Discussion Group on Inclusive Participation in the Digital Economy

Summary note

Chair

● Marina Kolesnik, Panel Member

Moderator

● Jovan Kurbalija, Executive Director & Co-Lead of the Secretariat

Guiding Questions

The meeting sought to address the following questions:

● What are the key issues in the digital economy that require improved cooperation among stakeholders?

● What needs to happen in order to ensure the inclusion of marginalised groups, and address negative externalities in the digital economy? What lessons can we learn from the existing examples?

● How can stakeholders work together to provide redress for digitally displaced workforces?

Meeting Summary

Digital technology has made a significant impact on the global economy. It provides the conditions for enhanced participation in international value chains, facilitates market access, and lowers transaction costs. Digital commerce has the potential to boost inclusive growth and jobs. In order for digital commerce to flourish, international cooperation, as well as economic and social enabling conditions, need to be in place.

Participants agreed that the digital economy, like the analogue economy, has an inherent positive-negative tension: digitization produces both winners and losers, benefits and risks for most economies. Therefore, a nuanced and balanced approach is critical for dealing with the digital economy in realistic and effective ways.

The digital economy is increasingly being discussed in connection with other policy issues, such as cybersecurity, network neutrality, privacy protection, data localization, and labor rights.
The digital economy is just ‘the economy’

The line between digital and physical economy is increasingly blurred. The Panel should therefore focus not only on the emerging digital sector, but also on the traditional economy that is undergoing digitalization (e.g. manufacturing, transport, tourism, services, supply chains, etc.) Mechanisms for making a smooth transition from the traditional to the digital economy will be critical to ensuring inclusiveness. Business associations, regulators and other actors should revisit existing economic regulations in preparation for the digitalization of traditional economic sectors.

Including SMEs/MSMEs

The position of SMEs/MSMEs is one of the best indicators of inclusiveness in the digital economy. These companies, often start-ups, can be most directly affected by the lack of effective regulation, unfair competition, cyber security threats, and data hoarding. In particular, SMEs/MSMEs are often the main victims of information asymmetry between big and small players in the digital economy. Digital financial exclusion is a barrier for many SMEs to enjoy the benefits of the digital economy.

Values matter for the digital economy (as well)

Values have practical relevance for the success and sustainability of digital businesses. In 2018, values took primacy of place in economic and technology discussions as more stakeholders questioned how their values were reflected in issues such as privacy protection and diversity. The lack of alignment around values could be the root of many emerging risks in this domain, as well as of tensions among countries.

Participants suggested that one pragmatic mechanism for pursuing values could be benchmarking -- a ranking of characteristics of the values we want platforms to enshrine, that ranks how they perform on these measures. Examples of values-led benchmarking in the financial sector were mentioned, e.g. Omidyar.

Getting regulation right (not necessary tight)

While there was general consensus that regulation is needed for an inclusive and effective economy, participants had divergent views on how to regulate. Some stressed that regulation should not endanger economic vibrancy and innovation. Others cautioned against under-regulation, leading to over-regulation. Policy-makers should give digital technology service providers sufficient room to find solutions for policy areas that embody values such as the protection of privacy, consumer protection, and competition.

The main regulatory nexus is between data, competition and consumer protection, as each of these policy areas can influence the others. Regulators should be aware of each other’s work and ideally coordinate regulations in these areas.

Labour was highlighted as another important area of the digital economy that requires regulation. In addition, the digital economy is impacted by other policy issues such as net neutrality, privacy protection, data localization, and cybersecurity.
Participants stressed that digital regulatory gaps should be addressed in practical, innovative and impactful ways. Firstly, existing regulations for non-digital issues (such as the wide range of WTO and trade agreement mechanisms) should be used. For example, many provisions of the WTO Trade Facilitation Agreement can be applied to e-commerce issues. Secondly, new regulation should be developed through consultative, inclusive, and informed processes at the national, regional and international levels. Policy sandboxes were suggested as a possible innovation to experiment with regulation before it is deployed on a wider scale. Policy consultations should involve governments, the private sector, academia and civil society. Thirdly, regulation should take into consideration other related issues such as the protection of labour, cultural diversity, standardization, etc.

**Gaps in the digital economy**

The connectivity gap persists: while half of the world's population remains unconnected, the other half experiences relatively weak connectivity. Since incentives for the private sector to improve connectivity are lower in the face of shrinking margins, governments need to consider new incentives or partnerships to close the remaining connectivity gap.

The skills gap was identified as one of the barriers for growth of the digital economy. One participant quoted a study showing that skills were not critical for digital entrepreneurs; this triggered a very interesting discussion on the role that digital skills play in success in the digital economy.

Effective education and capacity building are key for building the necessary skills. In addition to formal education, companies, civil society and academia can also help by providing alternative programmes. For example, some are launching financial education apps for the general public, or incorporating financial education into existing mechanisms for financial inclusion. The UN can play a role in giving guidance to governments on vocational skills. A participant noted that in the future, digital tools could be designed with people's literacy in mind, so that low-income groups can benefit from them.

The usage gap is another challenge. Although some providers offer services and devices for low-income groups, these can be of poor quality. Participants suggested that tax incentives be provided for mobile devices, so that more people can access quality services. The lack of of local content (i.e. materials in local languages) also acts as a barrier to entry.

