Empowering Entrepreneurship:

Platform Cooperatives as Pathways from Gig Jobs to Good Jobs

Ric Kolenda

Public Administration Department, Pace University

An argumentative essay developed as part of the

Wilson Center for Social Entrepreneurship Fellowship

Author Note

Ric Kolenda https://orcid.org/0000-0002-3182-2395

I have no conflict of interest to disclose.

Correspondence concerning this article should be addressed to Ric Kolenda, Pace University, 41 Park Row, Room 511C, New York, NY 10038. Email: rkolenda@pace.edu

Abstract

This is part of a larger research project which attempts to survey the current state of the "gig economy," and explore its impacts on independent workers. I hope to discover and consider ways to reduce the worst precarity often experienced, while providing pathways to entrepreneurship, both immediately and beyond the current global health crisis.

The "gig economy," which comprises both traditional categories such as freelancers, contract workers, and other contingent workers, as well as those now working from app-based platforms such as Uber, Door Dash and TaskRabbit, has both suffered and benefited from the COVID-19 pandemic and its associated economic effects. But while most agree that this is a small but rapidly growing segment of the U.S. workforce, we still know little about it. In this paper I make the case that platform cooperatives, along with a variety of related policies designed to reduce the precarity of gig work, can offer many of the advantages of traditional entrepreneurship while reducing the risk associated with self-employment.

Keywords: platform cooperatives, entrepreneurship, gig economy, sharing economy

Empowering Entrepreneurship:
The Platform Cooperative as Pathway from Gig Jobs to Good Jobs

As worker ownership is an important and uniquely effective form of social enterprise, this project explores cooperativism in the large and growing platform economy. My previous research suggests that the precarity of contingent work can exacerbate existing economic insecurity for disadvantaged groups (Liu & Kolenda, 2011, 2012), and that creating opportunities for entrepreneurship can be an important way to address that social and economic inequality (Kolenda & King, 2021). This inequality has only increased as a result of the COVID-19 pandemic. I see platform cooperativism as one critical alternative to venture-funded corporate firms, offering both improved working conditions and wealth creation for its workers. This essay will offer make that argument and offer some suggestions for public policies to expand and nurture this burgeoning class of organizations.

The Argument for Platform Cooperatives

I am hardly the first to make an argument for platform cooperatives as a viable and valuable alternative to increasingly contingent employment. The name most associated with this movement is Trebor Scholz, who coined the term *platform cooperative* as a response to what was then known as the more benign “sharing economy,” has been writing and advocating on the subject nearly as long as there has been a digital gig economy; first with articles and books such as “Platform cooperativism vs. the sharing economy” (2014) and *Uberworked and Underpaid* (2017) and then as the founder of the Platform Cooperativism Consortium. Scholz defines platform cooperatives as “…businesses that use a website, mobile app, or protocol to sell goods or services. They rely on democratic decision-making and shared ownership of the platform by workers and users.” (Scholz et al., 2021, p. 12)

My take on Scholz's foundation is to place it in the context of the larger literature on entrepreneurship and inequality. This case can be summarized in four steps. First, most "gig" work is at best subsistence-level work, and at worst, exploitative and dehumanizing. Second, the ability to take entrepreneurial risk is not equally distributed. Third, the reduction of risk for disadvantaged proto-entrepreneurs can aid in their economic upward mobility. And finally, that platform cooperatives can provide many of the advantages of traditional employment, but with increases in the wealth and quality of life of its owner-employees.

1. Most "gig" work is at best subsistence-level work, and at worst, exploitative and dehumanizing

Even before the COVID pandemic hit, independent workers faced unique challenges. Scholz, in his groundbreaking book *Uberworked and Underpaid*, argued that new digital apps present a unique expansion of the means of capital to exploit labor (Scholz, 2017). In many ways, what we now call the gig economy is often good for both its workers and consumers. Workers enjoy flexible hours, and can often work part time to supplement other income sources. Consumers can receive services once only provided to the wealthy at much higher costs, and without long-term employment commitments. But we have always seen two types of independent workers: those by choice, and those by necessity. While the former often enjoy relatively high wages and good working conditions, the latter are often struggling to get by.

