

COOPERATIVES AND EMPLOYMENT

SECOND GLOBAL REPORT

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4.5. Role of cooperatives in the changing world of work

4.5.1. The changing world of work

Recently, new types of business model, mainly performed through on-line platforms, have drawn attention. The new economy emerging around them has different denominations, such as the sharing economy, on-demand economy, collaborative economy, peer to peer economy, access economy or crowd economy. With regard to this phenomenon in general, we can find both optimistic and pessimistic views on its technical development and accompanying social changes, both enthusiasm and concerns regarding the new types of work and life style, criticism concerning unscrupulous tech start-ups and their labour practices, and continuous efforts to address problems and seek solutions. Although it seems to be difficult to define what is happening globally, we can identify three different lines of argument regarding the phenomenon. Above all, these three lines of argument converge in recognizing that recent technological development over the last two decades has brought considerable changes to every aspect of society.

One line of argument praises the positive effects brought about by these changes. Thanks to technological development, people looking for more flexibility, independence and self-determination become able to collaborate, share and trade among themselves, peer to peer, without the mediation of existing systems, such as the corporate world and government. People in this new world are neither isolated nor alienated, but can participate more actively in local or virtual communities. Technology makes it possible to share unused or underused resources so that it enables eco-friendlier development compared to the industrialisation era. Certain institutional frameworks established since industrialisation and modern capitalism have therefore become outdated and obsolete.

The second line of argument focuses predominantly on the negative effects of these changes. They express concern about people who are negatively affected by them, such as workers and entrepreneurs in certain industries that are threatened by the disruptive and aggressive behaviour of on-line platform tech start-ups, such as Uber, or clients who are not sufficiently protected against unpredictable risks, or people working through on-line platform apps who are less, or not at all, protected by existing labour regulations. However, a significant part of the generated profits is appropriated by a small number of shareholders, financial investors, and CEOs. According to Trebor Scholz, a proponent of the idea of platform cooperativism, the phenomenon which should be called digital feudalism or platform capitalism can be summarised as “socialized risks and privatized profits” and “financialization of the everyday 3.0” which extends the deregulated free market to previously private areas of our lives (Scholz, 2016). In the conjuncture of the economic crisis, it has become more harmful for a significant number of workers who have lost their jobs or whose incomes have been considerably reduced because, for them, the new jobs created through on-line platforms are not just sharing activities with some additional pocket money, but have become real jobs and main income sources.

Thirdly, recognizing both the positive contributions and negative effects, another line of argument tries to propose third way solutions in a pragmatic fashion. In combining both optimistic and pessimistic views, this line of argument focuses on developing feasible solutions in identifying embryonic initiatives.

These three lines of argument are not mutually exclusive and various actors often combine more than one. The three lines often converge with regards to work and employment issues.

When this new phenomenon emerged, the major employment issue was that of workers in the industries most affected by the new competitors, notably taxi drivers threatened by ride-hailing app companies. However, as the business model of on-line platforms has become well-known, serious

consideration has been given to the situation of workers in this model. The most contentious debates focus on the legal status of workers providing services to clients through on-line platforms. Many tech start-ups classify these workers as independent contractors, because workers can allegedly start and stop working whenever they want and can use different on-line platforms in picking up orders that they prefer. On the other hand, over time, it has become clear that the tech companies maintain a considerable level of control over the drivers' workplace conditions and behaviour by unilaterally changing pay rates for drivers, imposing working rules and "de-activating" (meaning, in practice, firing) them at any time through reputation rating systems. Such control systems are typically the hallmark of the employment relationship, which should bring with it benefits, more stable pay and greater job security. By classifying workers as independent contractors, namely self-employed workers, tech start-ups shift all costs related to employment to individuals and exploit this huge labour-related cost advantage. There is strong evidence that when all expenses are taken into account, most workers earn less than the minimum wage, besides suffering from a lack of rights and protection provided through an employment contract. In the United States, where the self-employed enjoy no right to collective bargaining, these workers cannot even make their voice heard collectively. This situation is becoming more critical as an increasing number of workers choose to do this kind of work as their main source of income. This is a striking example of the gig economy, as well as of the informalisation of work and employment in the changing world of work.

Another issue which has not drawn so much attention for the time being, but will be crucial for the future of work, is the fact that even this kind of worse jobs will become less important in the future due to robotization and the development of artificial intelligence. In the place of workers, drones, self-driving vehicles, and the Internet of Things will rule the economy. Many people will lose their jobs or will have to work in less skilled and less well-paid position, like assistants in self-driving vehicles.

