# PLATFORM COOPERATIVES: THE SOCIAL AND SOLIDARITY ECONOMY AND THE FUTURE OF WORK

A Preliminary Assessment of Platform Capitalism and Platform Cooperativism and their Effects on Workers' Satisfaction

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#### 1. Introduction

The sharing economy, defined as "the peer-to-peer-based activity of obtaining, giving, or sharing the access to goods and services, coordinated through community-based online services" (Hamari, Sjöklint, and Ukkonen 2015, 1) has increasingly infiltrated our lives under the form of mobile platforms like Uber, Airbnb, and eBay. Globally, it is predicted to grow from 14 billion USD to 335 billion USD by 2025 (Vaughan and Hawksworth 2014, 2). Yet, while there is a major demand for the convenience of these services, how often do we stop to think about the people behind these platforms?

The world's attention is zeroing in on the future of work, and the sharing economy is a very important element of that future. Specifically, the Sustainable Development Goals contain various targets pertaining to the future of work (International Labour Organization 2017), and the International Labor Organization established a High Level Global Commission on the Future of Work in 2017 (International Labour Organization 2018). However, the sharing economy has faced various backlashes over the years as its capitalist enterprises prioritize profit-maximizing motives over its own workers, thus neglecting the well-being of workers to the detriment of economic and social equality (Slee 2015; Scholz and Schneider 2016; Lee 2016; Rogers 2017).

In that context, the platform cooperative movement was born with a strong conviction to advocate for the common economic and social concerns of workers. Platform cooperatives offer the same services on technologically equivalent digital platforms compared to their capitalist counterparts, such as ride-sharing, online marketplace, or crowdsourcing, but the engagement of workers in these two business models are vastly different, due to their distinct goals and missions. Platform cooperatives are by definition "jointly-owned and democratically-controlled enterprises" (International Cooperative Alliance n.d.).

Expanding on this topic, this paper uses case studies of a capitalist platform (TaskRabbit) and a platform cooperative (Loconomics), both in the crowdsourcing industry, to examine how these models differ in engaging their workers in four different aspects: ownership of the enterprise, involvement in decision-making, profit distribution, and the facilitation of interpersonal relationships. This research applies Herzberg's Two-Factor Theory on workers' attitude in an enterprise to discuss how the differences in worker engagement methods translate into different levels of workers' satisfaction. The findings of this paper confirm that the democratic practices of platform cooperatives allow it to better satisfy workers' needs compared to platform capitalist enterprises.

### 2. Background and Literature Review

# 2.1. The Social and Solidarity Economy

The prevalence of economic, social, and environmental crises in the recent years accounts for a growing interest in the field of developmental economics to study alternative patterns of production and consumption that can hopefully address the failings of our current system (Utting, van Dijk, and Matheï 2014). One notable alternative is the Social and Solidarity Economy (SSE), which encompasses organizations that are distinct from traditional for-profit businesses, such as "cooperatives and other forms of social enterprise, self-help groups, community-based

organizations, associations of informal economy workers, service-provisioning NGOs, solidarity finance schemes, among others" (UNTFSSE 2014). Scholars such as Hillenkamp, Laville, and Birchfield (2013) and Utting (2015) recognize the multiple variations in the definition of SSE worldwide but agree on two essential attributes:

- 1. Unlike profit-maximizing businesses, SSE enterprises prioritize social objectives.
- 2. SSE enterprises value principles of active, democratic self-management and collaboration.

In the face of developmental challenges brought about by capitalist business practices, including corporate control of supply chains, the transfer of environmental costs to the public, and the violation of government regulations, the different principles upon which SSE enterprises operate allow them to achieve economic development that is inclusive and sustainable (Utting 2013; Kawano 2013). SSE enterprises bring not only work but decent work. They allow marginalized groups to have more control over resources, production, and decision-making, bringing them a sense of identity and empowerment (Di Meglio et al. 2011; Utting 2015).

Scholars, policymakers, and members of the civil society are focusing more on SSE as it makes up a growing portion of the world's economy and has the potential to improve the standard of living for many people. According to an ILO report in 2011, in Europe, two million SSE organizations represent about 10% of all companies; in Switzerland alone, cooperatives, a form of SSE enterprise, are the biggest private employer (Di Meglio et al. 2011). Beside serving as job providers, SSE organizations are also important service providers. The same ILO report states that mutual benefit societies provide health and social protection to 170 million people worldwide.

Yet, despite its significance, SSE remains understudied by scholars, policymakers, and activists. Utting observed that SSE remains a niche issue that lacks critical enquiry (2015). He pointed out that, until recently, SSE was not mentioned in the research agenda of most intergovernmental agencies. Thus, the body of research on SSE needs to be expanded so that we can understand and make better use of its untapped potential and solve some of the world's most pressing developmental challenges.

# 2.2. Platform Cooperatives as the Antithesis to Platform Capitalism

Under the SSE framework, cooperative is a notable type of SSE enterprise. While cooperatives do not constitute a new phenomenon, they have evolved over the years and now come in a variety of forms, spanning different sectors. A cooperative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (International Cooperative Alliance n.d.).

Cooperatives have a significant presence in the world's economy today. According to the International Organisation of Industrial and Service Cooperatives (CICOPA), employment in and within the scope of cooperatives includes 279.4 million jobs, accounting for 9.46% of the world's total employment (Eum 2017). Beyond bringing employment, cooperatives provide decent work as they, by definition, value the principles of employee protection, fair profit-sharing, and community building. They play a major role in developing local areas. Whereas private investors tend to be attracted to areas with cheap labour and relocate income and profits in urban centres or

abroad, cooperatives are established by the community where they are located and grow to serve that community (Henry and Schimmel 2011).