Philadelphia, November 27, 1991

I should say I know a little something about being a gig worker. Way before there was a "sharing economy," or Lyft, or Instacart, there were these things called "temp agencies." Yes, they still exist, but in a much more limited capacity, and mostly for niche industries. I was in a transition, having recently dropped out of my first Ph.D. program when I found myself unable to survive on my somewhat meager teaching stipend. But I had a few technical skills and a willingness to learn, and therefore somehow found myself in demand as an office "temp," specializing in spreadsheets, digital presentations, and the nascent desktop publishing industry. I was also doing some adjunct teaching; sometimes at three different institutions simultaneously. But I'll never forget November 27, 1991—the day before Thanksgiving. In fact, the day had begun at about 7:00 a.m. on November 26, when I left for an eight-hour shift of desktop ad layout work at GS Imaging, a pre-press company just south of Philadelphia, about 45 minutes from home. When I finished there, I drove an hour to Glassboro, NJ, where I taught a course in American Government at what is now Rowan University[1]. After my class, I got back in the car and drove another hour to Princeton, NJ, where I worked a 12-hour night shift for an HR consulting firm, making Aldus Persuasion slides meant to persuade employees that cutting their benefits was a good thing. By the time I drove another hour back home to Philly, it was almost 8 a.m.; *I had been working or driving for roughly 24 hours straight*. I know this isn't the longest day anyone has worked, and it was certainly an outlier for me, but it was indicative of the crazy life of what I later came to call a "contingent worker," or more recently, a "gig worker." To quote a favorite move title from that era, it was *Koyaanisqatsi: Life Out of Balance*[2].

The Hobbesian existence of the platform gig worker

Thomas Hobbes is probably best known for one line from *Leviathan* (1651), regarding what life is like without the social constraints of a strong government. The complete sentence is: "No arts; no letters; no society; and which is worst of all, continual fear, and danger of violent

[1] Formerly Glassboro State College, the name was changed to Rowan College of New Jersey in 1992, and then to Rowan University in 1997, to honor the then-record-breaking $100 million gift of its new namesake.

[2] Appropriately, *Koyaanisqatsi: Life Out of Balance* is a 1982 film by Godfrey Reggio, the first in a trilogy created, in the artist's words, to "…stand as a cinematic utterance to an untellable event—the technological transformation of the planet" (http://www.koyaanisqatsi.org/aboutus/aboutus.php).

death: and the life of man, solitary, poor, nasty, brutish and short." And for those who work primarily or solely as ride-hail drivers or food delivery providers, this may not be far from the truth, especially during a life-threatening pandemic.

My co-authors and I have previously pointed out some key areas where workers are disadvantaged. These include lack of job security, unpredictable work schedules, lack of access to employment benefits such as health insurance, workmen's compensation, retirement plans and legal protections (Liu & Kolenda, 2011, 2012; Liu & Nazareno, 2019).

Scholz et al. (2021) also include many of these concerns, adding others such as low and unreliable wages, sexual and other harassment, the outsourcing of risk to those least able to afford it, opaque algorithm-based pay structures, wage theft, and the reliance on vulnerable populations for labor, among others.

Regarding the COVID pandemic specifically, the little data that exists does suggest disturbing levels of financial insecurity as a result of the pandemic, exacerbating already precarious financial situations for those depending on gig work for their sole or primary source of income (Kolenda & King, 2021). According to a study done by the UCLA Labor Center (Herrera et al., 2020), health concerns and lack of demand halted or slowed work for many, while in the online-only space, where remote work is possible, workers found more work, and many even gravitated to this work from full-time positions (though it is not clear if this was by choice or design). There was also evidence of a lack of support from gig platforms and contractor clients, both in preventative measures and health consequences. And finally, there is evidence that government support mechanisms seemed to be helping, especially the expansion of health and unemployment insurance to gig workers[3], but they themselves have proven a bit insecure.

The increasingly important role of gig workers

So why does this matter? First, we have realized that the status quo is not working for consumers. We have seen how dependent we are on people in the "gig economy," and we need to make sure that it will be there for the rest of us. Food delivery services have been important for anyone who eats, as well as offering a lifeline to restaurants and retailers unable to serve patrons on premises, while ride sharing services have offered a relatively safe alternative to mass transit for necessary travel.

