>5</sup>

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<sup>5</sup> <https://www.britannica.com/topic/Economic-and-Social-Council>  
<https://www.un.org/ecosoc/en/content/subsidiary-bodies-ecosoc>

## TOPIC A: REGULATION AND TAXATION OF THE SHARING ECONOMY

*Airbnb, Uber and co. – sharing economy par excellence. There are thousands of rooms sitting empty, thousands of cars standing around. The sharing economy allows utilizing these unused resources. The rise of shared economy services raises questions: Will it improve productivity at the expense of social safety and wages? How should governments react, given the biggest resistance comes from established companies in the sectors shared economy services operate in? The success of these new business models is largely based on evading regulations and breaking the law – the playing field is not level when it comes to shift times, licensing, pricing, taxation, insurance and inspections. Will regulations for the sharing economy need to be put in place or should existing regulations be scrapped to benefit all?*

### Introduction to the Agenda Item

Sharing economy is surely the oldest way of doing economics in the history of mankind. Despite of being widely replaced by monetary economics it has been in use over all times. In contemporary history sharing economy has taken its place in times of severe economic crisis, e.g. in the US during the great depression in 1933<sup>6</sup> or in Germany between the end of WWII and the launch of the D-Mark in 1948.

But the recent examples of sharing economy show as well, that this has been immediately been quit, when a reliable monetary economics came back to function.

The need of finding a match between demands and offers, difficulties of transportation and the problem of finding adequate market prices are some of the main reasons for leaving sharing economy.

With the growth of the world wide web new possibilities of bringing demands and offers together an open up a sharing market again.

“I don’t need a drill. I need a hole in my wall.”<sup>7</sup> This is the underlying principle of sharing economy. In this new “socio-economic ecosystem”<sup>8</sup> underused assets are shared for monetary and non-monetary purposes. Locally this form of sharing has always existed, however, with the possibilities that smartphones and the internet provide, a new wider and locally independent way of sharing could be established. Sharing began in the Silicon Valley, where a left-liberal values was mixed with capitalism. This means, that the sharing in a sharing

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<sup>6</sup> Liaquat Ahamed, Lords of Finance - The Bankers who broke the World; 3rd Edition 2016; The Penguin Press

<sup>7</sup> <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf>

<sup>8</sup> <http://www.thepeoplewhoshare.com/blog/what-is-the-sharing-economy/>

economy can come in different forms and varieties, depending on whether the benefit for the provider is of monetary or nonmonetary character.<sup>9</sup>

Forms of sharing might be renting, lending, subscribing, re-selling, swapping or donating. This shows, that the sharing economy is relying on an active participation of its people in the communities. People-to-People or peer-to-peer (P2P) is one of the main principles of the sharing economy. The value of a good may also be defined differently than in traditional capitalism. It is not purely a financial value, but a wider economic and environmental, and social value is also taken into account and most often seen as equally important.<sup>10</sup> Sharing economy often is seen as beneficial to the environment, as it often is linked to fewer resources being wasted, as scarcely-used products are now available to a lot of people without them having to own such a product. Also, models such as cradle-to-cradle and other circular economic systems are promoted.

This is linked to collaborative consumption, a form of sharing economy, in which people rent thing from each other. Owners make money from under-utilized assets and renters pay less, than they would have, if they bought the item themselves. Not without reason, a lot of sharing economy firms started successfully during the financial crisis.<sup>11</sup> The collaborative consumption needs redistribution markets<sup>12</sup>, where supplier and consumer are brought together. For this the internet is an ideal place, since it provides the logistics, storage, possibilities of transport and staff are often not needed, since the transactions is done P2P.<sup>13</sup>

The direct contact between supplier and consumer, whom are, for the most part, both private citizens, also means that this economy has another currency apart from money, this economical model relies highly on trust between both parties and for most sharing economy sites a rating or review system has been installed, that is supposed to help generating trust on both ends, e.g. on Airbnb only people who get good reviews from their hosts, can further on get to see the nice apartments on the website.

Another part of collaborative consumption is the product service systems, an example for that would be DriveNow at BMW<sup>14</sup>, here the customer pays to get access to benefit of the product, rather than buying it.<sup>15</sup> DriveNow is a Free Floating Carsharing network present in

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<sup>9</sup> <https://www.nzz.ch/schweiz/nutzen-statt-besitzen-1.18377330>

<sup>10</sup> <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf>

<sup>11</sup> <http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy>

<sup>12</sup> <http://www.collaborativeconsumption.com/2013/11/22/the-sharing-economy-lacks-a-shared-definition/>

<sup>13</sup> <http://www.economist.com/news/leaders/21573104-internet-everything-hire-rise-sharing-economy>

<sup>14</sup> <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf>

<sup>15</sup> <http://www.collaborativeconsumption.com/2013/11/22/the-sharing-economy-lacks-a-shared-definition/>

various cities in Germany. Unlike in traditional car sharing systems, where passengers have to drop their vehicle at predefined places, they can park it anywhere inside the operation perimeter. The following users locate the vehicles through an app.

