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The emergence of democratic firms in the platform economy: drivers, obstacles, and the path ahead

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Executive Summary

This PhD research project investigates the emergence of ‘democratic’ alternatives to capital-managed platform businesses. These ‘democratic firms’ confer important control and financial rights to the stakeholders that contribute intellectual, social, financial and use value to the firm. This project seeks to understand the drivers for such firms, their limitations, the obstacles they face, as well as how they can be encouraged. In terms of scope, the project specifically focuses on ‘prosumption’ platforms in Belgium, Canada, the Netherlands, Spain, the United States and the United Kingdom. Prosumption is understood as activities where production and consumption are blurred. This not only accounts for the fact that work such as making stock photography, ride-hailing and food delivery often puts to commercial use the goods that were bought for personal consumption, it also acknowledges new types of value contribution, such as social media use and electric car sharing.

Until now, the creation of such democratic firms in the platform economy – and the obstacles thereto – has received limited attention within legal scholarship. This research project seeks to address this gap by answering the following research question and 2 sub-questions:

How can the democratisation of capital-managed prosumption platforms ameliorate socio-economic concerns raised by platform capitalism, and how can this democratisation process be facilitated?

- What are the main motivations for, and challenges to, the formation and governance of democratic firms as viable alternatives to capital-managed prosumption platforms?
- How can the obstacles to the formation and governance of democratic firms be overcome?

In this summary, I provide an overview of the chapters of this dissertation and reflect on how these questions are answered. Chapter 2 of the dissertation provides an explanation for why the democratisation of platform companies has become a salient issue. It addresses the socio-economic concerns raised by platform capitalism and extensively discusses how and why platform cooperativism emerged as a response to these concerns. I trace the history of platform cooperativism as a movement and provide a state-of-the-art overview of how the movement is currently developing. (This can also be seen in the two annexes to this dissertation, which documents many of the cooperative-run platforms and platform cooperatives that have been created at the time of writing). I use Merton’s role-set theory to both understand these socio-economic concerns, as well as to argue that

a change in *status* – from platform prosumer (e.g., as an Uber driver) to cooperative *member* – is an appealing way for resolving role and role-set conflicts that otherwise occur under platform capitalism. That being said, I acknowledge that cooperative members experience their own role and role-set conflicts and present options for resolving these conflicts. I thereby contribute to theory building on why democratic firms, such as platform cooperatives, are beginning to emerge.

Chapter 3 complements chapter 2 by empirically investigating whether there is a latent demand for control and financial rights within platform companies. To that end, this chapter presents the results of a Delphi study that was conducted with the diverse stakeholders of an on-demand food delivery and cleaning platform in the Netherlands. This forecasting method revealed a consensus of opinion among panellists that platform workers should be extended a voice in certain operational decisions, but there was reticence about the granting of financial rights (e.g., allocation of company shares). While this can be interpreted as a call for greater worker representation on such labour platforms, it presents lukewarm support in favour of the collection of rights associated with membership of platform cooperatives. In this chapter I explain how exogenous factors, such as the Netherlands' particular culture of industrial relations, may have had a bearing on these responses. I conclude by evaluating the limitations of conventional forms of worker representation and consultation in the platform economy and argue how this still leaves room for the growth of worker-owned platforms.

Equipped with a better understanding of where, and under what conditions, democratically owned and -managed firms may be attractive, it is possible to turn to strategies on how such firms may be realised. Chapter 4 uses the hypothetical example of a fictitious – yet archetypical – tech start-up to showcase various strategies for converting capital-managed presumption platforms into democratic firms. Three strategies are presented for such an 'exit to community'. The first strategy involves the acquisition of shares by a trust that represents the company's stakeholders. The second strategy involves the transformation of the centralised platform operator into a federated network with a cooperative that has a coordinating function. The third, and most ambitious strategy, requires the linking of company shares with a 'crypto'-token on a blockchain network and a redistribution to platform stakeholders. The chapter exhaustively discusses how each strategy could be materialised, their implications for stakeholders' control and financial rights, relevant precedents and enabling policy reforms. Importantly, it also lays the groundwork for the second half of the dissertation.