An innovative offshoot from the cooperative model is the "platform cooperative," a term coined by scholar-activist Trebor Scholz referring to the cooperative model applied in the digital economy. Scholz claims that it follows the same principles as a traditional cooperative but there are two major differences (Scholz 2016). First, business transaction is conducted on digital platforms such as websites or mobile apps. Second, due to the interconnected nature of the digital economy, platform cooperatives are more efficient in fostering collaboration among their own members and between different cooperatives.

Scholars believe that the re-emergence and development of modern-day cooperatives is a reaction against the success of exploitative, capitalist businesses. Srnicek and Williams (2016) maintain that cooperatives are part of the New Left's strategy to resist neoliberalism and guide the economy toward serving a more just and equitable society (47). Specifically, in the case of platform cooperatives, it is a reaction against the rising tide of capitalist enterprises in the sharing economy, also called "platform capitalism" (Scholz 2016). Platform capitalism comprises businesses that act as intermediaries to facilitate the sales of goods and services, such as ridesharing app Uber and home-sharing app Airbnb, while themselves owning and maintaining no assets. In other words, they are "logistics companies where all participants pay up the middleman" (Scholz 2016, 3). According to Tom Slee (2015), many workers and consumers are attracted to platform capitalism because of the short-term benefits such as flexible employment and low cost of goods and services that they offer, without realizing the negative implications of this business model. Slee wrote: "What is particularly sad is that many well-intentioned people, who hold a misplaced faith in the intrinsic abilities of the Internet to promote egalitarian community and trust, have unwittingly aided and abetted this accumulation of private fortune, and the construction of new and exploitative forms of employment" (2015, 163).

Platform capitalism exacerbates social and economic inequality because such enterprises enhance access to jobs that are traditionally taken by low-income, low-skill workers and causes a displacement of labor. Furthermore, workers are signed on as independent contractors instead of employees, depriving them of the ability to unionize and bargain for their rights, including minimum wage or unemployment benefits. As a result, platform capitalism has come under fire for distorting the local economy and neglecting workers' rights. Take Airbnb for example. The hotel industries in Spain and France have protested against unfair competition created by Airbnb. Local residents of cities with travel destinations have voiced their concern about the prohibitive rise in house prices (Lee 2016) and overcrowding by tourists brought about by the increasing popularity of Airbnb (García-Hernández, de la Calle-Vaquero, and Yubero 2017). Similarly, Uber was involved in various scandals due to its low wages and lack of monitoring to ensure safety for drivers and customers (Rogers 2017). In Germany, Japan, and Spain, the government has forbidden Uber from operating due to its perpetuation of unfair competition (Aznar et al. 2017).

In contrast to platform capitalism in the sharing economy, platform cooperatives offer a different way of organizing internet enterprises, one that is under democratic ownership and in line with SSE principles. It can unite producers and consumers by committing to serve the well-being of all and striving for equitable distribution of benefits.

What is lacking in the current body of literature on platform cooperatives is research that studies cooperatives side by side with their capitalist counterparts. It is important to make such a comparison because the coexistence of these two business models could have an impact on the success of platform cooperatives and how they carry out their social missions. Scholars have posited that capitalist enterprises have an impact on conventional cooperatives. Sandoval argues that the capitalist system constrains the operation of cooperatives because monopolies and oligopolies determine the market prices of goods and services produced as well as the cost of production (Sandoval 2016, 58). While cooperatives do not aim to profit-maximize, they still need to generate profits to ensure sustainability. Constrained by these factors, their ability to determine prices and pay good wages is limited. Furthermore, the distinctiveness of cooperatives becomes blurred as capitalist enterprises appropriate cooperative values for public relations purposes under the form of corporate social responsibility (Jackson and Kuehn 2016). This practice diminishes the identity and obscures the visibility of cooperatives.

Furthermore, there is a lack of in-depth studies into how platform cooperatives impact workers' attitude. We need to look into how workers are affected because the worker is central to how a cooperative functions. The very unique ways in which a cooperative engages its workers is what sets it apart from a conventional business. Thus, in order to further our understanding of platform cooperatives, it is crucial to examine the relationship between enterprises and workers, and subsequently between workers and the work that they do.

# 2.3. Herzberg Two-Factor Theory on Motivation of Work

To assess the impact of business models on its workers, many scholars have turned to Herzberg's Two-Factor Theory, also called the "Hygiene-motivation Theory," first published in 1959 in his book entitled *The Motivation of Work*. This theory proposes a way to think about the relationship that workers have with their work and their work environment.

Having conducted a study on workers' job satisfaction using a sample of 203 engineers and accountants, Herzberg (1959) theorized that workers have two different sets of needs, lower-level and higher-level needs (44-49). Lower-level needs refer to the desire to maintain necessary conditions to survive. Higher-level needs are those related to personal psychological development. Factors that fulfill lower-level needs are called "hygiene factors" or "dissatisfiers" (Herzberg 1987, 13). The absence of these factors causes dissatisfaction. However, the presence of these factors only leads to a temporary, short-lived improvement in workers' attitude towards their job. On the other hand, factors that fulfill higher-level needs are "motivators" or "satisfiers" and their presence creates positive long-run impacts in workers' satisfaction (Herzberg 1987, 13). Table 1 contains the most important hygiene factors and motivators identified by Herzberg.

