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TURNING PLATFORM WORKERS INTO OWNERS: ESOP-TYPE BUYOUTS OF LABOUR-BASED PLATFORMS

Abstract. *Platform work is often characterised by economic insecurity, dehumanising control procedures, isolation, deepening racial, economic and gender inequalities, and other socio-economic problems. There are lively debates underway concerned with how to regulate or limit the negative effects of platform capitalism. This article reviews two of the most common calls for action – regulation and platform co-operatives. We argue that there is also an unexplored, complementary option, which uses the network effects of platforms to provide greater benefits for platform workers. To understand this alternative, we introduce the American Employee Stock Ownership Plan (ESOP) mechanism for employee buyouts, redefine the model according to the main co-operative values, and apply it to the platform economy. We conclude that there is a third option available to governments and municipalities, namely to require an Employee Stock Ownership Plan (ESOP) in the local subsidiary of the platform company.*

Keywords: *Platform economy, platform co-operativism, employee buyouts, platform ESOP*

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Introduction

If digital platforms are a new stage in the development of capitalist economies, then a discussion about where the power and value will be concentrated and what the leverage points are for ensuring that marginalised groups can participate or capture some of the new value being created is critical. (Kenney and Zysman, 2020: 72)

After the impressive platform scaling and taking over of numerous markets and sectors seen in recent years, it is now very clear that a price is being paid for these technological developments. Platform work is often

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characterised by economic insecurity, impersonal control mechanisms, isolation, deepening racial, economic and gender inequalities, irregular working hours, and psychological stress, deterioration of the rights conventionally attached to employment, and many other socio-economic ills. A lively debate is underway in the literature concerning how to regulate and re-organise the platform economy. The question is: can we do better with a new strategy? The method of analysis is to review the two main strategies: the regulation of platform companies and the creation of platform co-operatives as competitive alternatives. We then explore possible alternatives that would help achieve a more equitable distribution of added value and re-establish workers' rights in the platform economy. We note that a few commentators have already called for a third strategy: *converting* the existing platform companies into partly worker-owned platforms. We embrace this idea and contribute a more technical proposal regarding how to achieve it.

Labour-based platforms (LBP)

New technologies have been creating new business models that hold previously unseen potential for scaling. These new technologies have grown and spread extensively in the last few decades and today form what is known as the platform economy (Drahokoupil and Fabo, 2016) or platform capitalism (Srniczek, 2016). One can find different forms of platforms providing a marketplace for ideas, love, transport, and delivery, for example inter-city ride-sharing platforms (BlaBlaCar), housing platforms (probably the best known is Airbnb), delivery platforms (Glovo, Wolt, Uber Eats etc.), taxi platforms (Lyft and Uber), paying and purchasing networks (PayPal, Amazon), matchmaking platforms (Tinder), cleaning services platforms (ChoreRelief, Handy), music listening platforms (iTunes, Spotify etc.) and small-tasks platforms (TaskRabbit and Mechanical Turk). The flood of so many kinds of platforms makes it necessary to define the focus of this article as platforms where:

- i. the providers perform labour as opposed to providing commodities; and
- ii. in addition to ensuring the efficiencies of a platform, the business proposition is based on avoiding the costs of traditional employment by treating even full-time labour-providers as independent contractors.

We call these platforms *labour-based platforms* (henceforth LBPs) to distinguish them from platforms that only connect buyers and sellers of ordinary commodities (e.g., Amazon Marketplace, Airbnb etc.). Current estimates are that in the USA alone over 14 million people are working at LBPs (Cherry, 2019) with worldwide estimations being 43 million platform

workers with the anticipation that this figure will rise to 78 million by 2023 (Asher-Schapiro, 2020). In the following subsections, we consider the implications of these non-standard working arrangements for platform workers and how the direct network effect leads to economies of scale, which increase the competitive advantage of labour-based platform networks and impose barriers to market entry.

