

Platform Economy Growth in the US and Responses to Protect Platform Workers

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The once-unusual phrases of “platform economy,” “platform companies,” or “platform workers” are no longer strange to us as we now hear about these concepts and use platform companies every day. People use platform companies on the internet to look for jobs. It is now common to buy things, order food, or arrange services using phone apps or computer. Already, 20 percent of all market commerce in the U.S. is conducted online. Globally, the number of platform companies have risen five times since 2010. The U.S. has the largest concentration of platform companies (29%), while India has 8 percent, and the United Kingdom has 5 percent of all platform companies in the world.¹ Globally, a total of \$119 billion has been invested in platform companies. The US accounts for 49% of this investment, while China accounts for 22%, Europe reached 11%, and 18% comes from other regions.²

Of the largest global platform companies, the five largest US tech platforms--Alphabet, Amazon, Facebook, and Microsoft--had a combined market capitalization of \$2.7 trillion in 2020,³ accounting for 20 percent of all U.S. market capitalization in 2020.⁴ Also, the number of platform companies classified as one of the Top 500 U.S. companies increased from 40 to 100 in 2020, and their market capitalization increased to 37 percent from 10 percent.⁵

However, the rise of platform companies has come with serious concerns. First, there is an issue of a growing monopoly trend as the largest platform companies get larger and larger by dominating the online marketplace (such as Facebook for social media, or Amazon for online sales), and through mergers and acquisition of related or competing companies. According to a recent article in the *Washington Post* (April 2021), six platform companies in the US dominate one quarter of the US economy. For instance, Amazon captures “54.2 % of all U.S. online retail spending and 56.1% of the [online sales] traffic, while 54% of all product searches originate on Amazon.”⁶ However, Amazon has generated more revenue from cloud computing, not from e-commerce. Between 2002 and 2012, Amazon bought 12 smaller tech companies and Amazon has already moved onto the platform 2.0 stage and is rapidly expanding its business beyond e-commerce.⁷

Second, platform companies have increasingly used a social distancing strategy to distance the employment relationships between the company and many of its often-scattered workers, thereby undermining standard worker protections such as wage and hour standards, worker’s compensation or unemployment benefits. For example, the popular grocery delivery company Instacart and the Uber ride-hailing company both claim that all their workers are actually independent contractors and thus not entitled to standard worker benefits like health insurance, paid sick leave, or overtime pay. By classifying platform workers independent contractors, platform companies have distanced themselves from employees. Arguing that they are a technology network company (TNC) that simply provides a technical platform allowing independent workers to offer services, platform companies distance themselves from their employees, and classify most of their workers as independent freelancers. As a result, according to a recent Gallup report (2020), 57.3 million Americans are currently working as

freelancers. Many of these freelancers are part of the growing platform economy: 36 percent of all U.S workers (totaling 57.3 million people) now participate in the gig economy as their first or secondary jobs.⁸ During the COVID pandemic, this number climbed much higher as many low wage workers were forced to take gig work. For instance, the largest grocery delivery platform company in the U.S., Instacart (which already owned 50% of the market share for on-demand grocery delivery), increased its revenue to \$39 billion by early 2021, an almost 20-fold jump from just \$2 billion in 2015.⁹ The number of Instacart workers also rapidly increased from 180,000 to 500,000 in a single eight-week period in 2020 to meet the growing needs of grocery delivery during the Covid pandemic¹⁰. However, these workers have suffered from low wages associated with an algorithmic management system which pushes the “independent” delivery workers of Instacart to complete many quick deliveries at low per-delivery rates that work for customers and company profits, but not for workers.

Response to the Power of Platform Companies

Platform workers and civil society organizations are working to address some of these growing challenges, though organizing platform workers is difficult. The basic difficulty associated with organizing platform workers is tied to their legal status: most platform workers are not regarded as workers but as independent contractors. Also, many platform workers work in isolation from each other (such as by working as mobile delivery workers) which adds to more difficulty of building solidarity and collective organizing campaigns among workers. Despite these difficulties, there have been some innovative strategies for diverse organizations to organize platform workers in the U.S.