**Ensuring workers’ rights and decent work**

Participants agreed that workers’ rights need to be ensured in the digital economy. Policy-makers should find the right balance between maximizing economic opportunity for all while respecting workers’ wellbeing. One mechanism that could provide lessons for regulating digital platforms could be the Maritime Labour Convention, which frames labour in the shipping industry. With the ‘platform operator’ based in one country, clients in many other countries, and a global pool of labour, maritime industries face comparable challenges in regulating labour as digital services.
It is important to better understand what kind of tasks or jobs are subcontracted to developing countries. Early research shows that microtask platforms offer jobs and salaries that may not be aligned with decent work agendas. As workers are being managed by algorithms via the online platforms for either payment or assignment of tasks, it is important to find ways to ensure that labour rights are upheld in these new business models.

Lastly, the discussion focused on job losses from technological changes and new business models. Some suggested to learn lessons from the social pension and collective insurance schemes that use the market to protect workers. An innovative approach to address job losses from disruptive tech could consist in providing access to investment and savings tools. Online workers or displaced workers could invest a portion of their savings in the new companies, or have options to hedge the risks through 'collective insurance' schemes.

Platforms as public goods – open systems

Several participants noted that online platforms could function like public goods. In many ways, platforms already are like public marketplaces and effectively support the whole digital economy. A participant suggested that regulators work together with large businesses to design ways for large platforms to operate as open systems and provide for inter-operability and open interfaces to data. Others suggested that some platforms be designed from the outset as public goods, as was the case with the Universal Payment Interface (UPI) in India.

Data and the digital economy

The group converged on the idea of developing new platforms for mutually beneficial data sharing. To this end, national players could be created that would act as intermediaries and help SMEs access the big data hosted on tech platforms. An example of such a mechanism is available in the Swiss Trade and Investment Promotion Agency, which currently works with Google on behalf of SMEs so that they can better target consumers using big data. Developing and scaling up this intermediary role between big data holders and small/medium businesses could be a low-hanging fruit for digital cooperation.

The Panel should reflect on how to make the sharing of big data vaults more effective, with rules and incentives for data to be made accessible (via standardized protocols and APPs), and clear policies in place for data and privacy protection. Portability, inter-operability and open protocols will be necessary to facilitate a more efficient data flow in digital markets. A concrete example of effective data sharing can be found in India’s Andhra Pradesh state, where the value of government data increased after it was publicly shared.

Participants suggested approaching data sharing from a competition policy perspective in addition to the data protection and privacy protection ones.
**Inclusive finance and/or financial inclusion**

Inclusive digital finance was debated at length, as a critical aspect of enhancing access to the benefits of the digital economy. Currently the pricing of payments by Mobile Network Operators (MNOs) dissuades consumers and merchants from accepting them. Until costs decrease, many users will remain excluded from digital finance. One proposal for strengthening financial inclusion is to develop a joint MNO payment acceptance network for online payments, similar to Visa or UnionPay. A payment aggregator or acceptance network that brings together all the mobile money providers would be more affordable and accessible to individuals and merchants alike.

Regulatory collaboration between the telecom and the financial sectors is key to financial inclusion. Participants considered India’s model for financial inclusion known as the JAM trinity, which connects mobile devices (even non-smart phones) to bank accounts and digital identity. Likewise, in Tanzania thanks to an industry-led initiative four operators came together to interconnect their mobile money services for person-to-person usage.

**Partnerships**

Building awareness of the benefits of cross-sectoral cooperation and the skills for it is an underappreciated prerequisite for the success of the digital future. One participant from a large company described how they rely on civil society and small businesses to solve certain problems that emerge with their products. The company takes an open ecosystem approach, making information available openly to SMEs via software and apps, so that they can find the solution to the problems. Measuring collaboration and cooperation effectively could stimulate more partnerships.
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Background Note

In just a decade, the digitization of the traditional economy has brought important productivity gains across industrial sectors. The rapid growth of e-commerce and online platforms, in particular, is helping to level the playing field between businesses across geographical boundaries, reduce service/production costs, and boost operational efficiency. Online payments and fintechs, seamless logistics, online microfinance, and new digital services around analog products round out the digital economy ecosystem. With the right mix of infrastructure, talent, capital, regulation, and incentives, digital technology holds the promise of unlocking a more inclusive economy for more people around the world.

Yet, the digitization of the economy is neither complete nor evenly distributed throughout the regions, social groups, languages or genders. The lack of adequate ICT infrastructure and persistent skills gaps undermine the participation of citizens in the digital economy. Given the borderless nature of many digital business models, there are new regulatory challenges in addressing the social and economic spillovers of the digital economy, including labour rights, health, retirement and competition policies. These challenges are compounded by the creation and destruction of jobs by ICTs, which must be addressed holistically to ensure the greatest benefit for people from the digital economy.

Guiding Questions:

1. What principles or values should underpin cooperative approaches to enhance benefits and manage risks brought on by the digital economy? How can we operationalize these?
2. What are the key issues in the digital economy that require improved cooperation among stakeholders?
3. What needs to happen in order to ensure inclusion of marginalized groups, and correct for market failure in the digital economy? What lessons can we learn from the existing examples?
4. How can stakeholders work together to ensure labour rights in the digital economy? How can they collaborate to provide social protection for workers displaced by digital technology?
5. What role do different stakeholders need to play to ensure inclusive participation of marginalized groups in the digital economy? What roles do they need to play to provide redress for digitally displaced workforces?
6. How can we improve governments’ or international organizations’ capacity to address regulatory challenges brought on by technologies that enable or disrupt the digital economy?