## Challenges regarding regulation and taxation

The sharing economy can be characterized by two main features (not necessarily combined). On the one hand, consumers do not need to buy goods in the classical sense, but they rent them for a defined period of usage. The suppliers can be either professional companies holding these assets (e.g. car sharing providers) or private persons. On the other hand, private persons can act as suppliers by offering their underused assets to other people to use them. In most of these cases, a big company acts as an intermediate actor by performing the matching process between supplier and consumer.<sup>16</sup> This development of private persons acting as supplier was only made possible through digitalization. The internet offers everyone access to the worldwide marketplace.

Furthermore, it needs to be distinguished whether physical goods are offered for rent or services are provided. While an Airbnb room or apartment can be both, depending whether the landlord is offering amenities such as breakfast, a ride Uber is to be qualified as a service, as the consumer does not only rent the car but the car with the driver.

The following table shows the possible combinations on the example of cars and car rides. The example of cars is chosen as they are probably the most prominent example of an underused asset: most of them are in operation for at best 10% of time, while the remaining 90% or more of their time, they stand around and occupy scarce parking space.

	<b>Goods rental</b>	<b>Services</b>
<b>Private-to-Private</b>	You borrow the car of a friend	Uber, Lift
<b>Business-To-Private</b>	Car sharing or Car rental	Traditional taxi companies

*Table 1: Delimitation of the sharing economy*

While regulation and taxation for companies providing sharing-economy-based services is generally clear and enforced by governmental authorities (in most countries companies need to register themselves as such before they can claim legal personality to sign contracts and open bank accounts etc.), the sector of private-to-private raises two fundamental questions:

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<sup>16</sup> <https://policyreview.info/articles/analysis/regulating-sharing-economy>



- Which rules should apply in order to guarantee a level playing field for all actors, both private and corporate?
- If different rules for privates and businesses apply, how does one draw the boundary between both and how can be ensured that businesses cannot circumvent them?

The present section therefore concentrates on the question of Private-to-Private goods and services. While the emergence of new business models in the Business-To-Private sector can transform the way we live and do certain things (e.g. Free Floating Carsharing), their regulation and taxation is generally not an issue.

Ensuring a level playing field

VAT & other taxation

Almost all countries in the world know some form of goods and sales tax (one of them being the Value Added Tax (VAT)). This tax applies to all goods and services consumed within the borders of the respective country. Strictly speaking, by definition, the consumer is subject to the tax and not the seller. However, in most countries the tax is collected by the seller transferred to the governmental authorities in charge. Export of goods and services are generally exempt, while import will be charged the tax at the border (exceptions are countries forming a joint VAT-area, like the members of the European Union). While corporate businesses have to submit a tax declaration providing information on the VAT they collected, private persons generally do not have to. This exemption was not an issue, as long as the goods and services private persons provided were limited to their immediate circle of friends and family and their percentage negligible compared to the size of the entire economy. With the development of the sharing economy, this percentage has grown significantly and the services and goods are not only provided to friends and family. The fact that so far no Value Added tax is paid on many sharing-economy-based services allows their supplier to offer much cheaper prices. In most industrialized countries, VAT rates vary between 10% and 25% (with very few countries below or above this range), thus making up a non-negligible part of the end price billed to the customer.

In the sector of hospitality, most cities raise tourist taxes. Those are normally collected by the hotels. These taxes act as a contribution by tourists to the infrastructure provided by the city or municipality (water supply and electricity networks, sewage, tourist facilities at various sites, etc.). Although both commercial and private rooms offered for rent are subject to this kind of tax, it was difficult to control its application among private rentals (see also Case study: Airbnb in Paris).

Additionally, most private persons realizing revenues through sharing-economy-based services do not declare the latter in their annual income tax declaration. This is an offense under most countries' current tax laws and would thus need to be prosecuted. It is however very difficult for tax administrations to have sufficient indications and evidences allowing for proper prosecution.

Besides the price for the rental of the good or the service itself, the matching platform (e.g. Airbnb, Uber) raises a commission. Although the customer relation in this context is without

any doubt business-to-private, not VAT is raised either. The fact that many of the matching platforms of the sharing economy operate internationally does not facilitate the issue, as generally complicated mutual tax agreements between the respective countries need to be taken into account.

Health and safety regulations

Especially hotels and restaurants are subject to a wide set of regulations in the area of health and safety. This include but are not limited to fire protection <sup>17</sup> (provision of escape ways and stairs, installation of smoke detectors, prohibition of certain easily inflammable materials, etc.), hygiene in the handling of food, etc. The implementation of these regulations can generate significant costs for hotels and restaurants.

Insurance

Insurance can also be an issue when striving to achieve a level playing field for all actors. Let's take the example of taxis: car insurance is generally different depending whether the car is used for private purposes or for commercial operation. Commercial vehicles travel higher mileages and thus risk (defined as the product of damage consequences and damage likelihood) is higher as well due to the increased exposure to traffic (the likelihood of an accident can be assumed to increase the more a vehicle travels).

Delimitation between Private and Business

The sharing economy allows anyone to place goods and services on the global marketplace. Thus, the distinction between private person and corporate business disappears. In many countries, taxation and other regulations grant private person certain exemptions under the condition that the services they offer remain a side income. In France for instance, properties rented for more than 120 days<sup>18</sup> per year count as commercial property. They need a special license and are prohibited in certain areas reserved for housing. The rental of properties for cumulative annual period of less than 120 days is considered as side business by private persons.