The first two strategies presented in chapter 4 correspond to a distinct organisational form: a trust and a cooperative respectively. The last strategy reflects on the emergence of public, permissionless blockchains as a new institutional technology that allows for the distributed coordination of economic activities in novel ways – cutting across organisational forms.¹

1 Darcy WE Allen and others, 'Blockchain and the Evolution of Institutional Technologies: Implications for Innovation Policy' (2020) 49 *Research Policy* 103865.

Chapters 5 to 7 delve into how these two organisational forms and this new institutional technology can be used to support the emergence of democratic firms in the platform economy. As discussed in chapters 4 and 5, the choice of organisational form depends on the stakeholder that is included.

Chapter 5 is primarily concerned with social media users as prosumers and stakeholders of social media companies. I present a three-fold normative argument for why users should be extended control and financial rights in these companies drawing on critical media studies and political theories of the firm. In the absence of regulatory efforts to ensure such rights for users, I build a case for using a shareholding trust or foundation (e.g., *Stichting Administratiekantoor*, STAK) for privately ordering the transfer of such rights. I explain why indirect representation through a ‘user trust’ or ‘user STAK’ is most suited to this particular context and set out a mechanism that could be used to transfer shares to either entity. I also discuss how the user representatives serving on the trust protector committee or foundation board can best represent the interest of a global userbase. In view of this, I suggest the use of a ‘good governance checklist’ to help user representatives know what rights they have, the scope of their decision-making power, and the actions a company needs to take for the representatives to implement those rights. As a corollary to this, a simple diagram is presented to help the global userbase visualise the decision-making process and their potential role in it. I conclude by reflecting on policy reforms that could support the creation of user trusts and user STAKs.

While the preceding chapter concerned prosumption on social media platforms, chapter 6 explores prosumption in the urban mobility sector. In particular, I look at how the creation of primary cooperatives can democratise the governance of a platform and improve the lives of members, as well as how secondary, democratically managed network organisations have begun to emerge in this sector to enable primary cooperatives to collectively develop software. I conduct an in-depth comparative case study of two enterprises for this purpose: (1) Eva Global Corp. and the ride-hailing cooperative, Coop de solidarité Eva in Quebec that licenses technology from the former, and (2) The Mobility Factory, a secondary cooperative in the electric car sharing sector and two of their primary cooperatives, Partago and SomMobilitat, which own the intellectual property for their platform through the former entity. Through elite interviews and a review of primary sources concerning these two enterprises, I examine how these cooperatives provide a preferable alternative to their corporate competitors (e.g., improving the pay of ride-hailing drivers) and how they reduce costs in the absence of – or limitation to – external investment. One important way for cooperatives to pool costs and risks is through the use of ‘shared-services’ platforms to share the expense of developing software. These network organisations can be structured and governed in different ways. In this chapter, I explain how these shared-services platforms are legally structured and governed in both cases, before evaluating their potential and pitfalls based on earlier research on the governance of cooperative federations, social franchises, as

well as property rights theory. With this analysis in mind, I develop seven hypotheses concerning the choice of legal and governance structure of shared-services platforms and the variables that can determine this choice.

Chapter 7 looks to the contemporary, and fast-evolving, development of blockchain technologies to consider how it may also be deployed for encouraging the formation and governance of democratic firms. As a technology that can be used for the distributed coordination of economic activity at both local and global scales, I took the opportunity to look at the type of presumption that takes place on high qualification, remote work platforms. In particular, I consider how this technology could be used by cooperatives with transnational operations and a global member base, as such firms have typically had start-up and collective decision-making problems due to their size and geographic scope. To explore this topic, I initially present an overview of worker cooperatives and their appeal, as well as an explanation for why they are relatively scarce. Subsequently, I present the case study of Colony, a case that was selected on the basis that they were among a small set of blockchain projects seeking to address the coordination challenges faced by organizations with widely-dispersed teams. I use this case study to evaluate the potential of blockchain-based technologies to redress coordination and birth-rate problems. In addition to relevant technical explanations, I use elite interviews and primary sources to explore how the reputation-based governance system of projects like Colony manage interactions and resolve disputes in internet organisations. While still being highly experimental and at an early stage of development, in comparison to the existing cooperatives studied in chapter 6, projects like Colony nevertheless offer useful lessons for ‘distributed’ cooperatives.