**Table 1.** Most important hygiene factors and motivators in Herzberg's Two-Factor Theory

Hygiene factors	Motivators	
Fair, clear, and flexible and policies administration	Sense of achievement	
Effective and supportive supervision	Recognition for achievement	

Positive interpersonal <b>relationship</b>	Meaningful work
Good working conditions and benefits	Sense of responsibility and ownership
Reasonable and competitive salary	Possibility for growth and advancement

Source: Herzberg, Frederick, Bernard Mausner, and Barbara B. Snyderman. The Motivation to Work. 2. ed. New York: Wiley, 1959.

The theory remains highly regarded and widely applied in the fields of management and organization as it is backed by substantial empirical evidence. In the early days after its publication, Herzberg (1987) stated that his Two-Factor Theory was supported by research data of 16 independently conducted studies in different populations (8). More recently, Herzberg's model was further supported by DeShields, Kara, and Kaynak' study of the education sector (2005), Parson and Broadbridge's study of the retail sector (2006), and Lundberg, Gudmundson, and Andersson's study of the hospitality sector (2009). Theory's continued application in scholarly work is testament to its relevance and applicability. Recognizing that, this paper will use this theory as a framework to examine the impact of platform cooperatives on their workers.

# 3. Research Question and Hypothesis

Recognizing the importance of studying the dynamic of the two business models, and a lack of studies on how they affect workers' attitude, this paper attempts to answer the question: How do the differences between the engagement of workers in platform cooperatives and in platform capitalist enterprises impact workers' satisfaction?

This paper hypothesizes that the democratic practices of the platform cooperative model in engaging workers through its joint ownership model, inclusive decision-making process, fair distribution of gains, and strong interpersonal relationships allow it to satisfy workers' needs better than the platform capitalist model.

#### 4. Research Method

To answer the research question, we conducted qualitative case studies of two different businesses: TaskRabbit, a platform in the capitalist sharing economy, and Loconomics, a platform cooperative (Loconomics Cooperative Bylaws 2016).

Case study is an appropriate method for the question at hand because it empirically investigates a phenomenon in a detailed manner, with consideration for the context (Yin 2014, 16). Scholars view case study as a justifiable method of enquiry to analyze complex issues pertaining to human behavior and interactions (George and Bennett 2005, Stake 2006, Yin 2014). Using this method, we hope to explore the phenomenon of workers' satisfaction with regards to the context that is their engagement in the businesses. This research method not only provides insights into these specific cases but also offers theoretical insights and generalizations (Stake 2003).

The two cases chosen for this study are both prominent examples of their respective business models and they are comparable for various reasons. First, they both fall under the "crowdsourcing" industry, which refers to "the act of a company or institution taking a function once performed by employees and outsourcing it to an undefined (and generally large) network of people in the form of an open call" (Howe 2006). Simply put, both TaskRabbit and Loconomics are internet platforms that connect service providers looking for work with employers looking for workers to complete small everyday tasks, such as dog-walking, gift-wrapping, or handy work. Second, they were launched within only four years of each other, TaskRabbit in 2008 and Loconomics in 2012, during the boom of the sharing economy, and thus use comparable technology. Third, both enterprises are headquartered in the Bay Area of San Francisco, California, USA. The Bay Area is an interesting ecosystem with antithetical factors co-existing. While having a huge cluster of venture capitalists and tech companies, the area is also a fertile ground for the cooperative movement. The Network of Bay Area Worker Cooperatives was established as early as 1994 with 29 members (NOBAWC n.d.). Currently, the Bay Area is also the region with the highest concentration of the Tech Co-Op Network's members (Tech Co-op Network n.d.). Thus, simultaneously studying TaskRabbit and Loconomics offers fascinating insights into the distinctiveness of the two business models, controlling for both geography and time.

In conducting these case studies, various sources are used to strengthen the validity of data (Yin 1994, 33). Primary sources for this paper include official documents by TaskRabbit and Loconomics (bylaws, official websites, official blogs, terms and conditions). Secondary sources, include conference or interview transcripts involving the founders and directors of the two enterprises, as well as articles from peer-reviewed journals. News sources that report on significant events involving these two enterprises are also consulted.

After using the above sources to identify the ways TaskRabbit and Loconomics engage workers in four different domains: ownership, decision-making, distribution of profits and benefits, and interpersonal relationships, this paper then analyzes how each enterprise fares in terms of workers' satisfaction using Herzberg's Two-Factor theory.

## 5. Case Study 1: TaskRabbit

What follows is the first case analysis, namely the one of the for-profit enterprise, TaskRabbit. Subsequently, the second case example will focus on the platform cooperative, Loconomics.

TaskRabbit is an internet-based mobile platform aiming to "revolutionize how work gets done on a global scale" through connecting the supply of local service providers, known as Taskers, with the demand for workers (Taskrabbit Blog 2017a). The company markets itself as an enterprise with a "mission to build a community of neighbors helping neighbors" (Taskrabbit Blog 2011a).