We do not deny the positive contribution of technical development to these newly emerging work forms that are often hidden by the shadow of disguised self-employment. As we have examined above, there is also evidence that many self-employed people, particularly freelancers whose increase in number is stimulated by technical development, prefer to work as self-employed workers with more flexibility and independence. Convenience, efficiency and ubiquitous connectivity through technology is an undeniable advantage which has considerably reduced transaction costs. It should also be noted that in a situation in which growth with less, or without, employment is becoming a serious problem, the capacity to create jobs and income through on-line platform businesses is not negligible. Indeed, this is one of the lines of justification frequently used by Uber.

Looking beyond the criticism, various concrete efforts have been made to address the negative effects caused by the on-demand economy. The disguised self-employment problem raises the important issue of how the legal status of a growing number of self-employed workers should be recognised. Is the regime for the self-employed sufficient? Should a large proportion of them be reclassified as employees? Do we need to establish a new legal status adapted to new work forms? A series of rulings¹ made by the courts and public authorities tend to support the position that people working through on-line platforms, particularly on ride-hailing apps, should be classified as employees and have the right to unionize². Although a class-action case concerning Uber drivers was settled to the tune of US\$ 100 million, some modifications of the terms of contracts and the creation of drivers' guild³, the issue is more topical than ever. Some tech start-ups are also voluntarily changing their workers' legal status into employees. In recognizing the need for better training and supervision to improve their service level, Instacart, Shyp, Hello Alfred and some others have chosen to enter into employment contracts with workers who work through their platforms. In Belgium, workers in the on-demand economy are beginning to be given employment contracts through SMart and to benefiting from rights and protection as employees. Furthermore, this issue has accelerated the debates about the need for a new legal status. What is interesting is that, regarding some ideas, such as portable social security

schemes and universal basic incomes, some tech start-ups (e.g., Uber), freelancers' organisations (e.g., Freelancers Union) and proponents of platform cooperativism (Scholz, 2016), hold common views.

4.5.2. Cooperatives in the changing world of work

As the on-demand economy is a recent phenomenon, the cooperative movement has yet to take a specific position on it, but related debates and studies are beginning to appear. One of the very few research papers dedicated to the relationship between the "collaborative economy" and the cooperative movement, published by Cooperatives Europe, shows different attitudes in the cooperative movement towards this phenomenon (Como et al., 2016). According to the paper, the overlapping practices between cooperatives and the collaborative economy are still few, but the similarity in language and image brings opportunities and challenges to the cooperative movement. Some interviewees in the paper consider the collaborative economy as an enlarged family of the cooperative movement and even as inevitable elements for cooperatives to capture in "exploring new paths of innovation". But others are concerned about the controversial behaviour of on-line platform companies, as well as the excess of ideological and value oriented grass-root initiatives, which are often accompanied by a weak economic dimension. However, the report mapped diverse experiences among cooperatives, inspired by the concept of collaborative economy, which respond to technical development and its accompanying social changes and to new ways of working through digitalised environments. Although it is not easy for established cooperatives to develop and adopt this type of innovation, the report points to the need to promote innovation in the cooperative movement and, thereby, to make the cooperative model *"more appealing to the young people, who will otherwise found their collaborative economy ventures under a different legal form"*.

Interesting approaches have been proposed from outside the established cooperative movement. The concepts of platform cooperativism and of commons have been proposed to provide a conceptual and normative framework for understanding and promoting new initiatives stimulated by the recent technological and social changes.

A. Platform cooperativism

Platform cooperativism does not mean only cooperatives using on-line platforms but, more broadly, a movement oriented toward collective and democratic ownership of digital services, no matter what legal form is used. The idea came out of an emerging critique of the extractive on-demand economy. Two American researcher-activists, Trebor Scholz and Nathan Schneider, proposed the idea as an alternative to the venture capital backed on-demand economy in trying to introduce the cooperative model and identifying embryonic initiatives. Through conferences and meetings across the world, the idea of platform cooperativism has been rapidly spreading and attracting growing interest. Recently, the British Labour Party adopted this concept in its *Digital Democracy manifesto* in stating that *"we will foster the cooperative ownership of digital platforms for distributing labour and selling services"*⁴. The French National Digital Council also paid attention to this concept in its report, recommending that efforts should be made *"to support platform cooperativism in order to ensure a fair compensation and representation of workers in the collaborative economy"* (Conseil national du numérique, 2016).