Second, it is not working for its workers. With no healthcare benefits, no paid vacations, sick leave, family leave, or health & safety protections, and constant wage insecurity, gig workers are among our most vulnerable members of the labor force. While this work holds opportunities for creative entrepreneurship, financial insecurity prevents workers from making the leap from worker to entrepreneur.

And finally, contract work is often used to avoid paying workers full-time benefits. Meanwhile, the "employers" are being subsidized by taxpayers while not compensating their "employees," who then must rely on social safety net payments and services. Worker ownership may be able to address all three of these issues.

2. Markets, Wealth, and the Mythology of Egalitarian Entrepreneurship

Deeply embedded in the capitalism of the U.S. is the Horatio Alger myth: that good values and hard work are all one needs to get ahead. But despite its obvious and egregious [to

[3] Some of this is unique to California, where a robust ACA marketplace exists for health insurance, and where gig workers are covered by regular unemployment insurance (UI), not just the Federal Pandemic Unemployment Assistance (PUA) that ended in September 2021 (Herrera et al., 2020).

most] failure as a realistic path to success, the myth has continued into the twenty-first century. If its power had flagged in the post-Reagan-era era, the “dot.com” boom of the 1990s revitalized and, in some ways, democratized it. Surely now it was clear, it was said, that anyone with a good idea and the ability to execute it could build the empires of the new millennium.

And to be sure, empires have been built. Microsoft and Apple quickly surpassed General Electric and AT&T in wealth and influence; Google became a verb, and the gatekeeper of digital information; a small online bookseller in Seattle grew to dominate online retail, and increasingly, in the brick-and-mortar space as well; and Tesla’s market capitalization surpassed that of its largest competitor, General Motors, before it sold even one percent of the vehicles sold by its declining rival[4] (Ferris, 2017). The following decade saw the rise of social media, with Facebook and Twitter leading the pack in eclipsing “traditional media” outlets. And a few years hence, what was initially—and somewhat quaintly—called the “sharing economy” emerged, and companies like Uber, GrubHub, TaskRabbit and Airbnb quickly transformed from being the benign, even hopeful, harbingers of worker autonomy to the most efficient way to exploit works on the lowest end rungs of the economic ladder. But we must take a closer look at what was behind this new class uber wealthy (pun only somewhat intended) to understand how these fit into the current economy.

A tale of three friends

In 1995, two of my friends and co-workers in a small technology support company on just over the city line from Philadelphia decided to take a leap of faith. Weary of our abusive

---

[4] By October of 2021, Tesla’s market capitalization surpassed its top five competitors—Toyota, Volkswagen, Daimler, General Motors and Chinese EV maker Nio—combined, reaching the $1 trillion mark Reuters. (2021). *Factbox: Tesla market cap eclipses that of top 5 rival carmakers combined*

. Reuters. Retrieved December 6, 2021 from https://www.reuters.com/business/autos-transportation/tesla-market-cap-eclipses-that-top-5-rival-carmakers-combined-2021-10-26/

employer who made up for his lack of technical expertise with verbal outbursts and threats (and not just to his employees; he was frequently heard shouting obscenities through the phone to his mother), we began to strategize about a new kind of company. Our de facto team leader, Jason, was ten years my junior, but was already immersed in online communities like America Online (AOL) and CompuServe, and what was then still known as the "World Wide Web." Ryan, my other co-worker, and I were convinced that a service company catering to this new type of communication could be of value. We set out to create a shop to create and market websites to local businesses.

We called it the new venture the rather ambitious sounding Odyssey Systems Inc. The plan was to hire a small but dedicated staff, and to treat them with the humanity and dignity so lacking in our previous employer. Of course, this meant taking minimal salaries for ourselves, and ploughing most of our modest resources back into the business. I was married at this time, so with the support of an extra income (and her employer-provided health insurance) I was able to manage… for a while. Meanwhile, my much younger partners, with few obligations and parents of means, were able to continue taking little salary from the business while not being concerned about paying the rent or putting gas in their trucks. But as time went on, my wife became understandably weary of supporting my entrepreneurial addiction. After less than two years, I was forced to leave the company with little to show for my labor. Meanwhile, my partners continued to build on what we started, and eventually become at least moderately successful and cashing out to deep-pocketed investors a few years hence.