#### **TaskRabbit**

Founded: 2008 (as RunMyErrand, name changed in 2010)

Company Type: Private

Website: <a href="https://www.taskrabbit.com">https://www.taskrabbit.com</a>
Headquarter: San Francisco, California, USA

Operating location: USA and UK

Number of service providers: 50,000

Types of services provided (non-exhaustive list):

Handyman, Hauling, Moving, Personal Assistant, Minor Home Repair, Painting, Yard Cleanup & Removal, Delivery,

Laundry, IKEA Furniture Assembly, TV Mounting, Hanging Pictures Help, Furniture Delivery, Light Installation, Closet

Organizing, Furniture Removal, Furniture

Movers, Disassemble Furniture

# 5.1. Ownership

As a private company unlisted on the stock market, TaskRabbit enlists the financial backing of venture capitalists (Kirsner 2010). Its first major investment came in 2008 from a business incubator program co-run by Facebook, Founders Fund, and Accel Capital, which awarded TaskRabbit \$25,000 in seed money, pushing it forward and allowing the company to solicit more seed funding from independent investors (Kirsner 2010). Subsequently, TaskRabbit conducted several successful rounds of funding to raise capital for its operation, bringing in investors such as Shasta Ventures and Founders Fund (Tsotsis 2011; Taskrabbit Blog 2011b, 2012). The most significant change to TaskRabbit's ownership structure came in September 2017, when it was acquired by Swedish furniture giant IKEA and became a subsidiary of IKEA (Taskrabbit Blog 2017b). With the conclusion of the deal, ownership of TaskRabbit was entirely transferred to IKEA.

Judging from this ownership structure, there is a clear division between Taskers and owners. Since no share of TaskRabbit is publicly traded or distributed to Taskers, the Taskers do not have any financial stake in the company. When TaskRabbit was acquired by IKEA, the Taskers were subsumed under an even bigger, more cumbersome corporate structure, whose top-level executives are based in Sweden, without having any say in the matter. In addition, the Terms and Conditions of TaskRabbit states that "Taskers are independent contractors and not employees of the company" ("TaskRabbit Terms of Service" 2017). This means that Taskers are legally considered to not have a permanent stake or integral status in the company. This lack of a sense of ownership means that this business model does not have one of Herzberg's most important motivating factors. The disconnection between Taskers and owners affects the Taskers' identification of their role and responsibility within the corporate structure of TaskRabbit. They see themselves as a cog in a machine without taking ownership of their work and assuming collective responsibility for the operation of the company. Yet ownership and responsibility are

highly associated with the achievement of higher-level job satisfaction. The absence of these factors prevents Taskers from deriving an enhanced level of job satisfaction.

# 5.2. Distribution of profits and benefits

TaskRabbit acts as a platform that connects Taskers and clients. A paper by Prassl and Risak (2016) finds that when a client posts a job on TaskRabbit, the platform uses an algorithm to suggest a list of Taskers to the client, based on their availability and skills. Given the Taskers' reviews by past clients and their hourly rates, the client can then pick the most suitable Tasker for the job. TaskRabbit takes a 15% cut of the payment (as of April 2018), called a "Service Fee" (Taskrabbit Blog 2018a). Overall, Taskers get 85% of the clients' pay, plus any tips handled privately between them and the clients. There is no mechanism for bonuses or distribution of profits at the end of the fiscal year.

While official reports on earning by Taskers are not disclosed, founder Leah Busque revealed in a 2015 interview with TechCrunch that the average hourly rate is between \$30 and \$40, with "a lot of Taskers regularly making \$6,000 to \$7,000 a month" (Taylor 2015). If these figures are true, compared with the \$4,600 median household income of US citizens from 2012-2016 (U.S. Census Bureau 2017), Taskers earn a decent salary to make a living. Since salary is a hygiene factor in Herzberg's Two-Factor Theory, a decent wage will fulfill the Taskers' lower-level maintenance needs, such as covering their day-to-day expenses, thus keeping them from becoming dissatisfied with their work. However, without clear data on how many Taskers work part-time and full-time, and how much they actually earn per month, it is difficult to determine whether TaskRabbit offers decent pay and how it affects workers' satisfaction.

When it comes to benefits, TaskRabbit does not offer much to Taskers, which has a significant negative impact on workers' satisfaction. Due to the classification of Taskers as independent contractors, TaskRabbit is not legally bound to provide employment benefits to Taskers ("TaskRabbit Terms of Service" 2017). Instead, it offers a number of perks, including discounts on telecommunication plans, rental car membership, budgeting software, and a health insurance plan comparison app ("TaskRabbit Perks" n.d.). TaskRabbit frequently emphasizes these perks to circumvent criticisms of its lack of benefits. Quoting founder Leah Busque from a 2015 interview with TechCrunch: "We provide things like discounted access to transportation and health insurance. These folks are not low-wage workers" (Taylor 2015).

Upon closer analysis, we find that such statements are rather misleading. While these perks may be counted as incentives for Taskers to use the platform, they are not equivalent to the benefits that companies are required to provide for official employees for instance taking the example of how TaskRabbit claims to increase access to health insurance. TaskRabbit partners with Stride Health, an insurance finder platform, and offers Taskers the ability the use Stride Health services for free. However, Stride Health is not an insurance company and only gives users the digital tools to compare between different healthcare plans available on the market and provides information

<sup>&</sup>lt;sup>4</sup>\_Stride Health is also used by other platform enterprises such as Uber, Etsy, and Postmates ("Stride Health Website" n.d.).

on government subsidies. Taskers are responsible for their own monthly insurance cost, not to be covered in any part by TaskRabbit ("Stride Health for TaskRabbit" n.d.). As revealed by Jamie Viggiano, TaskRabbit vice president of marketing, in an interview with TIME Magazine (Zimmermann 2015), the 10-15% of Taskers that work full-time for TaskRabbit are left without employer-sponsored health insurance and do not have any other channel to receive it, except to finance it themselves.

From the above analysis, it appears that while TaskRabbit may provide Taskers with decent income, the company does not offer any significant benefits or protection, rendering the Taskers quite vulnerable if they do not have a safety net. This analysis involves two of Herzberg's hygiene factors, salary and benefits. According to the Two-Factor Theory, both of these factors affect workers' lower-level needs for survival and maintenance, but in TaskRabbit's case, they impact Taskers' attitude in opposite directions. A reasonable salary prevents dissatisfaction, but lack of benefits would foster dissatisfaction among Taskers.

