

Platform Cooperatives: The Way Forward - by Francesca Martinelli, Ph.D

The Myth of the Unicorn Company

According to the **Silicon Valley myth**, every entrepreneur dreams of turning their startup founded in their home garage into a unicorn company, which is a company valued at over \$1 billion in the financial market in the first 5 years of its life.

Many of the platforms we use today to exchange goods and services, such as Uber, Airbnb, and Deliveroo, were unicorn companies, statistical rarities that broke through the market by **scaling very quickly, creating monopolies, and becoming multinationals**.

In recent years, however, we have seen that these platforms have also created some problems:

- **Workers end up in the gig economy** and complain of exploitative and insecure conditions, also related to the fact that they are not recognized as employees.
- The **opaque algorithms** of the platforms impose a logic of control and opaque use of the data collected.
- **Profit is concentrated in a few hands** and companies exploit dumping and favorable taxation regimes.

In general, there is a widespread **absence of bargaining power** for workers, and consumers but also for cities and states that struggle to confront realities that cross national borders in a utilitarian way.

Thus, the myth of the unicorn company, which for some implies a narrative of success and profit, for others is a **narrative of exploitation and missed rights**.

The Counter-Narrative of Platform Cooperatives

Not everyone agrees with this narrative, however, and in fact, **counter-narratives have also arisen**, such as the one of platform cooperativism.

Platform Coops arise from workers or consumers who together decide to create a cooperative to have shared ownership of the means of production, and the platform, and manage it democratically. At the center is the cooperative, and technology becomes a tool to serve the cooperative members and the community and is used to support the consumption, exchange, and production of goods and services and the distribution of value within the community.

Today, **very different cooperatives** are part of the Platform Cooperativism movement:

- Some have decades of history and have recognized themselves in the narrative of technology as a tool to benefit members (Cotabo, rete doc).
- Then there are projects and startups, some by gig economy workers who were looking for better working conditions (CoopCycle), others by digital entrepreneurs who found in cooperation the answer to their need for horizontality and equity (Fairbnb).

Case study: Rete Doc (<https://www.retedoc.net/en/home-english/>)

This case study starts from the experience of **artists**, that, **well before gig workers, face the same problems**. In fact, artists are the first gig workers, as the word “gig” itself indicates – from “engagement”, which in the performing arts is a performance associated with a single contract and therefore unique and occasional. Working in the performing arts has always meant dealing with multiple clients, discontinuous working relationships, and isolation. A working situation that leads artists to suffer from low incomes, difficult access to social protection schemes, and lack of bargaining power.

In this context, in 1990 a group of Italian musicians decided to create a cooperative to access better working conditions. In Doc Servizi, **members combine the intellectual independence typical of self-employment with social protection due to employees since they are hired by the coop**. Today, Doc Servizi is part of a network of 8 companies that together cover all the cultural and creative industry’s professions with over 8,800 members in Italy and a turnover of 60 million euros foreseen for 2022. The network offers to members many services: accounting and work management, travel agency, training, and dedicated offices.

To manage all these activities, in 2012 Doc Servizi introduced an in-house digital platform, which **optimizes many procedures by translating expertise into digital processes**. The platform is used to sell members’ products, connect them with customers, manage security procedures, collect and share royalties, build working groups, etc., and thus it has increasingly become a structural tool of the cooperative that guarantees each worker-member the autonomous management of its activity within the boundaries of protected employment.

The Strengths of Platform Coops

There are some features that make platform cooperatives different from digital platforms driven by the Unicorn company myth.

The first is the fact that workers when they create a cooperative do not organize it in such a way as to be exploited, but choose to **work in legality and safety**, with better rates and specific insurance, and if they become employees, they also access social protections. All this without giving up flexibility, because it is not true that you must give up your rights to get it as the classical digital platforms claim.

Second, the economic model of platform coops is not based on intermediation, that is, on extracting value from the relationship that is established on the platform but is based on **disintermediation**. When the platform is optimized, the surplus value that is generated goes to the owners of the platform, in the case of a cooperative the workers and consumers. Thus, no speculation is possible and by mutualizing the operating costs, the wealth is redistributed.

Third, cooperatives tend to make **ethical use of technology**. There is no transfer of managerial responsibilities from humans to opaque algorithms. The organization of work is collective, and technology is usually used to streamline procedures, support self-entrepreneurship, and especially track work. This is also why cooperative platforms use data transparently.

Finally, Isolated workers by joining the cooperative can **negotiate better working conditions**, and when they are employees, they also exercise their union rights and are protected by collective

agreements. There are also cases where workers use the cooperative as a spokesperson for their needs.

The Weaknesses of Platform Cooperatives

This model certainly is not perfect and has **some limitations**:

- Such as the fact that being people-centered it is **not very scalable** and struggles to access funding and get investment.
- **Democracy** is a slow process and not always replicable on the platform.
- Also, it is **difficult to compete** with classic platforms that pay no taxes and have no employees.
- There is also a **low level of digitization** of cooperators.

Successful strategies for cooperative platforms

Looking at successful cases, there are some **useful strategies to counter these weaknesses** as well:

- 1) **Differentiating the target market** to avoid having to depend on a single client or sector.
- 2) **Choose B2B rather than B2C activities** to better plan work and revenue (e.g., monthly invoices) and thus ensure proper working conditions for members.
- 3) **Reject the monopoly view of the market** (above all if it's already in the hands of large platforms) to focus on the needs of members and the local community to create links with local realities.
- 4) Adopt **shared technology** to share the high costs of creating and maintaining the platform and data management (ecosystem model) by adopting an ecosystem model.

These narratives attributable to cooperative platforms clearly respond to a **different myth than that of the Unicorn company**. Cooperative platforms not only do not function like classical digital platforms but also do not have the same goals.

The Pegasus company

Since 2017, in direct contrast with the individualistic and profit-oriented metaphor of unicorn companies, **I called platform cooperatives Pegasus company**. I chose Pegasus because he is Greek and European as cooperatives, born in Rochdale in 1844.

Moreover, Pegasus is loyal to his knight (Bellerofonte) as the cooperative is loyal to **the person that put it as its core**. Pegasus has also **two wings**, one represents the technology, necessary to be competitive in the market, and the other one is the ability to connect people usually isolated in the labour market.

In Greek mythology, at the end of his life, Pegasus decides to fly to the highest part of the sky and transforms himself into a cloud of sparkling stars visible to all. **Pegasus becomes then a constellation**. And a constellation is like the network of people who make the cooperative: if you remove even one star, there is no longer a constellation but only a mass of stars. By becoming a constellation Pegasus also becomes visible to all: a metaphor for us cooperators who should be a constellation, to show that an alternative to the dominant economic paradigms exists.

Bibliography

Martinelli, F. et al. (2019), *Platform Cooperativism in Italy and in Europe*, Working paper CIRIEC, n° 27, 2019: <https://www.ciriec.uliege.be/wp-content/uploads/2020/02/WP2019-27.pdf>

Scholz T. (2014), *Platform Cooperativism vs. the Sharing Economy*, Medium: <https://medium.com/@trebors/platform-cooperativism-vs-the-sharing-economy-2ea737f1b5ad>

Scholz, T., and N. Schneider (2017), *Ours to Hack and to Own. The Rise of Platform Cooperativism, a New Vision for the Future of Work and a Fairer Internet*, New York-London: OR Books.