Work on LBPs

While LBPs are often understood as a neutral technological innovation “that balances supply and demand to connect entrepreneurs with customers” (Dwoskin, 2015), they are in fact new forms of labour organisation based on a relationship between a technological component and the ecosystem of users and producers that is co-ordinated through this arrangement (Cohen, 2017; Kenney and Zysman, 2020). Put simply, LBPs represent a change in organisational structures in the market economy. Even though the specifics of different labour-based platforms vary, they share some characteristics; namely, a co-ordinating function of a market creating calls and matching tasks with platform workers (Cherry, 2019). LBPs systematically undermine the legal status of being an ‘employee’ and bypass workplace and labour regulations, making work cheaper and pushing many workers into highly precarious conditions (Rubery et al., 2018; Kalleberg, 2013; 2009).

The platform economy stresses extreme flexibility and limited commitment as the core of the platform-workers relationship. Platforms have managed to completely shift the focus towards horizontal flexibility, that is, moving across different firms. Job changes and flexibility are an inherent part of the platform economy that leads to greater stress, insecurity, and low self-esteem (Stone, 2004), while they are used as ideological tools to legitimise the platform economy using ‘freedom of choice’ rhetoric. Since the turn of the millennium, there has been an increasing shift towards “fluid workplaces” (Cherry, 2019: 19), blurred lines between firms, and a high value being put on the availability of a worker instead of their retention. The focus on flexibility and lack of income stability has led to precarious conditions for non-standard workers.

Precarity as a concept has its roots in historical working conditions denoted by uncertainty in income and material security. Still, only recently has it become symptomatic for a whole generation of workers and, as such, strongly debated in the academic literature (Kalleberg, 2009; 2012; Rubery et al., 2018; Wilson and Ebert, 2013; Campbell and Price, 2016). Studies have shown that the platform economy increases wealth, racial, and gender inequality (Schor, 2017; Schor and Attwood Charles, 2017; Barzilay and Ben-David, 2016; Kalleberg, 2013), leads to changes in job quality (Kalleberg,

2013; 2012), deskilling and the loss of occupational identity (Borowiak, 2019), is a source of individual and social vulnerability, affecting personal and social lives (Wilson and Ebert, 2013), imposes isolation and psychological burdens, and demolishes work-life balance (Berg et al., 2018). In most cases, the platform economy does not impose any obligations on workers in terms of the time in which to conclude a task, however, sophisticated systems of surveillance control the workflow, evaluate and manage work activities (ibid.). Platform workers “are directed by imperatives programmed into the algorithms, which replaced the traditional external schemes carried out by managers” (Cherry, 2019: 21). Platforms use special computer codes that perform different functions for keeping platform workers in check, functions like supervision, rewarding, incentivising, control, reporting, and so forth (Irani and Silberman, 2013).

Uber leverages significant control over how drivers do their job by penalising workers based on their rates of accepting fares. If the average rating falls below a certain value, drivers cannot login to their account any longer. When this mechanism is coupled with racial, religious and other prejudices, this imposes great ethical challenges for the platform (Hanrahan, Ma and Yuan, 2018; Lee, 2018). In a 2016 empirical study, researchers showed that “information and power asymmetries produced by the Uber application are fundamental to its ability to structure control over workers” (Rosenblat and Stark, 2016). The most notable methods of automated control at Uber are the “blind passenger acceptance” with low minimum fares and the algorithmic determination of surge pricing (ibid.: 3762). Drivers do not have an option to see the destination before they accept a fare. Hence, they might be incurring losses for rides without knowing this in advance. To control drivers’ self-determination, the platform may deactivate drivers’ accounts or lower their rating if riders are not accepted or if unprofitable fares are cancelled by drivers.¹

The innovation of the platform has led to new efficiencies and great usability, yet the price for this is being paid in full by the platform workers themselves. Put bluntly, while workers in Western economies may have escaped exploitative conditions in factories, capitalism has established new, digital forms of exploitative practices we may label “digital sweatshops” (Scholz, 2012).