# 5.3. Decision-making

Taskers are not formally involved in the decision-making process since major decisions are made by the executive board and shareholders. For instance, TaskRabbit frequently changes its rate of commission without consulting Taskers (Cassano 2016). This is understandable given TaskRabbit's goal of attaining profitability, but negatively impacts Taskers' attitude and morale. The lack of worker involvement in decision-making has led to a number of major backlashes when important changes are made by the company without sufficient consultation with the Taskers, a clear indication of dissatisfaction among workers.

In July 2014, TaskRabbit management unilaterally changed the way it matches Taskers with clients in the United States. Prior to this, the method of Tasker-client matching consisted of an auction format. It allowed Taskers to see all job postings by clients and then bid for the jobs that interest them by directly negotiating their rates with the clients (Prassl and Risak 2016). The current system uses an algorithm to suggest three Taskers to clients within five minutes of posting their jobs based on the Taskers' availability and pay rate. Many Taskers were unhappy with the change, taking to social media to protest in a movement called the "Rabbit Revolution," arguing that the new system takes away their autonomy because they no longer see all job postings, and they risk losing a job if they do not accept the task within 30 minutes of the assignment (Webber 2014; Said 2014; Taylor 2015).

The company responded to the backlash by saying that it did include Taskers by emailing about the change and conducting a roadshow across US cities to answer Taskers' questions in person (Taylor 2015). TaskRabbit also modified the system to include an option for clients to broadcast their task to the entire community of Taskers instead of using the algorithm. However, the involvement of Taskers in decision-making was done only after the PR crisis occurred, not as a process ingrained in the company's policy. This reduces the fairness and clarity of the company's policies and administration and affect the Taskers' perception of their own voice within TaskRabbit.

True to Herzberg's Two-Factor Theory, the absence of transparent policies and administration, a hygiene factor, has led to major dissatisfaction among workers. This

dissatisfaction arises because workers' opinions are not taken into consideration when major decisions impacting their work and livelihood are made at the executive level. This is a feature common to capitalist enterprises, which centralizes decision-making to achieve maximum efficiency in realizing profit-maximizing objective at the expense of workers' satisfaction.

## 5.4. Interpersonal relationships

Despite conducting most of its business online through digital apps, TaskRabbit has measures in place to foster interpersonal relationships between the firm and Taskers, and between Taskers and their clients.

To build a connection between the firm and Taskers, TaskRabbit created a Community Team made up of full-time operational staff at the headquarter, whose "sole mission is processing feedback" from Taskers (Taskrabbit Blog 2018b). The team interacts directly with Taskers' through digital and physical means and serves as a bridge to bring their opinions to the rest of the company. One initiative of the team is a series of videos called "Tasker Connection," which aims to facilitate a sense of community among workers. As the initiative was only announced in April 2018, there is insufficient evidence to assess its effectiveness, but the company's effort is to be acknowledged.

Between Taskers and clients, TaskRabbit does not interfere in their relationship but keeps a system of review, which allows Taskers and clients to rate and comment on their experience dealing with each other. This is TaskRabbit's informal way of supervising the performance of its Tasker because the company technically "does not supervise, direct, control or monitor a tasker's work and is not responsible for the work performed or the tasks in any manner" ("TaskRabbit Terms of Service" 2017). The review system is a method of quality control to ensure that client-Tasker interaction is positive and appropriate. If either the Tasker or the client gives their partner a negative rating (3/5 stars and below), the algorithm will never match them again ("Ratings and Reviews on the TaskRabbit Platform" 2018).

Upon assessment of this review system, we find an asymmetry in this relationship. While clients can see Taskers' past reviews and ratings when they make hiring decisions, Taskers cannot see previous reviews about the clients (Shontell 2011). This puts Taskers at a disadvantage because they lack the information to decide whether they should accept the job. This imbalance is heightened by the fact that earning a positive rating has important implications for Taskers. If their percentage of positive rating is above 98% and they are highly active on the platform, they are elevated to TaskRabbit Elite status, giving them verified credentials on the platform and greater ability to set higher hourly rate ("TaskRabbit Elite" n.d.). However, Taskers face more pressure in their relationship with the clients than vice versa because the clients, privy to more information, are in a position of power.

The absence of equality in the relationship between clients and workers, as well as the lack of effective and supportive supervision, both of which are hygiene factors in Herzberg's Two-Factor Theory, mean that the workers' lower-level needs are not fulfilled, preventing the attainment of job satisfaction. This epitomizes the impersonal nature of relationships found in a large platform capitalist enterprise, where workers are too scattered to have much interaction, and clients and

workers are not on equal footing in terms of power, negatively impacting the workers' attitude toward their job.

Regarding the workers' ability to attain a sense of achievement, recognition, growth, and advancement, Herzberg's motivating factors, TaskRabbit's review system does provide a mechanism to honor the top contributors to the platform through the TaskRabbit Elite status, but there is no room for development beyond that. Thus, TaskRabbit's current system does not do much to motivate and enhance workers' satisfaction.