Labor Unions

Generally, labor unions have faced difficulty in organizing platform workers but some unions have developed innovative strategies. The Communication Workers of America (CWA) has organized unionized taxi-driver worker-owned cooperatives that compete with Uber and Lyft (Union Taxi and Green Taxi in Denver) through targeted campaigns to reach immigrant taxi workers. UFCW in Skokie, Chicago organized Instacart workers into the company’s first labor union in February 2020.

But because platform workers in general are difficult to organize into a union, most labor unions are shifting their strategy towards funding of nonprofits that work to address platform economy challenges or establishing a labor union affiliated organization to advocate for policy change or other improvements to platform worker conditions. For instance, the Independent Drivers’ Guild (IDG) is an organization in New York that has organized over 35,000 Uber workers since 2016, and is also affiliated with a labor union, Machinist Union. SEIU funded 3 million dollars to help establish the Workers Lab.

Also, labor unions have been strategic in supporting tech-savvy organizations to promote the rights of platform workers. SEIU has dedicated funding to help set up Coworker.org, a social media political advocacy organization that lobbies for policy change in this field and also funded 3 million dollars to help create the Workers’ Lab. The AFL-CIO has supported the Lift fund, a philanthropic foundation developed as a coalition project between labor unions and

worker centers around the nation with a mission of supporting contingent workers. Labor Union leader such as Larry Williams Jr. founded the largest worker digital platform, UnionBase, in 2015 to promote communication with labor union members and to promote organizing efforts. This app works well to facilitate connections with platform workers as well. All of these innovations among labor unions have shown solidarity with platform workers through funding organizations that serve their needs, policy advocacy, and waging direct and indirect organizing campaigns.

Civil Society/Nonprofit Organizations

Nonprofits have been actively engaging in supporting platform workers. For instance, the Freelancers' Union, founded in 1995, is a nonprofit organization for freelancers and currently has over 500,000 members who have banded together to protect their rights. Although it has no collective bargaining power like labor unions, its collective work in securing affordable insurance for freelance workers and educational programming has been effective. The Freelancers Union gives platform workers an opportunity to band together for collective cause, even if they aren't considered standard workers with a recognized union. In 2017, the Freelancers' Union was critical in passing a city ordinance in NY, the "Freelance isn't Free Act" which gives a right for freelancers to seek payment for their services within 30 days of notice. Also, the city of New York established a department to work on wage theft of freelancers and to provide various support systems for freelancers.

Many other nonprofits that directly organize platform workers have emerged. The Gig Worker Collective was organized in 2019 by eleven Instacart women and has been instrumental in advocating for the rights of grocery delivery workers. Working Washington is an advocacy organization to monitor the CEO pay of platform companies and works on various policy issues. The Fairwork Foundation is a global research initiative to research the amount and quality of work provided by digital labour platforms at the global level.

Platform Cooperatives

Platform cooperatives refer to "member owned businesses that use a website, mobile application, or protocol to connect to one another to organize services."¹¹ Globally there were 306 member-owned platform cooperatives as of August 2020¹². In the U.S., New School's Institute for Cooperative Digital Economy (ICDE) is leading the platform cooperative movement at the global level, providing research and partnership with community organizations to multiply platform cooperatives.

The goal of the platform cooperative movement is to create a different kind of democratic platform where more people can participate in the platform business as co-owners. These co-owners can confront the platform companies who treat workers as exploitable freelancers, and can provide democratic ownership, decent pay, income security, transparency and data portability and democratic governance. All of these democratic principles of platform cooperatives stem from their goal of breaking market dominance by only a few mega-platform companies, by providing a more equitable and humanitarian alternative. Some of these democratic platform cooperatives have been possible due to partnerships between

philanthropic foundations and community organizations which also support this vision.