¹ Another good example of automated management can be found with Amazon Mechanical Turk, where a code discriminates workers based on their previous performance and reviews, performance assessment of their work, setting up of a system of incentives, and even following their background processes on their computer (Irani and Silberman, 2013). The problem here is that there are no communication and dispute-resolution possibilities; Mechanical Turk treats workers as perfect substitutes (to the extent of their established “ratings”) and because there are tens of thousands of workers on the platform, workers have practically no bargaining power against the platform.

Labour-based platforms and increasing economies of scale

One of the most infamous LBPs, Uber, is today active in over 80 countries. It is estimated that Uber services over 40 million rides monthly. In the USA, there are around 400,000 Uber drivers, which makes the company bigger than the entire US taxi industry. The company was valued at USD 70 billion, making it the most valuable start up and, by market valuation, comparable to GM, Ford and Honda (Borowiak, 2019). Platforms like Uber are mainly so successful because the underlying digital technology builds large networks, which lowers average costs, adds user convenience, and creates barriers to market entry – in addition to avoiding the costs arising from treating the drivers as employees. Platforms are becoming the dominant way of organising certain types of work “because of the development of powerful information and communications technologies that have lowered the cost and increased the reach of connecting platform sides” (Evans and Schmalensee, 2016: 49).

In economics, “direct network effect” describes a phenomenon where more people being connected to a certain network makes this network more valuable (Evans and Schmalensee, 2016). Demand-side economies of scale take advantage of technological improvements for consumers or users provided through large networks, user-friendly app environments, and other factors that increase value for users by boosting the number of users. However, we should keep in mind that “data aggregation is the core of data-driven services and data economy” (Kenney and Zysman, 2020: 58). The size of the network is one of the main competitive advantages of labour-based platforms (Parker, Alstyne and Choudary, 2016; Kumar, 2018; Kenney and Zysman, 2020; Evans and Schmalensee, 2016), while others include access to data, path dependency, and first-mover advantages (Srnicek, 2016). Platforms’ “genetic drive is towards monopolisation” (ibid.). When the size of the network is important for both the producers and the users at the same time, we may talk about two-sided markets (Evans and Schmalensee, 2016). This is especially true for platforms like Uber and Lyft for which it is incredibly important that there is a high frequency and broad presence of drivers. There is a positive feedback effect where more producers lead to more clients, raising demand, bringing in new people wanting to work and so forth (Parker, Alstyne and Choudary, 2016).

The size of the network matters for the usability and effectiveness of platforms. This explains why “in each [platform] sector, one or two firms control most of the market and the dominant players are constantly expanding into adjacent markets” (Kenney and Zysman, 2020: 58). Platform markets are extremely concentrated because the network effect creates economies of scale and barriers to entry – the game is rigged in the name of the big

platform players. For that reason, it is particularly difficult, and increasingly so, to enter platform markets with alternatives.

Review of two strategies to deal with the problems of LBPs

The fact that LBPs are becoming an established institution of labour organisation is leading to ever more academics and experts discussing strategies to regulate platform work and limit the negative social externalities it creates (Choudary, 2015; Parker, Alstyne and Choudary, 2016; Srnicek, 2016; Evans and Schmalensee, 2016; Evans, Hagiú and Schmalensee, 2006; Drahoukoupil and Fabo, 2016). A large part of the debate is focused on regulatory government action, while an emerging alternative proposal is to instead structurally counter the platformisation of the economy by building co-operatively-organised LBPs, which would guarantee democratic control and ownership over the platform technology. In this section, we outline and critically review both strategies. We also argue that, while necessary, these two sets of policies are not sufficient.