# 6. Case Study 2: Loconomics

Loconomics is a platform cooperative that also operates in the crowdsourcing industry. Founded in 2012 by Joshua Danielson and Iago Lorenzo, Loconomics officially converted into a cooperative in 2014, where profits are shared fairly, and workers are also owners of the enterprise. Although the platform was still in its experimental stage by the end of 2017 as the founders wanted to take their time in laying down the ground work for the cooperative, 600 listings were already active on the platform (Coca 2017). In its bylaw, Loconomics claims to be "substantially shielded from the lust for wealth accumulation and short-term gain, thereby allowing it to focus on activities that grow and spread benefits among the Owners and communities" (Loconomics Cooperative Bylaws 2016). As Loconomics explicitly focuses on community impact and empowerment of locals instead of profit-maximizing motives, its novel business model has very interesting implications on workers' satisfaction.

#### Loconomics

Founded: 2012 (became a cooperative in 2014<sup>5</sup>) Multi-Company type: stakeholder cooperative <a href="https://loconomics.com">https://loconomics.com</a>

Website: San Francisco, California, USA

Headquarter: USA and UK

Operating location: Undisclosed, less than 2000

Number of service providers: Home Care, Child Care, Pet Care, Self-Care, Transport,

Types of services provided

(non-exhaustive list):

Office, Senior Care, Party Planning

## 6.1. Ownership

Previously a for-profit company with 11 shareholders, Loconomics converted to the cooperative model in 2014 and agreed to pay promissory notes valued at \$750,000 to its previous shareholders at an interest rate of 5% over 5-10 years (Co-opLaw.org n.d.). Currently, Loconomics

 $\underline{\text{http://www.cooplaw.org/legal-guide-cooperative-conversions/legal-case-study-loconomics-conversion-freelancer-ownedcooperative/}$ 

<sup>&</sup>lt;sup>5</sup> More information on how Loconomics legally converted to a cooperative can be found at

does not issue shares or raise funding from venture capital firms. Its owners are people directly involved with the enterprise, including service providers, company's operational staff, independent contractors, and its community partners (Loconomics Cooperative Bylaws 2016). Its bylaw states that service providers must make up the majority of owners at Loconomics "to advance the status, stability, and interests of freelance workers" (2016). This is clearly a declaration of Loconomics' intention to ensure the representation of service providers. Upon closer examination of the procedures to become an owner, we find them to be straightforward, transparent, and affordable, demonstrating that Loconomics does not only pay lip service but takes concrete steps to make membership accessible to all. To become an owner, a service provider needs to have completed two jobs using the platform and contribute a fee to the cooperative (Loconomics Website n.d.). Under the \$19/month contribution, service providers can get dividends, vote on Loconomics internal issues and run for the executive board. The \$39/month plan will give service providers the same rights, along with additional access to business management software. An annual contribution option is also available. Regardless of the plan a service provider chooses, this ownership model allows them to truly have a stake in the company. Unlike capitalist platforms where there are a handful of major shareholders, at a cooperative, a large number of small individual contributions makes collective ownership possible, thus giving the workers a sense of responsibility and ownership of their work, one of Herzberg's motivators that can enhance workers' satisfaction.

The cooperative also has transparent procedures for the termination of ownership. Ownership can be revoked when staff or directors notice that an owner engages in disrespectful exchanges on the platform, displays disruptive behaviors, or violates Loconomics' policies (Loconomics Cooperative Bylaws 2016). This is evidence that the supervision of owners-workers at this cooperative is done in a community-based and collective manner. It prevents the abuse of the platform by anyone owning a stake in the cooperative. As appropriate supervision is one of Herzberg's hygiene factors, this practice by Loconomics prevents dissatisfaction among its workers by ensuring that their lower-level needs are fulfilled.

### **6.2. Decision-making**

Besides ownership, involvement of workers in decision-making is the hallmark of the cooperative model. A platform cooperative like Loconomics is able to facilitate this with an unprecedented scope and level of efficiency using digital technology.

As owners, service providers are involved in the decision-making process in many ways, including running and voting for the board of directors and voting on policies (Loconomics Cooperative Bylaws 2016). The section on voting mechanism is the longest portion in the bylaw and very carefully stipulates procedures to ensure democratic decision-making. By giving each owner one vote, Loconomics gives equal weight to everyone's opinion and "to actively counteract the tendency for power to concentrate among highly influential or privileged individuals" (Loconomics Cooperative Bylaws 2016).

Furthermore, during our analysis of the voting procedures, we find that in order to be eligible to run for a position on the board of directors, a service provider must have finished 25 tasks through Loconomics and must not have served on the board for more than two terms

(Loconomics Cooperative Bylaws 2016). This restriction on eligibility helps to prevent anyone from serving for too long and monopolizing the decision-making process, while providing room for new people to try and advance their careers within the cooperative. This contributes positively to a sense of achievement, recognition, and the possibility for growth and advancement among workers, three of Herzberg's motivators that improve workers' satisfaction. According to the principles of cooperatives (International Cooperative Alliance n.d.), democratic decision-making is a key and definitive element of any cooperative. Thus, the example of Loconomics is an important case study to show how cooperatives in general can successfully implement this principle and lead to higher level of workers' satisfaction.<sup>6</sup>

Moreover, Loconomics also highlights how a platform cooperative can more effectively bring about democratic decision-making than a traditional cooperative. In true democratic fashion, nominees for Loconomics' board of directors must make their candidate profile publicly available on the website and engage in online discussion forums during the campaign period. Afterwards, voting will be completely done online. We find that this voting mechanism addresses two issues. First, it ensures effective circulation of information on all candidates, not giving anyone an unfair advantage. Second, it removes any geographical barriers to voting, considering that owners of Loconomics are widely distributed.