The distinction between private and business is also relevant for contributions to social welfare. While private persons in general do not need to pay any contributions on side income (as long as they do not exceed a certain threshold), self-employed people are subject to contributions to pension funds and other social security institutions (e.g. unemployment insurance or health insurance in certain countries).

The emergence of Uber in Switzerland lead to a very specific legal fight between Uber and the Swiss Accident Insurance Agency (Schweizerische Unfallversicherungsanstalt, Suva)<sup>19</sup>. In Switzerland, Suva has the legal mandate to decide in the transport sector whether a per-

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<sup>17</sup> <https://policyreview.info/articles/analysis/regulating-sharing-economy>

<sup>18</sup> <https://www.ft.com/content/075f106e-01ae-11e7-aa5b-6bb07f5c8e12>

<sup>19</sup> <https://www.nzz.ch/wirtschaft/rechtsstreit-um-uber-fahrer-sind-angestellte-ld.138163>

son is self-employed or not. This distinction is relevant insofar, that under Swiss law, the employer is responsible to pay the legal contributions to social security institutions for his employees. On the other hand, self-employed persons are responsible to pay these contributions themselves. While Uber is arguing that their drivers are self-employed as they are using their own car and are bearing all the cost of operation, the Suva has been arguing that the drivers of Uber are employees of the latter. Their main argument is the fact that drivers would in fact be dependent on Uber and that they are lacking the freedom to decide on pricing system and level. According to Suva, the latter is an essential characteristic of self-employment. Uber did not agree with Suva's decision and decided to appeal against it in front of a Swiss court. The procedure is pending at the time the present guide has been written (March 2017).

## Case study: Airbnb in Paris

### Facts

With over 55,000 listings, Paris is Airbnb's largest marketplace in the world, followed by London (49,000 listings) and New York City (40,000 listings). Almost 4 million visitors used the site for their stay in Paris in 2015.

In general, Airbnb is extremely popular in France making France the second most important country for Airbnb with regards to turnover after the United States.<sup>20</sup>

In Paris, an Airbnb costs an average of 103 USD per night which is a lot cheaper in comparison to 173 EUR for professional hotels. Airbnb, in turn, makes money from a commission charged to the host (3%) and the traveler (6-12%). Of all the Paris' listings, 86% are entire homes, 13% are private rooms, 1% shared rooms. 21% of all listings are multi listings, meaning that the host offers more than one listings on Airbnb.

On average, a host at Airbnb earns 8,670 USD annually. And the worldwide estimated turnover of Airbnb in 2015 is around 865 million USD.<sup>21</sup>

### Problems and Stakeholders

Lately in Paris, Berlin, and Barcelona, vacation apartments and the agencies that market them are being tagged as the germ behind a range of urban ills. They deprive locals of apartments for permanent rent and contribute to the general housing shortage in these cities, the argument goes, and may thus push up prices for the units that do remain on the market. And in areas full of such apartments, locals can feel harassed by the endless stream

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<sup>20</sup> <http://insideairbnb.com/paris/#>

<sup>21</sup> <http://succeedinparisregion.com/the-economics-of-sharing-airbnb-breaks-all-records-in-the-paris-region/>

of rolling suitcases banging up communal staircases, or by drunken idiots screeching and vomiting by night.<sup>22</sup>

Entire downtown districts are affected - to a considerable extent caused by legally questionable rental models of providers via Airbnb. Criticism was fueled by the fact that not only private hosts but extensive commercial structures had developed behind them. This removes the housing market space, especially in the inner city, so that this business model ensures increased rental pressure in the most attractive quarters for travelers.<sup>23</sup>

“We can’t have entire neighborhoods or buildings turned into tourist homes. That’s why we’re fighting to keep Parisians inside Paris and we won’t let tourist rentals eat up their space.” Ian Brossat, housing adviser of the mayor of Paris.<sup>24</sup>

Airbnb providers are competing with hotels and guesthouses. This leads to an unequal treatment, since these are subject to strong regulation and have to add VAT to their prices in many countries. Some Airbnb landlords do not declare their income from letting in their tax return and do not deduct local taxes or contributions to cultural subsidies.

Airbnb is often criticized for not providing public data to help understand the use of the platform and the impact on cities around the world. Also, Airbnb hardly provides data to cities or states to assist them in ensuring that Airbnb hosts and Airbnb are following the local laws.<sup>25</sup>

#### Regulation in place

Since April 2016, Airbnb sends out communications to hosts likely to be renting their primary residence for more than four months or a home that is not their primary residence. In Paris, anyone who wants to rent their house for longer – or rent out a residential property they don’t live in – must apply for a change of use permit and register it as a commercial property. Breaking the rules can result in a fine of up to 25,000 EUR.

A recent Guardian investigation into Airbnb found that up to 41% of Paris’s entire home listings were either rented out for longer than 120 days a year or rented by a host with more than one listing on the site.