- *Up & Go, NY*: Up & Go (a residential cleaning cooperative) is one of the very first platform cooperatives that was initiated in New York in 2017. This cooperative received support from the Center for Community Life, a nonprofit serving Brooklyn residents, has helped organize twelve immigrant worker cooperatives since 2006 and has grown to support over 240 worker owners. As more commercial cleaning platform companies such as Handy have grown rapidly, the Center for Family Life has developed a cleaning platform app to support their work, in partnership with various organizations- such as the Robin Hood Fund, Barclays bank, and an IT nonprofit (Colab).

Currently Up & Go has a total of thirty members working at three worker cooperatives in New York, earning \$22.25 dollars per hour on average, which is 5 dollars higher than other cleaning industry workers in the New York area. Currently, Up & Go has developed training materials for other cities to adopt so that more cleaning cooperatives can be part of this growing franchise cooperative platform movement.

- *Drivers Cooperative, NY*: The Drivers' Cooperative is a new platform cooperative that was launched in May 2021 in New York with 2500 drivers. The Drivers' cooperative was founded by three people (one labor organizer, one former Uber employee, and one limousine Black-Car driver). The goal was to create a platform cooperative, which is democratically owned by drivers, as an alternative to Uber. Although Uber promised 'entrepreneurship' to drivers through the Uber app, it has failed to give workers the sense of ownership. The Drivers' cooperative aims to support a better sense of "entrepreneurship" by developing a platform cooperative that is democratically owned and governed by drivers. Workers are required to go through education before joining the cooperative to insure they understand and support the vision of this platform company. The cooperative built a partnership with a local credit union to provide loans to workers at a cheaper interest rate than normal, due to its social vision. The company's model is that 95 percent of earned income will go to workers, while 5 percent will be used to support community projects.
- *LoCo, Iowa and Colorado*: LoCo is a locally-based food delivery platform that was developed by restaurant entrepreneur Jon Sewell, who had long years of experience as a health care executive.¹³ Facing a high third- party delivery commission fee that small restaurant owners had to pay to use typical food delivery platforms like Grubhub, Jon Sewell developed a local food delivery platform app that can serve the needs of local restaurants and support small business owners. Currently, this company has helped to set up two LoCo franchisees in Iowa city, IA and Fort Colins, CO, and has future plans to create more franchise platform cooperatives across the nation to support the local economy.

Mutual Aid

The mutual aid movement is rising again as a new strategy of collective representation to

support platform workers.¹⁴ Although the meaning of mutual aid can be different from country to country, the general idea can be traced to Russian biologist and anarchist, Peter Kropotkin's 1902 essays where he describes how "mutual aid [is] the surest means for giving to each and to all the greatest safety, the best guarantee of existence."¹⁵ In the U.S., the history of mutual aid has deep roots in communities of colors, as people organized a provide mutual aid networks to support the freedom of enslaved persons by collecting funds together in the 19th century.

During the COVID pandemic in 2020-21, this mutual aid movement has come back to the US again. According to Mutual Aid Hub, mutual aid groups increased from 50 mutual aid to 800 mutual aid groups in May 2020, and they operated in 48 states.¹⁶ The Collective Gig Workers Collective, an Instacart workers' organization, organized a mutual aid toolkit to support Instacart workers who worked under extreme stress during the pandemic. One interesting aspect of mutual aid groups in the US is that they have increasingly utilized an open-source software for communication with each other to avoid data being used by or coopted by Google or other big tech companies. For instance, Astoria Mutual Aid, based in Queens NY was concerned with using Google Forms to collect requests from neighbors in need of helps. Thus, the Aid group recruited a consultant to create a new data system that used "a custom-made Slack bot built on open-source code from GitHub."¹⁷ All of these efforts have been led by people themselves during the pandemic crisis to support each other. Labor organizations are also organizing various mutual aid networks to connect the mutual aid movement to the broader labor movement.