In addition, to ensure that the democratic decision-making process is fair and inclusive, Loconomics actively engages in information disclosure, such as by sending all owners the annual report by April 30 every year (Loconomics Cooperative Bylaws 2016). The annual report includes profit and loss statement, cash flow statement, transaction record for any purchase over \$1000, and a list of all cooperative owners' contact details. In many conventional businesses, such information is not public and made available only to shareholders. Yet, due to the ownership model of cooperatives, the workers of Loconomics get full access to such data and are able to make informed decisions without any asymmetry of information. The clarity and transparency of policies and administration is an important hygiene factor in the Two-Factor Theory. The cooperative model specifically gives Loconomics the ability to build mechanisms into its operation that support the strong presence of this factor, thereby maintaining workers' satisfaction.

## 6.3. Distribution of profits and benefits

Loconomics transparently discloses how payment to service providers is calculated in its bylaw. Service providers set their own prices to clients and earn all of that without having to pay any commission to the cooperative. The cooperative's revenue comes from the monthly contribution paid by owners, fees paid by its partners, and booking fees paid by clients. When this revenue exceeds operating costs, the surplus is divided into two parts: the majority goes to the "indivisible account," the rest becomes dividends to be paid to owners (Loconomics Cooperative Bylaws 2016).

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<sup>&</sup>lt;sup>6</sup> This paper deals primarily with the engagement of service providers in cooperatives and capitalist enterprises. However, in the case of Loconomics, it should be noted that the cooperative does have full-time staff who work as the management body, executing decisions of the board and dealing with day-to-day operation of the cooperative. These full-time staff can also become owners of the cooperative.

Our analysis of Loconomics' profit stream shows that the cooperative makes a consistent effort to ensure fairness and social responsibility. In particular, dividends are proportionally distributed based on each owner's monetary contribution to the cooperative. Furthermore, the indivisible account is strictly reserved for reinvestment into the cooperative, for development programs benefitting service providers, and for donation to social causes. These are tangible differences that set Loconomics apart from profit-maximizing platform enterprises.

However, on the flipside, its bylaw states that the goal of Loconomics is "meeting operating costs, as opposed to generating a profit" (2016); thus, the profits that are redistributed to its owners are not likely to be very significant. While distribution is transparent and fair, one must question whether the amount that service providers actually earn is enough to make ends meet. If not, it would compromise their standards of living and quality of life. However, bearing in mind that salary is only a hygiene factor in Herzberg's Two-Factor theory, if what service providers earn is enough for daily maintenance, the lack of a huge paycheck would not be a major cause for dissatisfaction.

Regarding fringe benefits, Loconomics wants to "attract and maintain top talent" by offering "competitive benefit packages" (Loconomics Cooperative Bylaws 2016). However, little information on these benefit packages are available to the public. In spite of Loconomics' commitment to protecting and helping workers, they do not offer any health insurance benefits, similar to TaskRabbit. This could be due to the fact that Loconomics still does not operate at a level of profitability that is sufficient to cover health insurance. Instead, Loconomics partners up with Freelancers Union, a labor union that works towards advocating for the rights of service providers ("Can I Get Health Insurance through Loconomics?" n.d.). One of the Freelancers' Union service is a health insurance comparison platform that aids workers in navigating the healthcare market. While service providers of Loconomics still have to purchase their own health insurance without contribution from the cooperative, by buying insurance through the Freelancers' Union, they are supporting the union's initiatives in advocating for workers like themselves. Thus, while still falling short in providing benefits to its workers, Loconomics does pick community partners who are in line with its mission.

# 6.4. Interpersonal relationships

The deep involvement of service providers in the decision-making process means that there are strong mechanisms in place to promote interaction between workers and to build a sense of community. As analyzed in previous sections, Loconomics carries out votes frequently to decide on important matters. These meetings provide the opportunity to connect workers, which do not happen in platform capitalist models. Recognizing the geographical distribution of its service providers, Loconomics' bylaw mandates that all meetings should be held online to ensure equal access to discussion for everyone. To make the process even more convenient and flexible, Loconomics can hold a meeting via an online message board over a 72-hour session, thus allowing its workers to digest information and understand the matters being discussed (Loconomics Cooperative Bylaws 2016).

This is a clear effort toward enhancing inclusivity and fostering mutual respect within the cooperative, which can greatly benefit interpersonal relationships among workers. Loconomics'

top concern is to empower its workers and its cooperative model enables it to do just that. Loconomics facilitates strong interpersonal relationships, which is a motivator feeding into the level of satisfaction of workers.

# 7. Discussion of Findings

Synthesizing from the analysis done in previous sections, Table 2 lays out the hygiene factors and motivators present at TaskRabbit and Loconomics. Since the two enterprises belong to the same industry and provide the same services, our analysis will not consider "the work itself" as a criterion differentiating the two.

**Table 2.** TaskRabbit and Loconomics' hygiene factors and motivators

		TaskRabbit	Loconomics
Hygiene factors	Policies and administration	low	high
	Supervision	low	medium
	Interpersonal relationships	low	high
	Working conditions and benefits	low	low
	Salary	medium-high	low-medium
Motivators	Achievement	medium	high
	Recognition	medium	high
	The work itself	-	-
	Responsibility and ownership	low	high
	Growth and advancement	low	high

Among hygiene factors, we can observe that Loconomics performs better than TaskRabbit in all categories, except for salary because the platform has more users, a greater abundance of jobs, and hence more opportunities for work. However, Loconomics does better in terms of having clear policies and administration, providing effective and appropriate supervision, and fostering interpersonal relationships. That being said, both enterprises do not provide their service providers with any significant employment benefits. Overall, given Herzberg's Two-Factor theory, it appears that Loconomics is more conducive than TaskRabbit in preventing dissatisfaction among workers because it has mechanisms in place that fulfills its workers' lower-level needs for maintenance.

