After a year of hard work, you want to plan a short vacation in the summer to relax and unwind. You log on to Airbnb and search through their listings to find an affordable short-term rental property. Barcelona, Valencia and Amsterdam all look promising so you start doing more research. But then you learn about neighbourhoods overrun by tourists with up to one Airbnb listing for every four properties; property barons with over 100 listings, taking houses off the long-term market; and Airbnb suing cities to fight against regulations designed to protect local residents and collect tourism taxes.1 You also see an article about renewed plans for the company’s public listing post-coronavirus, which could see its venture capitalist backers cashing in to the tune of US$18 billion.2

But as you read more, you learn that in each of the three cities there is a co-operative alternative that promotes sustainable tourism. Fairbnb.coop, founded as a co-operative in 2018, enforces a “one host/one house” rule to prevent the displacement of local residents and invests half of its 15 percent commission in social projects chosen by hosts and travellers. The co-operative aims to develop into a multi-stakeholder platform in which local hosts could support their own social projects and plan what’s best for their city. It sounds like a nice idea, but how realistic is this as a viable alternative? Currently, it’s only available in a select few European cities. You wonder if this model could ever take off and if it could spread across different industries. This paper examines the potential for the development of UK platform co-operatives and provides specific policy recommendations to support the growth of the sector.

The Rise of Platform Co-operativism

Platform co-operatives adopt the democratic ownership and governance structure of workers’ co-operatives and utilise a digital platform for the sale of goods or services. Advocates contend that platform co-operatives offer a fairer alternative to current business models through a plural ownership and governance structure improved conditions for workers and real engagement with stakeholders.3

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3. For further reading on platform co-operatives see Trebor Scholz, “Platform Cooperativism: Chal-
They emerged in the late 2000s and there are currently around 400 initiatives in 97 cities in the eco-system, with plans for an index produced by the Platform Cooperativism Consortium based at the New School for Social Research in New York City. Platform co-operatives such as Fairmondo, Stocksy United, Equal Care Co-operative, Faibnb, Coop Cycle, Up & Go, Resonate, Modo and Locomotives Cooperative are beginning to challenge dominant companies in a range of different industries.

The principles behind platform co-operativism are not new. Workers’ co-operatives have a long history in the UK and US stretching back to the Rochdale Society of Equitable Pioneers, founded in 1844, establishing the Rochdale principles on which certain co-operatives continue to operate. These principles included open membership, democratic control (one person, one vote), equitable distribution of surplus, limited return on equity and the promotion of education. Today, the co-operative economy is worth £38.2 billion per year in the UK with 7,063 independent co-operatives employing 241,714 people and having over 14 million members. This amounts to around 1% of business turnover, although roughly half of this is accounted for by two large co-operatives: the Co-operative Group and the John Lewis Partnership. The platform co-operative market, in contrast, is extremely limited with only a handful of platform co-ops trading consistently in the UK.

The Co-operative Economy

£38.2 billion per year

7,063 independent cooperatives

14 million members

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1. Image created by Aneeque Ahmed, Larea and Thomas Knopp from the Noun Project.


In 2018, the UK incubator program, UnFound, was launched to support the development of platform co-operatives by providing them with an education program, and mentoring on business support, governance models, pitching and funding strategies.

A report published by Nesta and Co-operatives UK in 2019 called for further investigation into how platform co-operatives could be supported through different capital models, regulatory regimes and funding. In the same year, Anna Burnicka and Jan J. Zygmuntowski published a report revealing that in Europe roughly €1.3 billion of financial resources could be allocated to platform co-operatives in order to support the development of the model.

A Typology of Platform Co-operatives

Platform co-operatives can be divided into a number of subcategories based on their ownership structure and main activities. The graph below shows the range of different options available to organisations wishing to adopt the platform co-operative model.

Figure 2. A Typology of Platform Co-operatives

<table>
<thead>
<tr>
<th>Category</th>
<th>Labour platform</th>
<th>Online marketplace</th>
<th>Governance/software</th>
<th>Data/resource sharing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Worker-owned</td>
<td>Up &amp; Go</td>
<td>Fairbnb. coop</td>
<td>Loomio (co-op run platform)</td>
<td>Driver’s Seat</td>
</tr>
<tr>
<td>Producer-owned</td>
<td>Guerrilla Translation</td>
<td>Stocksy United</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Multi-stakeholder</td>
<td>SMART</td>
<td>Fairmondo</td>
<td>Collective Tools</td>
<td>Cooby tec</td>
</tr>
<tr>
<td>Consumer-owned</td>
<td></td>
<td></td>
<td></td>
<td>MIDATA</td>
</tr>
</tbody>
</table>

*Information sourced from the Internet of Ownership Platform Co-operatives Directory.

1. Ownership structure:

Worker-owned: the workers of the co-operative collectively own and manage the organisation. This could involve close collaboration in the day-to-day management of the collective or allowing a group of individuals to run the platform while workers gain increased benefits from their work due to their co-ownership of the platform.

Producer-owned: producers of the goods or services sold on the platform collectively own and manage the organisation. Producers of products such as music, photography and household goods can use a shared platform to pool resources and benefit from network effects without necessarily collaborating in the design and marketing of their products.

Consumer-owned: businesses owned and managed by consumers with the aim of fulfilling their needs. There are many examples of non-digital consumer collectives from credit unions and electricity co-ops to food co-ops. A number of data co-operatives have emerged in which individuals pool their data to form a trust to be controlled democratically by its members.