The last two chapters of this dissertation conclude with an eye towards the future. The penultimate chapter of this dissertation draws together the social and scientific contributions that have been made, and presents a set of short-term, mid-term and long-term legal and policy recommendations. The conclusion ends with a brief discussion about future research that is needed to continue exploring, and supporting, the emergence of democratic firms in the platform economy. In a bid to contribute to one of the recommendations – creating a more enabling legal framework for platform cooperatives – I present my own legislative ‘benchmarking tool’ in the final chapter. In contrast to earlier diagnostic and benchmarking tools for cooperative law, my own ‘scorecard’ focuses on issues that are particularly pertinent to platform cooperatives, such as their need to scale and having a member base that switches between the cooperative and its competitors, and are untethered from a fixed, physical workplace. This tool is not meant to indict systems of cooperative law, which have differences for justifiable reasons, but rather open a conversation with co-operators, cooperative lawyers and policymakers about cooperative law in view of contemporary developments. This tool can be used by legal scholars and cooperative movements to evaluate the ‘friendliness’ of different jurisdictions towards platform cooperatives.

In sum, all of these chapters contributed to an overarching set of research questions concerning the *socio-economic reasons why* there is an interest in democratic firms in certain segments of the platform economy, the *obstacles* these firms were encountering in the process, and the *options* that are available to help these firms overcome these obstacles.

While social media platforms and online labour platforms are distinct – and thus the bases for arguing for their democratisation is also different – there are driving factors that intersect. These include concerns about corporate unaccountability, weak privacy protection, and stakeholders’ inability to shape how these platforms are designed. The remaining driving factors motivating interest in democratic firms are set out in Figure 1 below. These shared concerns were not only revealed by my analysis of the burgeoning secondary literature on the platform economy but also by my Delphi study and case studies.

At the same time, while acknowledging the many social problems and legal gaps that exist in the platform economy, my research shows there exists a degree of trepidation about the potential of democratic firms to address these complex problems. This is due to certain strands of the academic discourse on labour-managed firms and cooperatives, which are sceptical about the viability of such firms operating beyond a narrow niche of the economy. It is also attributable to the lived experiences of persons who I spoke to over the course of my PhD trajectory, people enmeshed in the platform economy, either as officials and stakeholders of corporate platforms or as co-operators seeking to challenge the dominant paradigm. These challenges, very broadly, can be categorised as start-up challenges and governance challenges, as also shown in Figure 1. The drivers and obstacles, identified across the chapters of my dissertation, help answer the first sub-question of this dissertation.

The second sub-question acknowledges the existence of these myriad challenges but does not see this as an insuperable obstacle to the emergence of democratic firms in the platform economy. Alongside identifying the motivations for, and roadblocks to, the growth of such firms, this dissertation presents a wide range of options to overcome these obstacles. A schematic representation of these options is presented on the right hand side of Figure 1. To help the reader work through this diagram, I wish to clarify that it should be read from left to right, following the blue (dark) or green (light) arrows. This would, for instance, show that low, unstable pay is a common concern among persons using such platforms, which makes them open to the idea of seeking alternatives to their precarity. Yet, among various options, there is a concern that cooperativism or employee share ownership would simply lead to wage substitution, i.e., the wage of the individual being reduced as a consequence of receiving (unpredictable) equity. The Delphi study in chapter 3 shows how wages and working conditions can be a material concern in jurisdictions like the Netherlands and how these concerns may prompt workers to instead gravitate towards expanding collective bargaining or consultation rights. However, cooperatives operating such

platforms can also allay this concern by reducing transaction fees below that of their competitors – thereby allowing a greater share of each work-project to be retained by the platform worker. Admittedly, these options are not the only ones available, but I hope that it contributes to dispelling the notion that democratic firms are inherently unviable in the platform economy.