Calls for regulation

The platform economy is becoming one of the dominant institutions for organising labour and, as usually occurs with institutional change, regulation is lagging behind the needs of this relatively new social institution (Cherry, 2019). Some commentators are calling for existing forms of employment regulations while others are setting up new legal initiatives specifically created to regulate platform work (ibid.). Since LBPs are engaged in labour provision, regulators mostly focus on the consequences of platform work for platform workers, and how the negative effects could be meliorated by defining similar labour rights for platforms workers as we can find in a conventional employment relationship (Alexander and Tippett, 2017; Cherry, 2016; 2019). In contrast, LBPs maintain that their workers are independent contractors since this is the formal relationship determined by the terms and conditions agreed to by workers while joining an LBP (Cherry, 2019). This is a circular legalist argument – platform work may be categorised as independent contracting since the legal contract between an LBP and a worker says this is the case. The argument overlooks the social and legal reality of the organisation of work by an LBP. The core principles of what an employment relationship is are not universal; however, in the most abstract terms they were defined by Ronald Coase, a Nobel Prize winner in economics and the founding father of the modern view on the economic enterprise who, in his pioneering work, stated that employment differentiates from a market relationship (independent contractor) by the fact that “the servant must be under

the duty of rendering personal services to the master or to others on behalf of the master” and that “the master must have the right to control the servant’s work, either personally or by another servant or agent” (1937: 403–404). Along these lines, courts today are looking at individual cases of labour work to determine which actual characteristics establish a labour relationship at an LBP. The Supreme court in California stated the ABC rule in 2018 whereby for a relationship to be a contractual one the worker must be free of control and direction from the hiring entity (Control Test), the worker must perform work outside the field of the hiring entity business (Separation Test), and the worker must be independently involved with his or her trade, occupation and business (Independence Test) (Cusumano et al., 2019: 154–155).

Since the early pioneering work on employment and independent contracting, the main question has been concerned whether the principal in Coase’s terms “the master”) has control and the right to direct the worker (Coase uses “the servant”). Therefore, the question is whether the owner of a platform, through other agents or through the technology itself, has control over the platform workers. The Control Test considers how *independent* or *autonomous* a worker is, how he or she performs the work, when they work, and over how the work is performed (Ellerman, 1992: 129, 169). Research in the field shows that at an LBP the technology entailing smart algorithms, machine learning, and other means of controlling platform workers, directs their work, dictates the tempo, and evaluates them (Turner Lee, 2018; Rosenblat and Stark, 2016).

Another test to see whether the work at an LBP is independent or not is to analyse the “income statement” – who is the legal claimant of the revenues and who bears the liabilities used in the production? Who controls the revenue stream from the paying customers, whose services are categorised as a ‘liability’ or a ‘cost’ in the production, and who is the residual claimant? In the case of Uber and other LBPs, customers pay the platform, which in turn pays the driver’s fee. Alternatively, when looking at these cases, courts may consider the economic reality of the relationship, whether workers are exhibiting entrepreneurial activity and whether they are financially dependent on one provider (Carlson, 1996). LBPs often note that their workers are using their own personal assets as evidence of an independent contractual relationship, yet this does not amount to proof. For example, in the recent pandemic remote work has seen a rise, with employees are using their own assets (e.g., home office spaces) on a daily basis and maintaining the employment relationship. Another example is the case of an actual independent contractor. Craftsmen are generally independent contractors, operating as a proprietorship contracting via a centralised calling service, which neither receives payments nor sets the standards and rules of the craftsmen’s work. The contrast with how LBPs are operating must be clear.

Platform work is best defined by referring to the absence of a regulatory framework that conventionally protects workers (Rubery et al., 2018). Regulators are today trying to re-establish the conventional rights associated with the employment relationship like a minimum hourly wage, weekday and standard working hours, overtime pay above 8 hours of work per day, paid sick leave, discrimination and mobbing protection, paid unemployment insurance, and in many countries paid holidays, maternity leave etc. It is at this point that battles on these fronts are being fought individually by platform workers in the courts with a great variety of worker lawsuits within the platform economy, and Uber attracting the lion's share (Cherry, 2016). Such civil lawsuits have led to more institutional legal measures around the world (Pentzien, 2020; Aranguiz, 2021; Asher-Schapiro, 2020; Cherry, 2016).² A Supreme Court in the UK recently ruled that Uber drivers must be classified as employees, not independent contractors (BBC News, 2021a), forcing Uber to guarantee an hourly minimum wage, holiday pay, and pension contributions (BBC News, 2021b). In the USA, Uber drivers tried to secure basic workers' rights under the Fair Labor Standards Act (Cherry, 2016: 5), but ultimately failed through industry-lobbied Prop-22, which successfully prevented the establishment of employee rights in California.