Airbnb reached an agreement with the Paris authorities in 2015 and since October has charged users a tourist tax of 90 USD cents per night, which it then passes on to the local authority.

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<sup>22</sup> <http://www.citylab.com/housing/2016/06/european-cities-crackdown-airbnb/487169/>

<sup>23</sup> <https://de.wikipedia.org/wiki/Airbnb>

<sup>24</sup> <https://www.bloomberg.com/news/articles/2014-08-07/paris-airbnb-cops-want-to-know-if-you-re-rental-is-legal>

<sup>25</sup> <http://insideairbnb.com/paris/>

As a result Airbnb paid 1,310 million USD to Paris city coffers for the last quarter of 2015 corresponding to 1.4 million overnight stays over this period.<sup>26</sup>

## Compliance

The French national law demands that any flat rented out short-term for more than 120 days must obtain a special license. Paris is one of the few cities to implement the law, but so far compliance has been quite weak and under-enforced. Across the whole of Paris, only 107 vacation apartments have so far gained the necessary permit (June 2016). Some illegal landlords have been fined, but most continue to slip through the net, with the total fines levied for 2015 reaching just 205,300 USD. Things may get tougher in the future, however. Currently, Paris City Hall is trying to get the maximum fine for an illegal vacation rental raised from 25,000 EUR to 100,000 EUR, which might deter more current law-breakers.<sup>27</sup>

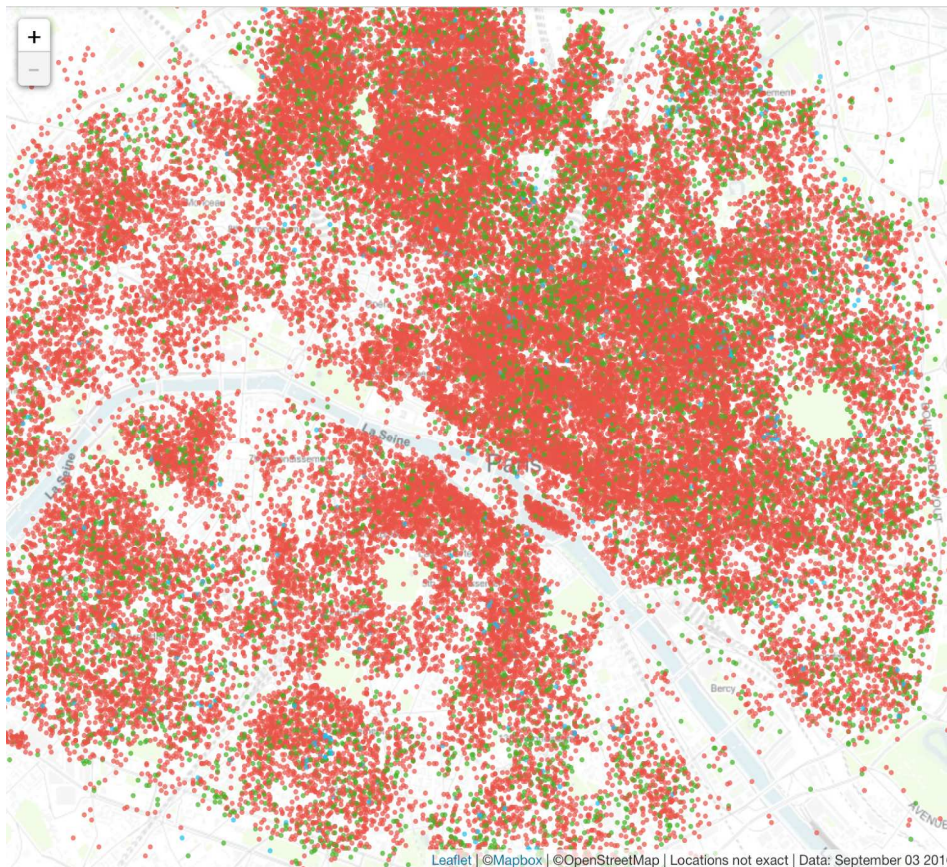


Figure 1: Airbnb in Paris: entire homes (red), private rooms (green)<sup>28</sup>

<sup>26</sup> <https://www.theguardian.com/technology/2016/feb/05/airbnb-pays-paris-12m-in-tourist-taxes>

<sup>27</sup> <http://www.citylab.com/housing/2016/06/european-cities-crackdown-airbnb/487169/>

<sup>28</sup> <http://insideairbnb.com/paris/>

## Current situation in ECOSOC

As the sharing economy is a relatively new phenomenon, the United Nations has not yet specifically addressed it in any resolutions. ECOSOC is predominantly concerned with matters surrounding the post-2015 Sustainable Development Agenda, such as financing sustainable development and encouraging partnerships and international cooperation for reaching the Sustainable Development Goals.

Taxation is a topic often discussed in ECOSOC, nevertheless, albeit from a very different and broader perspective. E/RES/2017/2<sup>29</sup> lays out ECOSOC's agenda for international cooperation in taxation, which may provide a good base for measures that encourage more specialized cooperation in taxing the sharing economy. Since ECOSOC has a strong focus on empowering the Global South and providing assistance to Least Developed Countries, the respective documents detailing its position towards LDC could be of help in finding consensus that takes the needs of all member states, regardless of their development status, into account. In light of the challenges to the traditional labor market posed by the sharing economy, ECOSOC would surely keep its paramount goal of eradicating poverty in mind when formulating a resolution that tackles the issue of regulating and taxing the sharing economy.