For motivators, Loconomics performs better than TaskRabbit in all categories, namely offering workers a sense of achievement, recognition, responsibility and ownership, and the possibility for growth and advancement. This is due to the fact that as a cooperative, Loconomics was built to prioritize the well-being of workers and contribute to the community instead of

pursuing profit-seeking objectives. With its ownership structure and worker engagement procedures, Loconomics is better positioned than TaskRabbit, a profit-motivated company, to fulfill workers' high-level needs and increase satisfaction.

TaskRabbit and Loconomics are two enterprises that exemplify their respective business model. After judging the differences in how they engage workers, which arise from their objectives, organizational structures, and processes, this research confirms the hypothesis that the democratic practices of platform cooperatives allow it to not only be more effective than capitalist platforms in preventing dissatisfaction among workers but also better enhance their sense of satisfaction.

In a capitalist enterprise, due to a variety of organizational challenges, the various stakeholders are oftentimes detached from one another, with those at the top arbitrarily making decisions affecting those at the bottom of the hierarchy. The workers find themselves insufficiently compensated for their effort and vulnerable. Without consistent channels of communication between the different levels of a company, it is difficult for any party to be understood, which hinders the formation of any sense of belonging and damages workers' morale.

In contrast, in a cooperative, willing workers with shared economic, social, and cultural concerns come together as joint-owners of the enterprise, able to exercise their democratic rights to ownership, decision-making, and profit-sharing. The worker is no longer a mere cog in the machine but has usurped the role of the owner. The worker-owner is at the core of a cooperative. This special characteristic of the cooperative model gives it a unique edge: the vantage point to perceive, comprehend, and act on the needs of its workers.

As we have seen through the case of Loconomics, platform cooperatives are able to magnify the benefits of the traditional cooperative model, thanks to advances in information technology. Enhanced connectivity supports democratic decision-making by making the process more convenient and accessible. It also allows more people to be involved in the cooperative movement regardless of their geographical location, and thus has the potential to enhance the scalability of cooperatives.

Platform cooperatives are indeed an important addition to the Social and Solidarity Economy as they support SSE's mission of bringing about more equitable, people-centered, and inclusive economic growth. By expanding the reach and effectiveness of SSE with digital technology, this new business model adds to the comparative advantage of SSE relative to capitalist enterprises in terms of maintaining and improving workers' satisfaction.

## 8. Limitations

This research is subject to a number of limitations. Regarding its data sources, it is difficult to obtain concrete earning statements for both TaskRabbit and Loconomics in previous years because they are not available to the public. Access to such data would give a much better picture of how the two enterprises fare in profits and in earnings per service provider. It would also make it possible to study the organizational growth patterns which might impact overall performance and organizational structure of cooperatives in general and of platform cooperatives in particular as already discussed in previous publications by Saner & Yiu (2017).

Furthermore, the paper relies on Herzberg's Two-Factor Theory for the criteria that lead to workers' dissatisfaction and satisfaction. Despite the theory being supported by empirical evidence, it does have some drawbacks. It does not take into consideration individual differences that determine workers' responses to the hygiene factors and motivators (Hackman and Oldham 1976). To better back up the findings of this research, a survey could be conducted on a sample of service providers working for TaskRabbit and Loconomics, in which they rate their level of satisfaction for both lower- and higher-level needs. This could be an interesting next step for the research.

## 9. Conclusion

All in all, platform capitalist enterprises and platform cooperatives differ significantly in their mechanisms of worker engagement, both in theory and in practice, as exemplified by the case of TaskRabbit and Loconomics. While these two enterprises belong to the same industry and offer the similar services, they embody the spirit and the philosophy of different business models, which translates into their impact on workers' satisfaction. Platform cooperatives put heavy emphasis on the social wellbeing of workers through implementing a joint-ownership model, an inclusive decision-making process, fair distribution of gains, and strong support for interpersonal relationship development. Thus, they are better geared toward maintaining and enhancing workers' satisfaction.

However, a major concern for platform cooperatives is whether the enterprise can remain profitable enough to survive and provide the best benefits to its workers. The scalability and replicability of this model need to be tested in the long run. Many questions remain to be answered: How can the platform cooperatives' approach be replicated to worker engagement in different industries? How well will worker-engagement methods of platform cooperatives work when these enterprises get bigger? How can they ensure enterprise growth without compromising active participation of all workers and the quality of their interpersonal relationships? For the survival of the business, will platform cooperatives need to adopt characteristics of for-profit enterprises if they need to increase efficiency? How does the platform cooperative model deal with the representation of women in business? Addressing these questions will require consistent and interdisciplinary research, drawing from various fields such as political economy, psychology, and management.

Having said that, with all the potential benefits that platform cooperatives can offer to the community of workers, this business model could be an up-and-coming component of the Social and Solidarity Economy. Further technological advances will continue to support the growth of platform cooperatives and the transformative role they could one day play in the future of work. Even outside of the SSE movement, other business models could find certain elements of platform cooperatives applicable to their own situations. Learning from the approach of platform cooperatives can help us convert existing capitalist enterprises into more human-centered organizations. As a result, studying platform cooperatives and the dynamics they create among workers is important for scholars, policymakers, entrepreneurs, workers, and consumers alike. We need to ensure that technological advances and progress in labor protection are moving in synchrony, so that the human element is not left behind in the age of machines.

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