The basic idea of platform cooperativism is clear: new business models based on the internet and on-line platforms can be combined with the cooperative model by giving ownership and control power to the very people who use and work through on-line platforms. By doing so, they can distance themselves from the disruptive behaviour of tech companies in maximizing profit and apply the power of technological imagination to practise forms of cooperation and collaboration that serve people and pave the way towards a better world. However, given that there are still few examples at hand, there is some conceptual confusion and ambiguity about how platform cooperativism can contribute to addressing the very problems that motivated the concept in the first place. For example, whilst the

expression “worker-owned” is often used, many examples presented are of a kind of shared service cooperative model for self-employed producers who join forces and work through platforms. It is not always clear if IT technicians who manage the platforms are members or not and, if they are, which kind of relationship exists between self-employed producer-members and IT technician worker-members. Many examples presented look like multi-stakeholder cooperatives where service providers, service users, IT technician employees, founders and investors can be members. However, information regarding methods of distributing rights, responsibilities, voting power and economic outcomes, which are more important than simply the membership structure in verifying the cooperative identity, is not always clearly presented. Broader debates about cooperatives and the collaborative economy increasingly include not only economic initiatives operating through the on-line platform business model, but also various types of initiatives such as cooperatives working in the IT industry, cooperatives adopting the platform model as part of their business portfolio, digitalisation of internal governance structure and inter-cooperative business to business spaces, non-cooperative enterprises helping cooperatives establish platform-based operations or improve their internal governance, crowdfunding projects to support or create cooperatives and on-line initiatives claiming cooperative principles with few concrete business model or governance structures, etc. Therefore, although the concept of platform cooperativism resonates to a considerable degree both inside and outside the cooperative movement and is inspiring existing cooperatives and new start-ups, many aspects remain to be clarified.

The approach which we used above to understand the role of cooperatives in addressing the problems related to work and employment in the informal economy can also contribute to clarifying the potential of platform cooperativism, at least as far as work and employment issues in the changing world of work are concerned. Below, we will briefly analyse initiatives presented as examples of platform cooperativism from the employment point of view⁵.

Above all, it is certain that the new opportunities and challenges brought about by technical development and accompanying social change do not have an even impact on all types of work and jobs in cooperatives. They have a greater impact on cooperatives in some specific economic activities, such as care services, transportation, logistics, creative and cultural activities, professional services and, of course, the IT industry itself. In specific sectors, specific work forms are necessarily used, regardless of the legal status of the enterprise.

It is somehow surprising that many of these enterprises are not worker cooperatives, but rather shared service cooperatives for self-employed workers working through on-line platforms. In appearance, at least, the legal status of these workers is not different from the status of workers in disruptive tech companies. In terms of membership, these cooperatives can be classified mainly as producer cooperatives and multi-stakeholder cooperatives. Here are a few examples of each form:

- **Producer cooperatives** - Resonate (music), Member’s Media (film) and Stocksy (stock photography) are often presented as cases of producer-owned platforms (Scholz, 2016). By helping the self-employed producers find clients, platforms owned by producers themselves in a cooperative form provide the same types of services as those of shared service cooperatives to self-employed producers. Their main contribution is not to provide employment contracts with full-fledged rights and protection, but to increase producer-members’ sales and incomes.
- **Multi-stakeholder cooperatives** - In fact, more cases reflect the multi-stakeholder cooperative model. To make the platform work, different stakeholders are involved, such as founders and IT technician employees, people using the platform as service providers or as users, and investors who might be more mission-oriented investors or supporters. A good example is Fairmondo, a cooperative online marketplace for trading ethically-sourced products from small fair trade companies, owned and run by its buyers, sellers, workers, and investors⁶.

- **Worker cooperatives** - Loomio, a New Zealand-based worker cooperative in the IT industry, is one of the cases with a traditional worker cooperative form. It is famous for its software for facilitating the democratic and participatory decision-making process. It seems that it is included in the platform cooperativism discourses because of the symbolic importance of its software in promoting cooperatively performing on-line systems. However, in terms of employment, it is difficult to say that this cooperative also contributes to addressing problems related to work and employment in platforms.
- **Users' cooperatives** - Another type of cooperative presented in the platform cooperativism discourses is the users' cooperative model. Established in 1997, Modo, a Vancouver-based car sharing cooperative, is the first car sharing cooperative in North America. Its members are 16,000 users who share 500 vehicles. As we will see below, the idea of "open cooperative" proposed by the Commons movement seems to be close to the user cooperative model.