While individual rulings have led to some legislative precedents, the many more failures illustrate that capital-heavy corporations, in this case LBPs, have the upper hand. Even with Uber, which is "an easy case for regulation", there has been a clear failure to regulate, indicating that meaningful "regulations advancing labor issues for gig work on other platforms are unlikely" (Collier, Dubal and Carter, 2017: 23). For that reason, alternative and complementary methods for regulating LBPs are needed.

Co-operative platforms

Another way to approach the challenges of the platform economy is to call for changes in the organisation of platform technology and to establish more democratic ownership and control over efficiency-inducing platforms. While government regulation deals with the symptoms of the platform economy, co-operative organisation goes after the causes of negative externalities – decision-making and value distribution being in the hands of the managerial elite serving shareholder interests. The owners of LBPs are the same functional group as the owners of conventional businesses. Throughout history, one of the most relevant alternatives to the typical

² Other, grass-roots attempts to make technology more transparent and responsible have also appeared. One of them is *Turkopticon*, a software program that allows Mechanical Turk workers to follow the underlying algorithms that control their behaviour on the platform (Irani and Silberman, 2013).

capitalist organisation was the co-operative organisation, one based on the principles of democratic organisation and co-ownership. In the context of an LBP, a co-operative organisation implies control and control over the platform technology by the platform workers (Scholz et al., 2021; Zhu and Marjanovic, 2021).

Platform co-operatives are by now a well-debated alternative to LBPs. Many have managed to offer an alternative for the platform workers and enabled a more democratic and participatory way of allocating the work, responsibilities, management and supervision (Scholz and Schneider, 2016; Scholz, 2016; Zhu and Marjanovic 2021; Bunders et al., 2022)³. This is certainly a welcome development. There are also many alternatives to Uber and Lyft coming out, confirming that such drivers' platforms are among the more detrimental to workers' well-being. The Drivers Co-operative from the NYC, TaxiApp from the UK, and Eva from Montreal are a few of the more successful co-operative platforms. Other platform industries are also becoming populated with platform co-operatives while several dozen large companies are organised as platform co-operatives operating both locally and globally (Burnicka and Zygmuntowski, 2019). Since the field of platform co-operativism is young, only a few case studies have been conducted on the positive effects of such a democratic organisation on platform workers. Thus far, studies confirm that co-operative LBPs view sustainability as a major factor in organising governance, maintain a welcome balance between autonomy and community, and are based on open collaboration (Foramitti, Varvarousis and Kallis, 2020).

When considering an alternative to an established practice of organising labour, it is crucial to consider scaling. The regulatory framework discussed in the previous section could reduce the competitive advantage and network effects of LBPs by increasing labour costs and enforcing accountability and corporate responsibility (Pentzien, 2020). This could, in turn, allow platform co-operatives to grow relative to LBPs and gain some influence; however, this has not happened. Regulation has failed, LBPs are expanding their market share, while platform co-operatives are not gaining enough market power to become a relevant player for platform workers (Schneider, 2018; Benkler, 2016; Pentzien, 2020). The number of platform co-operatives "remains very small" and the existing examples are often "not operational" (Bunders et al., 2022: 1).