Far from ignoring the Digital Revolution, ECOSOC has also engaged with information technology and even does regular assessments of the World Summit on the Information Society's impacts, such as E/RES/2016/22<sup>30</sup>. Apart from that, the committee recognizes the role of ICT in development, as evidenced by its resolution on 'Science, technology and innovation in development' E/RES/2016/23<sup>31</sup>. These official resolutions illuminate in which way and from which perspective ECOSOC usually addresses information technology and may guide delegates in their assessment of how the committee would answer questions related to the largely internet-based sharing economy services.

Regarding other UN bodies, notable resolutions and/or official documents include A/RES/70/184<sup>32</sup> by the General Assembly, also highlighting the role of ICT in development. There is also a forthcoming study announced by the United Nations World Tourism Organization (UNWTO) that will focus on recommendations for member states on how to deal with the sharing economy. At the time of writing, this study has not yet been published, but is advertised as mainly detailing best practices in regulation of the sharing economy.

The lack of direct opinions and positions on the sharing economy is a challenge and opportunity for this committee alike. On the one hand, it will prove difficult to fit a resolution specifically addressing the sharing economy into the committee's history of largely develop-

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<sup>29</sup> [www.un.org/esa/ffd/wp-content/uploads/2017/02/E-Res-2017-2.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2017/02/E-Res-2017-2.pdf)

<sup>30</sup> [http://www.un.org/ga/search/view\\_doc.asp?symbol=E/RES/2016/22](http://www.un.org/ga/search/view_doc.asp?symbol=E/RES/2016/22)

<sup>31</sup> [http://www.un.org/ga/search/view\\_doc.asp?symbol=E/RES/2016/23](http://www.un.org/ga/search/view_doc.asp?symbol=E/RES/2016/23)

<sup>32</sup> [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/RES/70/184](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/RES/70/184)

ment-focused resolutions on taxation and ICT, on the other hand it will be an opportunity to approach the topic of the sharing economy from a variety of standpoints.

#### Points a resolution should address

- How to ensure a level playing field between the sharing economy and the traditional economy? Shall regulations for all be lifted? Or shall there be more regulation for the sharing economy?
- Given the increasing market share of the sharing economy, how can countries make sure their tax bases does not erode? How can they cooperate internationally on this?
- Should there be an international standard for information exchange between national authorities, similar to the one in the banking sector?
- Are different regulatory approaches needed depending on a country's development status? If so, what are the main areas of difference?

#### Further reading

- <http://insideairbnb.com/paris/>
- <https://www.pwc.com/us/en/technology/publications/assets/pwc-consumer-intelligence-series-the-sharing-economy.pdf>
- <https://policyreview.info/articles/analysis/regulating-sharing-economy>

## TOPIC B: SOCIAL PROTECTION IN THE DIGITAL AGE

*How can we ensure human well-being in a world that is ready for robots to do most of the day-to-day work? Digitalization already affects many aspects of our lives and it is a trend that will continue in the future. Automation will change the labor market, posing new challenges to education systems. Non-standard employment, for example in the form of freelancing and work in the sharing economy or the so-called gig economy, is increasing substantially. How can appropriate wages and working conditions be ensured? Do the social security systems in place meet the requirements of the labor market of the future?*

### Introduction to the Agenda Item

Since the advent of computing in the 1950s, computing and digitalization have started to change the world. Instead of performing tasks manually and limiting ourselves to the physical world, digitalization enables us to merge the virtual world with the physical world – thereby eliminating old challenges and opportunities and creating new ones.

Digitalization can be defined as follows: “Integration of digital technologies into everyday life by the digitization of everything that can be digitized”<sup>33</sup>.

Everyday activities such as shopping, socializing with friends and meeting new people are moving into the digital world. The same is true for most businesses. A few years ago, most people had physical work spaces somewhere in an office building. Nowadays, many businesses have found that digitalization cuts their costs and improves their performance. Human employees can be replaced by technology. Often offices become superfluous as many of the remaining employees can work remotely. Furthermore, completely new forms of business and of employer-employee relationships emerge, e.g. freelancing, platforms where individual service providers and customers meet directly without any institution hiring the service providers and negotiating with the customers etc. Skill requirements are also changing as manual work is replaced by robots and software and computer technology becomes omnipresent. As a consequence, the labor market has changed and will continue to change.

### A short history of computing and digitalization<sup>34</sup>

Before 1950, programmers would write their computer programs by punching holes into cards. In the 1950s-1960s, hardware advances allowed computers to support several users at once and programs became more complex. At the same time, the first displays were invented. The 1970s and 1980s witnessed the beginning of personal computing: Everyone should be able to use a computer – even without programming skills. The 1980s also saw the beginning of direct manipulation. Direct manipulation happens when the user gets the feeling of operating directly on objects on the screen, e.g. moving a document from one

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<sup>33</sup> <http://www.businessdictionary.com/definition/digitalization.html>

<sup>34</sup> Based on: <http://www.computerhistory.org/timeline/computers/>



folder to another by dragging. In addition to making working with computers more intuitive to users, direct manipulation also gave rise to systems where users could only initiate actions which the computer would understand and where actions were reversible.