Policy Change

In addition to these responses by labor unions, civil society organizations and self-help network to support platform workers, there have been some efforts at governmental policy change. One of the most important policy issues is the question of whether platform workers for companies like Uber, Grubhub and Instacart should be considered standard workers or independent contractors. To address the problem of platform companies defining workers as independent contractors and thus avoiding benefits and fair working conditions for these workers, the California Legislature passed Assembly Bill 5 (AB5) into law in September 2019. This new law, to require businesses to go through a three-part "ABC test" to determine if workers are employees or independent contractors.

Under the ABC test, a worker is classified as an employee unless the employer can show that three conditions are met: "1) the worker is free from the control and direction of the hiring entity in connection with the performance of the work, 2) the worker performs work that is outside the usual course of the hiring entity's business, and 3) the worker is customarily engaged in an independently established trade, occupation, or business of the same nature as that involved in the work performed."¹⁸ Under this rigorous ABC test, mostly current platform workers would be classified as employees, deserving of wage and hour protections and other worker benefits like health insurance and paid sick leave.

However, this law was reversed by California voter in the 2020 election, when they passed ballot proposition 22, which once again allowed platform companies like Uber and Instacart to define themselves simply as a tech company providing an app-based platform to the

independent contractors (e.g., drivers and grocery delivery workers) who choose to use it for work. Proposition 22 passed with more than 55 percent of approval from Californians, making most platform workers independent contractors once again. Although there was a new proposal, in the California legislature to pass a law that was similar to AB5 law (this time the proposal was called Pro Act), the bill failed in the California Senate vote.

There have also been some important international policy efforts in this field. In order to control the power of platform companies, the European Union has passed the Digital Services Act and the Digital Markets Act to limit the power of platform giants.¹⁹ These acts aim to prevent established large platform companies from abusing their market dominance by preventing new competitors from entering the field. Though these acts don't protect platform workers directly, they do make it easier for innovative worker owned platform cooperatives to start their own companies to compete against the giants with a more humanitarian model. The Biden administration is considering similar legislation in America.

In another international effort, The OECD has recently considered a global standard to tax global platform companies equitably across countries, and G7 countries have just agreed to establish a global minimum tax rate for corporations in June 2021 so that they do not evade tax responsibilities—which has been a particular problem with mobile and placeless tech companies like these platform giants.

During the COVID pandemic, the US passed a law (the Coronavirus Aid, Relief, and Economic Security Act) which created the Pandemic Unemployment Assistance program (PUA), to provide federal unemployment benefits to individuals who were unable to work as a result of the pandemic. While normally unemployment benefits have been limited to standard employees only, the PUA program also extended benefits to platform workers. Relatedly, New York state passed the “Excluded Worker Fund” in April 2021 to provide additional funding of \$2.1 billion to support people such as platform workers and immigrants during the pandemic. With the passage of this law, New York platform workers and immigrant worker are eligible to receive financial support of up to \$12,000. These laws are a sign of growing understanding among policymakers that freelancer and “independent contractors” are in fact core workers who deserve worker protections.

Conclusion

The reality of Korea may be different from that of the U.S. in terms of specific challenges and response that emerge on the ground dealing with platform workers, but fundamental problems such as the rapid growth of large platform companies and the lack of protection for platform workers are common. Although the U.S. has faced difficulties in controlling the immense power of giant platform companies at this moment, many civil society and labor organizations have mounted pressure to change policy, showing creative and diverse efforts to organize and to protect platform workers. In particular, efforts to build more solidarity among different civil society and labor organizations will be worthwhile and important in strengthening the power of the platform workers. As always, the role of government leadership will be critical. Government policy that provides platform workers with the same labor protections and social

safety net as “standard” workers is critical, and government policies that recognize platform workers as employees of platform companies rather than independent contractors will substantially improve conditions for this sector of society.

Endnotes

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