One can identify limits to co-operative alternative to established platforms either from theoretical considerations or by looking at examples from

³ According to *platform.coop* directory, there are 535 platform projects in 49 countries around the world today (including but not limited to labour-based platforms). Accessible at <https://directory.platform.coop/#1/31.1/-84.8>, 15. 7. 2022.

practice. A possible explanation of the failure of platform co-operatives to gain any substantial market share may be found in the first-mover advantage with respect to the network effect. The network effect means that bigger is always better in terms of the user experience and demand for labour services – the size of the network determines the competitive advantage because more users and more workers mean that the competition among suppliers will drive the quality of services up and improve the accessibility of a particular service (Evans and Schmalensee, 2016).⁴ First movers in the platform game build ecosystems, close down their competitors, and invest a lot of financial capital to maintain their natural monopolies (Srnicsek, 2016; Meyer and Theurl, 2019). In a situation where co-operative alternatives are almost without exception a market follower, they face the *a priori* disadvantages shared by all latecomers to specific platform sectors. If a platform co-operative manages to establish itself and starts operating, experience shows that in many cases it cannot survive against the capitalist competitors invested in the “predatory search for market share” (Borowiak, 2019: 13). One case here is the Alliance Taxi Co-operative (ATC), a worker-owned and democratically operated platform co-operative in Philadelphia. The co-operative lost its footing against Uber and Lyft, the two most established platform players in the industry of transport services, which are extracting value from drivers and local communities by bypassing the regulatory frameworks in a ‘race to the bottom’, which disincentivises the co-operative alternatives already at the outset.

There has hitherto been no truly effective or successful alternative able to undermine the pillars of any platform industry. Some have suggested forming Co-operative Labour Contractors (CLCs) to collectively supply the labour of gig-workers to the platform – perhaps by analogy with farm workers co-operatives – and much like a temporary workers agency organised as a co-operative. Indeed, after legislation and court decisions against Uber and other labour-based platforms, Uber has itself promoted CLCs as a response. It is clear that this strategy will not address the issues that platform workers face. Rather than companies having to guarantee the rights of workers, the worker co-operatives would need to assume responsibility for the payment of minimum wages, covering social security and insurance, and provide other rights linked to the employment of workers, relieving platforms of these legal and financial responsibilities (Justie et al., 2020).

⁴ On the other hand, Meyer and Theurl (2019) argue that monopoly tendencies are inherent to the LBP sector, which can be an enabling factor for platform co-operatives; on the users' side, the biggest competitive advantage of LBPs are the low transaction costs and low price – if the circumstance of a natural monopoly is inherent to LBPs, we can expect rising prices for consumers, and for opportunities to open for platform co-operatives.

Democratised employee stock ownership plans for partial LBP conversions

First-mover advantages and network effects make it no surprise that platform co-operatives will find it difficult to even remotely displace the established and well-funded labour-based platforms. Some calls have been made in the literature to find ways to convert existing LBPs to more labour-friendly forms: “Don’t just build – convert” (Martin, 2016: 190). The strategy advocated here is to include full-time platform workers in equity – starting in the most local subsidiary of an LBP.⁵ Moreover, in the USA, the Securities and Exchange Commission recently voted to establish conditions that would “permit an issuer to provide equity compensation to certain ‘platform workers’ who provide services available through the issuer’s technology-based platform or system”.⁶

Yet, the literature does not deal with the actual mechanisms to be used for converting. Although this is not uncommon for well-intended academic discussions, it is crucial for any kind of practical proposal with policy implications. The gap in the literature should thus be bridged. We propose that commentators focus on one of the most successful mechanisms for converting to employee ownership that currently exists – Employee Stock Ownership Plans (ESOPs) as found in the USA. At least one article on platforms and co-operatives mentions ESOPs as a possible model for such conversions (Sundararajan, 2016). The author suggests that “more widespread provider stock ownership programs may well be a natural response, and perhaps the most pragmatic prospect for sharing the wealth of the sharing economy” (ibid.: 144). Accordingly, this mechanism is explored below in greater detail, where we briefly outline a modified ESOP model for this purpose of “sharing the wealth”.