The World Wide Web was invented in 1989 by Tim Berners-Lee (CERN Geneva) for the purpose of sharing scientific data over the internet with other scientists. As the World Wide Web was more accessible to a broader public, the barriers for publishing and sharing information were lowered and over time, the World Wide Web has become what it is today.

Beginning in the 1990s, another idea arose: What if computers were no longer machines which could only be used if you were sitting in front of your desk? Thus, ubiquitous computing was created. Computing should be invisible yet omnipresent. Users should not even notice they are using computers, it should just be normal. Every user should have access to several devices, e.g. smartphones, laptops etc. Everything would be connected. The vision is even broader when it comes to context-aware computing: Devices should not require direct input from the user but sense what the user requires. This requires devices to be able to collect data and to analyze it independently of the user's awareness.

## Central Issues

### Education

In many countries, access to education is an issue of its own. However, even when access is no issue, education is still facing problems such as a mismatch between what people are taught or choose to learn and what the economy needs.

There is already a significant shortfall of skilled employees in the ICT (information and communication technology) sector. A shortfall of 800,000 skilled ICT specialists in Europe by 2020<sup>35</sup> and 732,000 in the US by 2022<sup>36</sup> has been predicted. On the other hand, unemployment rates in many countries are still high and even rising<sup>37</sup>. To battle this, it has been suggested that education should focus on STEM (science, technology, engineering and mathematics) and more specifically on ICT skills<sup>38</sup>. As digitalization and computing become more and more pervasive, jobs not requiring ICT skills are becoming scarcer and scarcer. Howev-

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<sup>35</sup> Worth, Dan (2015). Europe faces 800,000 shortfall in skilled ICT workers by 2020. <http://www.v3.co.uk/v3-uk/news/2403908/europe-faces-800-000-shortfall-in-skilled-ict-workers-by-2020>

<sup>36</sup> International Telecommunication Union (ITU); (2015). Contribution to the 2015 United Nations Economic and Social Council (ECOSOC) Integration Segment. <http://www.un.org/en/ecosoc/integration/2015/pdf/itu.pdf>

<sup>37</sup> European Commission (2012). Press release: Commission presents new measures and identifies key opportunities for EU job-rich recovery. [http://europa.eu/rapid/press-release\\_IP-12-380\\_en.htm?locale=en](http://europa.eu/rapid/press-release_IP-12-380_en.htm?locale=en)

<sup>38</sup> ITU (2015) supra note [3].

European Commission (2013). Press release: European Commission launches Grand Coalition for Digital Jobs. [http://europa.eu/rapid/press-release\\_IP-13-182\\_en.htm](http://europa.eu/rapid/press-release_IP-13-182_en.htm)

er, re-educating job seekers, strengthening STEM and ICT subjects as an education and career choice as well as providing sufficient capacities in education need to be created, structured and funded.

Many regions also suffer from the loss of skilled young workers staying in the countries of their education after going abroad to study. ICT specialists may be especially prone to this phenomenon due to the shortfall everywhere<sup>39</sup>.

However, digitalization also creates opportunities in education: As the reproduction of digital materials is very cheap, digital technologies might improve access to education if materials are made available freely online and internet access is provided to those who might not be able to afford it.<sup>40</sup>

## Labor Market

### Non-standard employment

The last few years have seen a surge in non-standard employment. Non-standard employment includes different forms such as part-time employment, temporary employment, self-employed agents, freelancers, casual work as well as the sharing economy<sup>41</sup> (cf. topic A for sharing economy).

Employers see the benefit of this development in sinking direct labor costs: They only pay for the work they require at the moment – just as with cloud computing for digital goods. Digitalization has put further pressure on businesses to work cost-effective. Hiring employees fulltime in the expectation that the workload will justify this is a high risk – yet not being able to fulfill orders because of a lack of manpower is just as bad for a business. Therefore, businesses tend to strive towards non-standard employment in order to mitigate both risks<sup>42</sup>. Furthermore, often social security measures are tailored to lifelong fulltime employment.

### Labor mobility in the digital age

Even when jobs are still bound to a physical location, the labor market has changed. The European Commission suggests building a network of job offers across Europe to encour-

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<sup>39</sup> Asian Development Bank Institute (2014). Labor Migration, Skills & Student Mobility in Asia. <https://www.oecd.org/migration/Labour-migration-skills-student-mobility-in-Asia.pdf>

<sup>40</sup> Human Rights Council, Report of the Special Rapporteur on the right to education, Kishore Singh - Issues and challenges to the right to education in the digital age, A/HRC/32/37.

<sup>41</sup> Allan, C. (2000). The hidden organisational costs of using non-standard employment. *Personnel Review*, 29(2), 188-206.

Burchell, B., Deakin, S., & Honey, S. (1999). *The employment status of individuals in non-standard employment* (Vol. 110). London: Department of Trade and Industry.

