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New European Union Platform Work Directive Impacts Freelancers and Gig Economy: Here's What Businesses Need to Know

Mauricio Foeth*

In this article, the author discusses a new directive applicable to businesses that operate digital labor platforms in the European Union.

The European Union took a big step last year toward regulating digital labor platforms—and member states will need to adopt the new directive before the end of 2026. The directive seeks to curb worker misclassification, ensure algorithm transparency, and enhance working conditions and data protection for individuals engaged in platform work, including freelance, on-demand, and gig work. Businesses that operate digital labor platforms in the EU will need to understand the implications of this directive in order to avoid costly misclassifications, lawsuits, and back payments. Here are the top things you need to know about the directive and how you should prepare for compliance.

What Is Platform Work?

Businesses in the on-demand or gig economy generally use digital labor platforms to match available workers with customers that need a particular service. Workers through these arrangements are usually classified as freelancers, self-employed, or independent contractors.

For workers, platforms offer easier access to the job market, a chance to earn extra income through side jobs, and flexibility in scheduling work hours. However, in some cases, courts in EU Member States have found that platforms exercise enough direction and control over those individuals to deem them employees

of the platform. This is a topic of ongoing debate around the world and prompted the EU to adopt Directive (EU) 2024/2831,¹ which is discussed in more detail below.

What Happened?

The European Parliament and the Council of the European Union adopted the directive in October 2024 in response to growing concerns for workers in the platform economy. Although EU law already provided general protections for workers, they wanted to address relatively new business models and employment forms that often fall outside the traditional regulatory frameworks. The directive seeks to address these gaps by introducing measures to improve working conditions and make clear employment status determinations.

The directive also seeks to regulate the use of algorithmic management systems, which have been used in recent years to handle supervisory and human resource responsibilities, such as task allocation, scheduling, and performance evaluations. The directive calls for transparency on how these algorithms operate, what data is used, and how they influence automated decisions.

What Does This Mean for Businesses?

This directive will shift how platform work is managed and regulated in the EU and apply to all digital labor platform work performed in the EU. Key areas affected include the determination of employment status, data protection, transparency in algorithmic management, human oversight, and health and safety measures. European businesses must now adhere to these guidelines to avoid potential legal and financial repercussions.

Notably, in EU countries (particularly in central Europe) where freelancing is not only permitted but encouraged, officials will have to adapt local legislation accordingly. Additionally, Member States will need to ensure that platform workers contracted through intermediaries receive the same protection as those directly contracted by digital labor platforms.

What's Next?

Unlike EU regulations—which are immediately applicable, binding, and enforceable by law in all member states—EU directives establish requirements to be achieved in every Member State through national legislation. Member States have until December 2, 2026, to implement the necessary laws, regulations, and administrative provisions to comply with Directive (EU) 2024/2831.²

Businesses should start preparing for these changes by reviewing current practices to ensure they align with the new requirements. This includes assessing employment contracts, service contracts, data processing policies, algorithmic management systems, and health and safety measures.

Five Key Points + Tips for Businesses

1. Determining Employment Status

Presumption of Employment Relationship

A rebuttable presumption of employment exists under the directive if the platform business appears to direct and control the work. This is a major shift as it puts the burden of proof on the business to demonstrate, with convincing evidence, that it is not an employment relationship.

Definition of Platform Work

The Platform Work Directive defines platform work as any activity organized through a digital labor platform and performed by an individual within the EU for third parties, regardless of the contractual relationship or how the parties label it (employment, self-employment, or freelancing, for example).

Implementation Tips

- Review your contracts to ensure they accurately characterize the work relationship.
- Keep detailed records of workers' actual tasks, signed contracts, and invoicing to support their status designation.

2. Processing Personal Data

Restrictions

Digital labor platforms are prohibited from processing data related to the emotional or psychological state of workers, private conversations, data collected when workers are not performing platform work, data predicting trade union activities, and data inferring racial or ethnic origin, political opinions, religious beliefs, health status, or biometric data (except for authentication purposes).

While existing EU laws offer general protection, the directive addresses unique challenges raised by platform work. Under the directive, provisions on algorithmic management related to personal data should extend to all platform workers, regardless of their employment status.

Implementation Tips

- Assess the impact of data processing practices and seek input from workers and their representatives.
- Implement strict data governance policies and provide training to staff on the new data processing rules.

3. Transparency in Algorithmic Management

Requirements

Covered businesses should inform workers about the use of automated monitoring and decision-making systems, how these systems are used to make decisions, and the impact these systems could have on workers' day-to-day lives. This includes details about the types of data collected, how decisions are made, and the impact of these systems on working conditions.

Implementation Tips

- Develop clear communication channels to inform workers about algorithmic management practices.
- Provide training and resources to help workers understand how these systems work.
- Create user-friendly documentation that explains the algorithmic systems in plain language.

- Be prepared to provide explanations for a decision taken or supported by automated decision-making systems.
- Designate a human contact to clarify facts, circumstances, and reasons for a decision.

Provide a written statement of reasons for decisions that restrict, suspend, or terminate the account of a platform worker.

4. Human Oversight and Evaluation

Regular Review

Businesses using platforms will need to regularly assess how automated decisions affect workers and ensure there is a human who can step in when needed. Workers have the right to challenge automated decisions and demand human review of automated decisions with severe impact, such as termination decisions or those that have an impact on the contractual relationship. The directive emphasizes that companies need enough trained staff to oversee these systems and, if necessary, override them. However, there is an exception for individuals who perform platform work but are considered “business users.”

Implementation Tips

- Establish a dedicated team responsible for oversight of automated systems that can provide written explanations for decisions.
- Implement a review process allowing workers to challenge decisions and provide written feedback.
- Determine which “business users” fall under the exception.

5. Health and Safety Measures

Requirements

Businesses using platforms must evaluate the risks of automated systems to workers’ health and safety and introduce preventive measures. This includes assessing psychosocial and ergonomic risks and ensuring that automated systems do not put undue pressure on workers. You will also need to establish effective reporting channels for incidents of violence and harassment.

Implementation Tips

- Assess the risks of automated monitoring and decision-making systems to workers' safety and health.
- Evaluate whether the system's safeguards adequately identify risks.

What Should You Do Now?

- Review your current contracting and employment practices in light of the new directive.
- This means taking a good look at contracts, data handling procedures, algorithmic systems, and health and safety protocols.
- It is also a good idea to partner with legal counsel to conduct thorough internal audits to ensure everything is in line before the deadline on December 2, 2026.

Notes

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1. <https://eur-lex.europa.eu/eli/dir/2024/2831/oj/eng>.
2. <https://eur-lex.europa.eu/eli/dir/2024/2831/oj/eng>.