That modified ESOP model is the Co-operative ESOP (Ellerman and Gonza, 2020). In Europe and elsewhere outside the USA, one cannot find any specific legislation that contains all of the characteristics of the (unmodified) US ESOP:

1. the company pays for the shares that are eventually owned by the employees so the employee ownership is not based on workers buying them out of their payroll or individual assets like in Employee Share Purchase Plans (ESPPs);
2. the employees’ shares are individually yet indirectly held in a special-purpose vehicle, a trust in the US case, that maximises the employees’ voice by voting the shares as a block; and

⁵ *There is a whole theoretical apparatus behind the logic that only the group of people actually doing the work and being subjected to organisational hierarchies should be the owners of the product and the decision-makers. For more, see Ellerman (1992; 2021).*

⁶ Accessible at <https://www.sec.gov/news/press-release/2020-293>, 24. 7. 2022

3. the ESOP includes all essentially full-time employees based on their working in the underlying company – meaning that participation in the ESOP is based on labour, not the ownership of capital. Namely, workers do not buy into ownership like in ESPPs, but qualify for ownership (or membership) by working in the company.

One unnecessary artifact of the US ESOP is that the legal vehicle holding the employees' shares is trust with the employees as beneficiaries as if they were children. Hence, the main suggested modification of the US ESOP is to replace the trust with a special purpose worker co-operative, an *employee ownership co-operative*, that fosters a democratic worker voice in the voting of all employee shares as a block to secure 'a seat at the table' even when the ESOP starts off with a relatively small percentage of the ownership. Ultimately, like with many US ESOPs, the share of employee ownership may eventually reach 100% and then there is the option of converting the operating company into the co-operative to become a Mondragon-style worker co-operative.

The company in this application would be the most local subsidiary of the national or international labour-based platform. Membership in the Co-op-ESOP should be all workers who are essentially full-time at the platform. This includes the existing employees (e.g., programmers and other white-collar workers) in the subsidiary plus those who are essentially full-time workers who are usually treated as independent contractors. The point is to include those workers committed to this platform as their work as opposed to those workers, correctly called "gig workers", who only want some extra money and may work for multiple platforms. Yochai Benkler puts it well: becoming an owner involves a "strong core of moral values, [and] avoidance of an ethic of 'I'm just here for the extra few bucks'" (Benkler, 2016: 95). It is interesting to note that both Uber and Lyft themselves singled out essentially full-time drivers for stock options in their initial public offerings (Farrell, 2019).⁷

Conclusion

In this article, we summarised some of the main findings about the negative social consequences of LBPs, as especially manifested in the form of material uncertainty, psychological problems, deregulated work, and impersonal and automated control for the platform workers. We reviewed the two most common strategies that attempt to address these issues and argued that while both are important, they are insufficient – institutional

⁷ For more on the legal and financial details of this model, see (Ellerman et al., 2022).

inertia means that regulation always lags behind the social requirements of innovative technology and platform co-operatives as market followers may find it difficult to compete against established LBPs. We identified a third possible strategy- conversions into a partly worker-owned LBP-subsiary.

This third strategy perfectly complements the regulatory strategy and uses the co-operative idea in a different way from platform co-operative start-ups. Indeed, the third approach should be seen as putting a new tool in the hands of local regulatory authorities that could require it as a necessary condition for the labour-based platforms to operate within their jurisdiction. For example, in any case where an LBP requires regulatory approval to operate in a country or a municipality the state or municipal government could require (say) at least a 25% ESOP (or whichever percentage needed to obtain a seat on the board) be established in the local subsidiary as a condition of operation. In practical terms, it is unlikely that ESOPs in the local subsidiaries would be established in any other way because labour-organising attempts among dispersed gig workers can hardly, on their own, exert enough pressure on LBPs.

Independent of regulatory pressure, the third option of an ESOP in an LBP has some competitive advantages where platforms are competing for customers. Users typically prefer a driver or service-provider who is a part-owner committed to the platform's reputation as opposed to a multi-homing worker without any stable relationship with the platform. And the best and most committed service-providers typically prefer to work for a platform that would make them a part-owner as opposed to a platform that treats them as a gig-working independent contractor. Accordingly, competition between the LBPs to attract more customers and the best workers coupled with ESOP representation on the board of the local subsidiary of the labour-based platform may do much to alleviate the problems of precarity and to improve labour standards.

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