Finally, closely reading the list on the right-side of the diagram reveals that all of these options are not available in every jurisdiction. For instance, in many jurisdictions, virtual shareholders' /members' meetings are the exception and not the norm (at least, pre-COVID). As a consequence, legal reform and policy support will be required to help democratic firms overcome the barriers they face. The last two chapters of this dissertation discuss reform proposals and, presents one approach towards identifying barriers in the law in the context of platform cooperatives in particular. The benchmarking tool I have developed is intended to facilitate the emergence of platform cooperatives by overcoming these legal barriers.

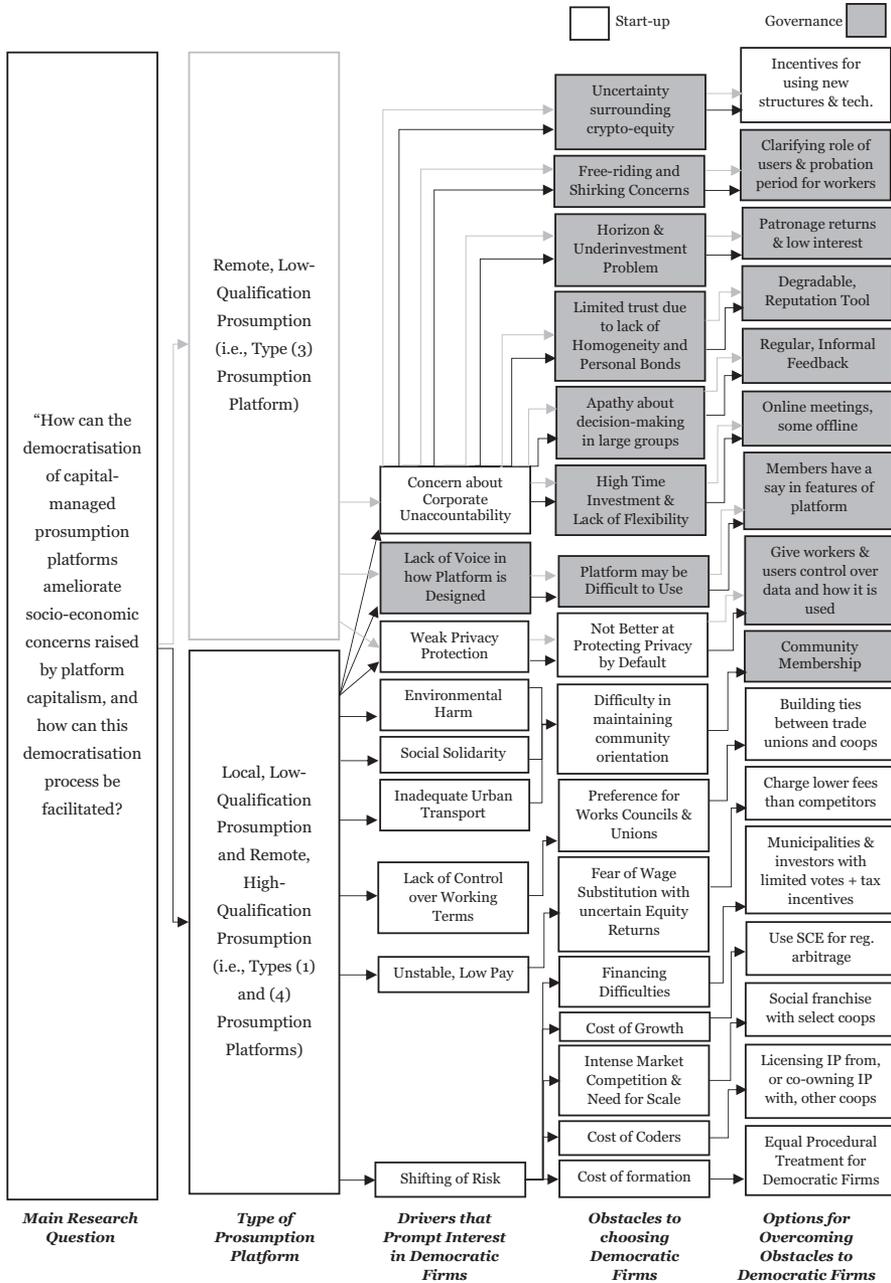


Figure 1: Schematic Representation of the Answers to the Research Questions of this Dissertation