Inequality and its impact on entrepreneurship

I tell this story to illustrate, from hard-won personal experience, the challenges of entrepreneurship for those of modest means. I suppose one could argue that my partners relative success was the result of their superior knowledge and work ethic, but I'm not sure even they would agree with that statement (though they certainly were both smart and industrious). I believe that the biggest difference between my partners and me was our disparate ability to absorb downside risks. In other words, we all understand that entrepreneurship is not for the risk averse; but it is also about the "capital" in capitalism. And I am a white male from a working-class background; imagine the additional barriers for women, people of color, and those with even fewer personal or family resources.

Myth #1: Bootstrapping

In the modern era of venture capital, we forget that most start-ups are still founded on the owners' persona resources, often with the aid of "F&F," investments and assistance from friends and family. The idea of pulling oneself up by one's bootstraps is common among modern entrepreneurs, though that metaphor began as a way to lampoon those who claim to have built something on their own (Young, 2021). Obviously having friends and family of mean is essential to this approach. Or to put it more simply, the ability to take entrepreneurial risk is not equally distributed in the population (Fairlie & Krashinsky, 2012; Frid et al., 2016; Hurst & Lusardi, 2004).

Business guru Seth Godin, author of *The Boostrapper's Bible* (2004) among other things, even acknowledged that not everyone has "the network, the privilege, or the unevenly allocated benefit of the doubt" to use bootstrapping to build a company (Young, 2021). And given the lack of access to traditional loans and venture capital for women and racial minorities, bootstrapping may be a less-preferable matter of necessity rather than principle. One recent study showed that over a quarter of startups founded by black men, and over half of those by black women, were bootstrapped, compared to about ten percent and 37 percent for their white or Asian counterparts respectively (Young, 2021).

Myth #2: Meritocracy

In a very influential TEDTalk in 2013, social psychologist Paul Piff describes an experiment he did to explore how inequality affects individual social behavior using a rigged game of Monopoly (Piff, 2013). Over 100 pairs of contestants were selected, and in each game, a coin toss determined that one player would receive twice as much money initially, twice the "salary" for passing go, and the use of two dice instead of one to move around the board more quickly. Even knowing that the structure favored one player over the other, the advantaged players consistently acted in ways that demonstrated dominance over their disadvantaged opponents. In short, they acted like jerks. But maybe most interesting, when asked to explain their inevitable success, few if any mentioned the structural advantages they were given. Instead, they attributed their win to wise decisions on their part.

I think this little experiment tells us much about social behavior in an increasingly unequal society. It is also part of an increasing critique of "merit" as a predictor of success. Several recent books, with titles like *The Meritocracy Myth* (McNamee & Miller, 2018), *The Meritocracy Trap* (Markovits, 2019), and *The Tyranny of Merit* (Sandel, 2020), discuss how merit both reflects and replicates inequality. In his 2021 essay, David Brooks observed of this new class of nominally progressive elites, which he dubs the "blue oligarchy":

> They are, in many respects, solid progressives; for instance, a 2017 Stanford[5] survey found that Big Tech executives are in favor of higher taxes, redistributive welfare policies, universal health care, green environmental programs. Yet they tend to oppose anything that would make their perch less secure: unionization, government regulation that might affect their own businesses, antitrust or anti-credentialist policies.… *Members of the blue oligarchy sit atop systems that*

---

[5] https://www.gsb.stanford.edu/faculty-research/working-papers/predispositions-political-behavior-american-economic-elites-evidence

> *produce inequality—and on balance their actions suggest a commitment to sustaining them* [italics added] (Brooks, 2021).

Brooks notes that this new elite refuse to see themselves as elite, and therefore lack the sense of *noblesse oblige* of previous generations. This may explain why, with a few notable exceptions, the twenty-first century robber barons are more likely build private spaceships than public libraries, universities, or other social assets.

Who really built this?