B. Commons movement and open cooperativism

In sharing many common aspects with platform cooperativism, but maintaining certain differences, the commons movement has been developed, amongst others, by Michel Bauwens, founder of P2P foundation and Yochai Benkler, professor at Harvard Law School. Inspired by Elinor Ostrom's work on managing common resources, it partly overlaps with other concepts such as the social and solidarity economy, peer-to-peer production and de-growth. "Commoners" warn that growing global social inequality and exclusion, along with climate change caused by massive privatisation and commodification of many shared commons, are threatening our very future. In their view, the commons can be understood as a bridging paradigm that stresses cooperation in the management of resources, knowledge, tools and spaces as diverse as water, forests, natural resources, Wikipedia, Linux and other free and open-source software, citizens' journalism, a crowdfund, or a community garden. Although platform cooperativism can often be considered, broadly speaking, to be part of the commons movement, the commoners lay greater emphasis on the concept of common goods and peer production, which should be run through network-based peer cooperation and localised bottom-up initiatives, beyond dominant markets and traditional state programmes (European Commons Assembly, 2016). In this sense, Yochai Benkler distinguishes platform cooperatives, which need clear membership and user boundaries, as well as intellectual property for charging customers and users a price, from commons and peer production, which thrives on pooling voluntary contributions of participants without material benefits (Benkler, 2016). Therefore, the commons movement seems to be more radical in its approach.

One of the ideas proposed by the commons movement is "open cooperativism" (a controversial denomination because it can be confused with the first cooperative principle of "voluntary and open membership", which all cooperatives in the world are required to abide by). Michel Bauwens believes that, among the many new ethical post-corporate forms aligned with the contributory commons, "open cooperatives" could be one of the potential forms that commons-friendly market entities could take. "Open cooperatives" are cooperatives with the following characteristics: mission-oriented, multi-stakeholder, committed to co-creating commons with the productive communities and globalized in organisational scope in order to create a counter-power to extractive multinational corporations (Bauwens, 2016). Although not clearly expressed, the idea of "open cooperative" is close to the users' cooperative model or the user-based multi-stakeholder cooperative model for commonly managing various forms of common goods. Pursuing a more radical transformation of capitalism and its employment system, the commons movement puts the issues of work and employment in a very long-term perspective, through peer production outside the market system among people benefiting from universal basic incomes, but does not say much about short-term solutions.

4.5.3. Some propositions

While fully recognizing the contribution made by the concepts of platform cooperativism and the commons, it seems that their combination with the concrete tools and methods of the cooperative movement could strengthen and concretise such contributions in solving problems related to work and employment in the changing world of work.

Firstly, as Benkler correctly noted, cooperatives as business organisations operating in the market need to be based on clearly defined systems that allow ordinary people to understand and participate in their activities and governance. It therefore seems important to have well-tuned, multi-stakeholder cooperative models that contain carefully elaborated principles for the equal and fair distribution of rights, responsibilities and power among different categories of members. For this purpose, the French collective interest cooperative and the solidarity cooperative in Quebec, Canada, which are already used as good governance tools for projects based on various stakeholders, could be good points of reference. These more institutionalised multi-stakeholder cooperative models might give more voting power to employees or self-employed producers, so that their rights and protection could be better guaranteed.

Secondly, if we want to address more directly the problems of disguised self-employment, the cooperative model focusing on strengthening the rights and protection of self-employed workers through employment contracts, as it is practised by Smart in Belgium⁷ and by business and employment cooperatives in France, might be examined as a direct solution to the problems⁸. However, as we have already emphasised, to fully apply these models, legal frameworks regarding cooperatives, work forms and social security systems should be carefully examined and articulated with one another.

Thirdly, as the advocates of platform cooperativism propose, it seems important to mobilise various initiatives that are both aimed at promoting the cooperative model and adapted to technical and social change. To do this, it is not sufficient to create new cooperatives, but it is also crucial to innovate the business models of existing cooperatives and to establish economies of scale by clustering in cooperative groups. Otherwise, existing cooperatives in more affected sectors could suffer difficulties. A good example of this is the collaboration between Coopify, which has now converted itself into a cooperative, and home-care cooperatives in New York. The promotion of this kind of digitalisation project for cooperative businesses, especially small and local-based worker cooperatives by networking them through platforms, is urgently needed. This would also be a way to update horizontal integration for the 21st century as one of cooperatives' main advantages⁹. It would also provide a new market for IT enterprises, including worker cooperatives, and could attract social or public investments focusing on social mission and innovation.

Fourthly, particular attention needs to be paid to the crucial role undertaken by IT technicians and to the capital-intensive business culture in the IT industry. IT technicians can digitalise certain core management and decision-making processes into forms of programming codes which ordinary people cannot access or change. Therefore, their role is not just that of employees but also that of dominant actors who set up the rules of the platforms. No matter whether their staff is composed of worker-members or employees, democratic control over platform cooperatives should include the control over the technical aspects in order to establish a fair power balance between the different member categories. On the other hand, the place for financial investors in cooperatives should always be carefully attributed. Given the need for considerable amounts of initial investment in the IT industry, we often find the category of financial investor-member in the cases presented as examples of platform cooperatives. It seems important to define the cooperative model in which financial investor members' power is fairly limited in recognizing their specific importance in the IT industry. If the power of IT technicians, including founders and financial investors, is not reasonably controlled, there is a risk

of instrumentalising the cooperative model to mobilise more clients or small investors, without giving them substantial rights.