<sup>42</sup> Allan, C. (2000) supra note [7].

age mobility and to make sure skilled workers can be matched to a suitable position<sup>43</sup>. ASEAN does not go that far: They regulate labor mobility by providing standards. ASEAN currently provides accreditations for 6 occupations and frameworks for 2 more exist. These accreditations are awarded to professionals who fulfil the requirements and helps businesses to ascertain that foreign applicants are skilled in their trade. However, the list of occupations only contains engineering related to ICT, there is no standard for ICT professionals.<sup>44</sup>

Furthermore, ICT work is often outsourced to cheaper sites. Call centers, customer service and other basic services in the ICT domain can be situated anywhere – digital work does not know boundaries. This makes it easy to exploit workers as the site can be moved to another site when the labor is cheaper elsewhere, i.e. employers can apply pressure on workers to work for lower wages or lose their jobs as the employers move their businesses<sup>45</sup>.

### Social Security Systems

Social security is defined by the ILO as follows: “Social security is the protection that a society provides to individuals and households to ensure access to health care and to guarantee income security, particularly in cases of old age, unemployment, sickness, invalidity, work injury, maternity or loss of a breadwinner.”<sup>46</sup>

Therefore, a social security system must cover the issues included in the definition. It must determine who is eligible for funds, where funds come from (usually taxes and contributions from potential beneficiaries), how high benefits should and must be to cover the desired standards etc.

While social security is a human right under the Universal Declaration of Human Rights<sup>47</sup>, only 20% of all workers world-wide are covered adequately by social security. Only half are covered by any form of social security at all<sup>48</sup>. Even when social security systems are in place, social security is often limited in its scope to standard employment. Non-standard employment challenges this limitation. Social security is tied to the employment status: Only people hired as employees are within the scope of social security – everyone else is consid-

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<sup>43</sup> European Commission (2012) supra note [4].

European Commission (2013) supra note [5].

<sup>44</sup> ASEAN Briefing (2016). Labor Mobility in ASEAN: Current Commitments and Future Limitations. <http://www.aseanbriefing.com/news/2016/05/13/asean-labor-mobility.html>

<sup>45</sup> Kawashima, K. (2017), Service outsourcing and labour mobility in a digital age: transnational linkages between Japan and Dalian, China. Global Networks

<sup>46</sup> ILO (2003). Facts on Social Security. Available at [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms\\_067588.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/publication/wcms_067588.pdf)

<sup>47</sup> UN General Assembly, Universal Declaration of Human Rights, 10 December 1948, 217 A (III), Article 22. Available at [http://www.ohchr.org/EN/UDHR/Documents/UDHR\\_Translations/eng.pdf](http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf)

<sup>48</sup> Ryder, Guy (2015). How can we create decent jobs in the digital age?. World Economic Forum. <https://www.weforum.org/agenda/2015/01/how-can-we-create-decent-jobs-in-the-digital-age/>

ered to be self-employed and therefore not the responsibility of the business legally speaking. This gives businesses further opportunity to cut costs and potentially exploit workers. Social security systems are slow to adapt and most suggestions for new concepts such as that of a 'worker' who is not under an unlimited work contract vs. an 'employee'<sup>49</sup>. Nevertheless, a balance between security and the flexibility crucial to a competitive economy need to be found. Due to the high labor mobility and the fact that work in this digital age can be done basically anywhere, this is not only a national problem but needs to be dealt with on an international level.

### Data Protection

Big data computing as well as context-aware computing require the collection of an enormous amount of information. Users often are not even aware that information is collected – let alone given a choice to opt out. And even when users are informed about the nature of the collected information, they often do not know who will have access to this information and how it is used.

Furthermore, networks are never completely secure. Two types of attacks on networks are distinguished: Passive and active attacks. When an attacker only collects data and does not actively alter the system, this is considered a passive attack. When an attacker manipulates the system, often in a malicious intent, this is considered an active attack. Systems can be protected from attacks by firewalls which monitor data transfer between the computer and a network. Different types of networks and systems display a different degree of vulnerability. Even passive attacks can cause a lot of damage as private information can be leaked. Users of services as well as the general public often do not get a say in matters of digital security. Issues like storage location, access, security measures etc. are up to the businesses handling the data. For example, in cloud computing not even the business knows where their data is stored – thus they are not capable of controlling that the data is safe. The data might be stored in another country and local legislation might require the data to be revealed. However, as cloud computing saves many businesses money and time, the risk is often considered to be smaller than the profit the business stands to gain.

How is this relevant to the topic of social protection in the digital age? Social protection is all about making sure nobody is left behind and ensuring that people may earn a living and to strive for social progress. When data protection is not assured, people cannot do so freely. If employers or the government or other third parties have unlimited access to any data people produce, people are restricted in some of their fundamental freedoms as most actions or even thoughts leave trails these days and people must fear repercussions such as losing their jobs or having their identities stolen, depending on what information is made visible by legal or illegal data collection.<sup>50</sup>

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<sup>49</sup> Burchell, B., Deakin, S. & Honey, S. (1999) supra note [7].