The combination of these myths is especially problematic because they reinforce the illusion that entrepreneurship is as much a social construction as an individual effort. In the 2012 presidential election, “I Built This” became a *de facto* slogan for Republican nominee Mitt Romney, though he is the son of former auto industry CEO and Michigan Governor George Romney. Our previous president claimed to be self-made because he started his business with a “small loan of a million dollars” from his father (according to New York Times reporting, the total aid was probably more like $413 million, adjusted for inflation) (Barstow et al., 2018). Somewhat more modestly, there is also the story of GoPro founder Nick Woodman, who’s origin myth involves $10k raised selling accessories out of his car, but in fact, included a $200k loan from his investment banker father (Young, 2021).

3. Reducing risk for disadvantaged proto-entrepreneurs can lead to economic upward mobility

In working papers I prepared for conferences at the Federal Reserve (Kolenda & King, 2021), the American Society for Public Administration (Kolenda, 2021) the Northeast Conference on Public Administration (Kolenda, 2020) and the Urban Affairs Association (Kolenda, 2018), I have sought to present policy solutions to reduce the precarity of gig workers. These policies include making the expansion of Pandemic Unemployment Assistance permanently to contingent workers, create state and/or federal programs for universal basic income (UBI) possibly by expanding the current child tax credit program, extend employee legal protections to these workers (OSHA protections, overtime pay, collective bargaining rights, family care leave and other portable benefits.

In addition to these, Scholz et al. (2021) recommended the follow policy interventions in the US context:

- Extension of portable healthcare, retirement, and professional development benefits to coop members
- Maintenance of an inventory of free and low-cost spaces available to coops for work or organizational activities
- Encourage more academic research on platform coops
- Offer incentives for governments to contract with coops
- Development and support for coop incubators
- Tax incentives for coops
- Direct subsidies for coops funded from reductions in safety net programs
- Preferred access to state economic development promotions

All, or some combination of these, can help to create a vital ecosystem of platform and other cooperatives.

4. Platform cooperatives can provide some of the advantages of traditional employment combined with increases in wealth and quality of life

Scholz, a long-term advocate of platform cooperatives, has laid out several advantages of this new type of digital economy. These include, most obviously, the dignity and better working conditions that stem from democratic worker ownership, including fair wages, more control over schedules and hours worked (Scholz, 2017). Less obvious is the issue of data security and transparency, both for workers and customers. Also, without the pressure of stockholder profits, prices can be reduced, which in turn allows coops to be more competitive while lowering prices for consumers, even while workers' wages rise.

Discussion

All the above is evidence that already vulnerable gig workers are especially susceptible to economic shocks, especially those resulting from a public health crisis. We should consider policies that address this insecurity in the long run. It is interesting to see how other countries are dealing with this situation. Not only do most industrialized nations have more universal income supports and health benefits for their citizens, they were more likely than the U.S. to offer additional support during the COVID-19 pandemic, using monthly stipends and other mechanisms to both maintain economic health but also to prevent citizens from being forced into work that may help to spread the virus. Housing insecurity was one issue the U.S. has handled especially poorly, relying primarily on the use of eviction moratoria which, while helpful in the short run, cause many longer-term issues for tenant and property owners alike. This is another example of why support for platform cooperatives and other risk-reduction policies should be implemented at multiple levels of government in the US, both during and beyond the current pandemic.

References

Barstow, D., Craig, S., & Buettner, R. (2018, Oct. 2, 2018). Trump Engaged in Suspect Tax Schemes as He Reaped Riches From His Father. *New York Times*.

https://www.nytimes.com/interactive/2018/10/02/us/politics/donald-trump-tax-schemes-fred-trump.html

Brooks, D. (2021, September 2021). How the Bobos Broke America. *The Atlantic*. https://www.theatlantic.com/magazine/archive/2021/09/blame-the-bobos-creative-class/619492/

Fairlie, R. W., & Krashinsky, H. A. (2012). Liquidity constraints, household wealth, and entrepreneurship revisited. *Review of Income and Wealth*, *58*(2), 279-306. https://doi.org/10.1111/j.1475-4991.2011.00491.x

Ferris, R. (2017, April 10, 2017). *Tesla passes General Motors to become the most valuable US automaker*. Retrieved December 10, 2021 from https://www.cnbc.com/2017/04/10/tesla-passes-general-motors-to-become-the-most-valuable-us-automaker.html