Finally, in parallel with promotional approaches, it is necessary to analyse more carefully and empirically the contributions of newly emerging cooperative models to social problems, including those related to work and employment. It seems that recent promotional discourses mixing different contributions of different cooperative types in a simplified and promotional description might, in the long-term, be harmful to the platform cooperativism movement, as well as to cooperative movement in general. In addition, clustering and grouping among platform cooperatives can help establish common financial instruments that reduce the need for investor-members in individual cooperatives.

¹ Ruling of the California Labor Commissioner's Office, June 2015, regarding employee status of an ex-Uber driver concerning expenses, ruling of the California Employment Development Department's Inglewood office, August 2015, regarding employee status of an ex-Uber driver concerning unemployment benefit, decision of the Seattle City Council, December 2015, regarding permission to form unions of drivers for ride-hailing apps, and ruling of the London Employment Tribunal, October 2016, regarding the right of Uber drivers to be classed as employees.

² It is interesting to know that, in the ruling of the California Labor Commissioner's Office, which classed Uber drivers as employees, a lawsuit case of 1991 concerning a taxi cooperative was cited as an example of disguised self-employment. Indeed, there are a number of cases in which worker cooperatives in some sectors, such as care services or taxis, choose the legal form of shared service cooperative for the self-employed rather than the traditional model of a worker cooperative, often due to the specificity of their profession and the hard competition they are facing. As we examined above, if we do not understand the legal frameworks regarding cooperatives, employment and social security, as well as the specificities of different economic sectors, the expression "worker cooperative" itself can be misunderstood.

³ This "Guild", which has only been established in New York City for the time being, is not a union. It cannot bargain a contract with the company, but plans to establish a forum for regular dialogue and to afford drivers some limited benefits and protection, such as discounted legal services, discounted life and disability insurance and discounted roadside assistance.

⁴ http://www.jeremyforlabour.com/digital_democracy_manifesto

⁵ These examples are presented on the websites of "Shareable" (www.shareable.net) and "P2P foundation" (www.p2pfoundation.net) and publications by Scholz and Schneider.

⁶ There is the case of Juno, a ride-hailing app company based in New York, which shows its more favourable attitude toward drivers by reserving 50% of shares to drivers, by giving drivers the option to be contractors or employees, and by applying a lower commission rate and not using a reputation system. At a glance, it looks like a multi-stakeholder cooperative composed of shareholders and worker-owners. However, it seems not to be a cooperative and we could not verify if its governance structure includes sufficient voting power for driver members. Similarly, many cases are presented in platform cooperativism discourses, because of their more ethical and cooperative-like practices, but not because of their ownership or governance structures.

⁷ SMart Belgium reflects an alternative way of transforming self-employed workers into workers with full-fledged rights and protection. Recently, SMart began accepting people working with on-demand app companies as their members. It signed employment contracts with workers and service contracts with two on-line platform delivery service companies. It also signed an agreement with these enterprises, through which the latter commit themselves to respecting decent work conditions and, in particular, to guaranteeing the minimum wage and the protection and security of workers. In the summer of 2016, when one of these companies could not pay their bike couriers, SMart paid € 340 to 400 of these bike couriers who had employment contracts through SMart for unpaid wages and became a creditor of the on-line meal delivery service platform enterprise.

⁸ In considering the experiences of SMart and business and employment cooperatives, one of the biggest South Korean on-line messenger companies, which had started providing designated driver service to drunk drivers through its on-line platform, is examining a worker cooperative model similar to SMart, in partnership with the Korean Federation of Worker Cooperatives, in order to be able to provide more protection to drivers by granting them an employee status and also to improve their service level.

⁹ This is not a model adapted exclusively to cooperatives in industrialised countries: it can be also a good solution for cooperatives in developing and emerging countries. GoCoop, an Indian enterprise set up to market products made by handloom weavers' cooperatives, is an interesting example of how on-line platforms can serve primary

cooperatives in developing and emerging countries by providing more entrepreneurial type horizontal integration. For more information, see www.gocoop.com and <https://yourstory.com/2014/11/gocoop-supporting-rural-artisans-eliminating-brokers-helping-sell-online/>

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