<sup>50</sup> Freedland, M. (1999). Data Protection and Employment in the European Union. Available at [file:///C:/Users/user/Downloads/3\\_dataprotectionintheeu\\_en.pdf](file:///C:/Users/user/Downloads/3_dataprotectionintheeu_en.pdf)

## Current international situation

The Universal Declaration of Human Rights clearly states that social protection is a human right in Article 22:

*Everyone, as a member of society, has the right to social security and is entitled to realization, through national effort and international co-operation and in accordance with the organization and resources of each State, of the economic, social and cultural rights indispensable for his dignity and the free development of his personality.<sup>51</sup>*

Furthermore, the International Covenant on Economic, Social and Cultural Rights commits to this right as well (Article 9) and highlights some aspects: housing, food and clothing (Article 11) as well as mental and physical health (Article 12)<sup>52</sup>.

However, the body featuring most prominently on the matter is the ILO. In its convention C102, the ILO first addresses the importance of social security. The key issues are access to and minimal scope of medical care covered by social security, sickness benefits, unemployment benefits, old-age benefits, employment injury benefits, family benefits, maternity benefits, invalidity benefits as well as survivor's benefits (widows and children of deceased workers). Furthermore, C102 clearly states that non-national residents must be treated equally as nationals.<sup>53</sup>

Building on C102, the ILO passed recommendation R202 in 2012. In this recommendation, the ILO not only reaffirms the importance of social security, it also provides recommendations and guidelines for states to implement and improve social security systems. Social protection floors are introduced which should contain basic income security for children, older persons, people who are unable to earn their income as well as nationally defined goods and services available to them.<sup>54</sup>

Concerning data protection and privacy, the right to privacy is outlined and reaffirmed by the Universal Declaration of Human Rights, the International Covenant on Civil and Political Rights as well as General Assembly resolution 68/167.

Article 12 of the Universal Declaration of Human Rights states that “[n]o one shall be subjected to arbitrary interference with his privacy, family, home or correspondence, nor to at-

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<sup>51</sup> UN General Assembly, Universal Declaration of Human Rights, 10 December 1948, 217 A (III), Article 22. Available at [http://www.ohchr.org/EN/UDHR/Documents/UDHR\\_Translations/eng.pdf](http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf)

<sup>52</sup> UN General Assembly, International Covenant on Economic, Social and Cultural Rights, 16 December 1966. Available at <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CESCR.aspx>

<sup>53</sup> ILO, C102 - Social Security (Minimum Standards) Convention, 1952 (No. 102). Available at [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_INSTRUMENT\\_ID:312247](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_INSTRUMENT_ID:312247)

<sup>54</sup> ILO, R202 - Social Protection Floors Recommendation, 2012 (No. 202). Available at [http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100\\_ILO\\_CODE:R202](http://www.ilo.org/dyn/normlex/en/f?p=NORMLEXPUB:12100:0::NO::P12100_ILO_CODE:R202)

tacks upon his honor and reputation. Everyone has the right to the protection of the law against such interference or attacks.”<sup>55</sup>

Article 17 of the International Covenant on Civil and Political Rights stipulates the same principle: No arbitrary interference with the privacy of anyone.<sup>56</sup> The General Assembly resolution 68/167 details that people have the same rights in the digital world as they have in the physical world and asks all states to respect the right of privacy and to put legal frameworks in place to ensure this right.<sup>57</sup> Furthermore, the position of Special Rapporteur on the right to privacy has been created in April 2015 and is currently held by Prof. Joseph Cannataci of Malta<sup>58</sup>. The Special Rapporteur’s mandate is set out in Human Rights Council Resolution 28/16: monitor trends, raise awareness and gather and respond to information as well as submitting an annual report<sup>59</sup>.

### Points a Resolution Should Address

- How to ensure appropriate wages and working conditions?
- How to ensure the protection of personal data?
- Are the social security systems in place meeting the requirements of the future?
- How can the flexibility of businesses and employment schemes be preserved while also providing social security to the workers?
- How can the shortfall of ICT skilled works be mitigated?
- How can ICT skills be improved to ensure unemployment rates will not skyrocket as ICT skills become crucial for more and more jobs?

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<sup>55</sup> UN General Assembly, Universal Declaration of Human Rights, 10 December 1948, 217 A (III), Article 12. Available at [http://www.ohchr.org/EN/UDHR/Documents/UDHR\\_Translations/eng.pdf](http://www.ohchr.org/EN/UDHR/Documents/UDHR_Translations/eng.pdf)

<sup>56</sup> UN General Assembly, International Covenant on Civil and Political Rights, 16 December 1966. Available at <http://www.ohchr.org/EN/ProfessionalInterest/Pages/CCPR.aspx>

<sup>57</sup> UN General Assembly, Resolution 68/167, 2014. Available at [http://www.un.org/ga/search/view\\_doc.asp?symbol=A/RES/68/167](http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/68/167)

<sup>58</sup> <http://www.ohchr.org/EN/Issues/Privacy/SR/Pages/SRPrivacyIndex.aspx>

<sup>59</sup> UN Human Rights Council, Resolution 28/7, 2015. Available at <https://documents-dds-ny.un.org/doc/UNDOC/LTD/G15/061/64/PDF/G1506164.pdf?OpenElement>