Frid, C. J., Wyman, D. M., & Coffey, B. (2016). Effects of wealth inequality on entrepreneurship. *Small Business Economics*, *47*(4), 895-920. https://doi.org/10.1007/s11187-016-9742-9

Godin, S. (2004). *The Bootstrapper's Bible* https://seths.blog/wp-content/uploads/2013/09/8.01.bootstrappersbible-1.pdf

Herrera, L., Justie, B., Koonse, T., & Waheed, S. (2020). *Worker Ownership, COVID-19, and the Future of the Gig Economy*. https://www.labor.ucla.edu/wp-content/uploads/2020/10/UCLA_coop_report_Final-1.pdf

Hurst, E., & Lusardi, A. (2004). Liquidity Constraints, Household Wealth, and Entrepreneurship. *Journal of Political Economy*, *112*(2), 319-347. https://doi.org/10.1086/381478

Kolenda, R. (2018) "Making the Gig Economy Work for Everyone: Strategies to Reduce Precarity for Contingent Workers" Presented at the 2018 Urban Affairs Association Conference, Toronto, ON, Canada.

Kolenda, R. (2020) "COVID-19 and the gig economy: Preliminary results from a mid-crisis survey." Presented at the 2020 Northeast Conference on Public Administration, November 6-7, 2020, Boston, MA.

Kolenda, R. (2021) "Platform Work as Urban Infrastructure: Preliminary Results from a Mid-pandemic Survey of Gig Workers." Presented at the 2021 American Society for Public Administration Conference, Online only, April 9-15, 2021.

Kolenda, R., & King, C. (2021). *COVID-19 and the Gig Economy: What Have We Learned [so far], and What Can We Do to Fix It?* [Working Paper].

Liu, C. Y., & Kolenda, R. (2011). *Flexible Work Arrangements in Georgia: Characteristics and Trends* [FRC Report](236). (Fiscal Research Center Reports, Issue. Fiscal Research Center at the Andrew Young School of Policy Studies. http://fiscalresearchcenter.issuelab.org/research/listing/flexible_work_arrangements_in_georgia_characteristics_and_trends

Liu, C. Y., & Kolenda, R. (2012). Counting and Understanding the Contingent Workforce: Using Georgia as an Example. *Urban Studies*, *49*(5), 1003–1025. https://doi.org/10.1177/0042098011408139

Liu, C. Y., & Nazareno, L. (2019). The Changing Quality of Nonstandard Work Arrangements: Does Skill Matter? *RSF: The Russell Sage Foundation Journal of the Social Sciences*, *5*(4), 104. https://doi.org/10.7758/rsf.2019.5.4.04

Markovits, D. (2019). *The Meritocracy trap : how America's foundational myth feeds inequality, dismantles the middle class, and devours the elite*. Penguin Press,.

McNamee, S. J., & Miller, R. K. (2018). *The meritocracy myth* (Fourth edition. ed.). Rowman & Littlefield.

Piff, P. K. (2013, December 20, 2013). *Does Money Make You Mean*. https://youtu.be/bJ8Kq1wucsk

Reuters. (2021). *Factbox: Tesla market cap eclipses that of top 5 rival carmakers combined*
. Reuters. Retrieved December 6, 2021 from https://www.reuters.com/business/autos-transportation/tesla-market-cap-eclipses-that-top-5-rival-carmakers-combined-2021-10-26/

Sandel, M. J. (2020). *The tyranny of merit : what's become of the common good?* (First edition. ed.). Farrar, Straus and Giroux.

Scholz, T. (2014). Platform cooperativism vs. the sharing economy. In N. Douay & A. Wan (Eds.), *Big data & civic engagement* (Vol. 47, pp. 47-53). Planum publisher.

Scholz, T. (2017). *Uberworked and underpaid: How workers are disrupting the digital economy*. Polity Press.

Scholz, T., Mannan, M., Pentzien, J., & Plotkin, H. (2021). *Policies for Cooperative Ownership in the Digital Economy* [Report]. P. C. Consortium & B. Institute.

https://www.berggruen.org/ideas/articles/policies-for-cooperative-ownership-in-the-digital-economy/

Young, J. (2021). *Who gets left out of 'bootstrapping'?* The Hustle. https://thehustle.co/who-gets-left-out-of-bootstrapping/