Multi-stakeholder: An umbrella term which incorporates a range of different co-operatives that include workers, users, founders, service providers and broader community members as part of their ownership and governance structure. An example is Resonate, a stream-to-own music platform in which artists (45%), listeners (35%) and workers (20%) all have a stake in the co-operative.

2. Activity:

Labour platform: a digital platform to connect workers with clients to fulfil short-term, on-demand, tasks such as cleaning, care work, food delivery and ride shares.

Online marketplace: facilitates online transactions between multiple parties - either for the sale of goods, digital services or experiences. The role of the platform is to connect parties and reduce transactions costs through creating a system of trust.

Governance/software: platform co-operatives that develop new online tools and systems for social co-ordination and group management. This could be software that allows other organisations to streamline workflow or facilitate new processes of digital democracy.

Data/resource sharing: these platform co-operatives can be ways for consumers to share resources, pool data in the form of a data trust or enable users such as patients to ensure the safety and social utility of their medical data.

The typology is not exhaustive as it is difficult to create a simple table that would incorporate every type of platform co-operative. There are a wide variety of activities platform co-operatives could undertake, which could lead to a number of other columns added to the table. Future typologies might also try to distinguish between different classes of ownership and governance to create three dimensions
Many platform co-operatives are incorporated through the required legal structure, but the most important aspect of being a co-operative is upholding the international co-operative values and principles. Not all co-operatives involved in digital work could be classified as platform co-operatives, only those that use a multi-sided platform as a core part of their business model. Similarly, not all businesses that engage in “sharing” or collaborative forms of work and distribution of resources are true co-operative following the co-operatives values and principles.

Between Entrepreneurialism and Emancipation

Platform co-operatives aim to create alternative organisational forms to corporate platforms such as Airbnb, Facebook and Amazon. This is based on their democratically owned and governed structure and on their pursuit of a social goal rather than being a purely for-profit enterprise. Some of their leading advocates such as Trebor Scholz - who popularised the idea in 2014 - understand the movement as aiming to remedy the corrosive effects of capitalism by creating a more collaborative and less exploitative economy.

As a movement, platform co-operativism harks back to the original spirit of the Internet as an open, shared and non-commercial space of collaborative production. It seeks to facilitate new forms of digital work that do not rely on hidden forms of data capture and the precarious labour of a digital underclass.

But there is a certain ambivalence regarding the precise aims of the movement and its relationship to existing economic and political structures. For some, platform co-operatives seek to benefit individual co-operative members and their local communities by offering fairer working conditions in which members share the full fruits of their labour. In this vision, co-operatives would exist alongside for-profit companies in a mixed economy developed through a change in consumer behaviour towards more ethical and co-operative businesses.

Institutions such as Co-operatives UK have argued that the co-operative model offers significant business benefits such as boosted productivity, innovation and resilience. They point to studies demonstrating co-operatives have certain advantages in comparison to conventional firms. For example, They are almost twice as likely to survive their first five years of trading and are more productive than conventional businesses with less staff turnover, lower absenteeism rates, staff working “better and smarter,” and production organised more efficiently. This is due in part to workers being more involved with their organisation, higher levels of

trust and more effective knowledge sharing. Co-operatives also promote a more equitable distribution of profits and a lower pay differential between executive and non-executive workers.

A more radical vision for platform co-operatives is one which views them as agents of resistance against capitalism and the embryonic starting point of a post-capitalist and co-operative society. This transformative ideal draws from the thinking of co-operativists from the early 19th century such as Robert Owen, who imagined co-operatives as leading to an ideal harmonious society. The radical potential of co-operatives was also seen by Karl Marx who understood them as ‘great social experiments’ that could serve as transitional institutions between a capitalist and future communist society. This radical vision looks beyond what a single co-operative could do for its members; it seeks to imagine how a movement of co-operatives could begin to have a larger impact on a transition towards a new economic system. The idea is that through a gradual and peaceful evolution new values and practices will emerge which will come to replace the competition, poverty and insecurity of a capitalist mode of production.

In reality, most platform co-operatives exist in a space between these two poles, combining an ethical business model that seeks innovation and increased productivity alongside a broader desire for social change. For some, the desired end goal is some kind of suitably tamed capitalism or market socialism, while for others it is a post-capitalist and co-operative society. The question is whether operating as a co-operative enterprise within a competitive capitalist economy creates contradictory tendencies that could undermine the ultimate goals of social transformation.

Critics have argued that co-operatives cannot compete against corporate firms because their competitors will always be more willing to lower wages, cut costs, and pursue aggressive business practices in the face of competition. Rosa Luxemburg believed that cooperatives ‘are obliged to take toward themselves the role of capitalist entrepreneur – a contradiction that accounts for the failure of production cooperatives, which either become pure capitalist enterprises or, if the workers’ interests continue to predominate, end by dissolving.’ The international history of co-operatives throughout the twentieth and twenty-first centuries reveals that they have struggled to compete with corporate firms and scale beyond small initiatives, with even the most remarkable examples – such as the Mondragon Corporation – offering mixed results.

Marisol Sandoval has studied platform co-operatives and through extensive interviews has highlighted the paradoxes of the “entrepreneurial activism” that they adopt: ‘on the one hand it seeks to restore a collective alternative imagination, but on the other hand it surrenders to market power by relying on the organisational

form of a business enterprise to advance this vision.”

Once in competition with other firms, there is a tendency to pursue goals that would advance the interests of the co-operative and to become siloed from broader social issues. While there are many examples of co-operatives that have provided for their members, there are few historically significant instances of workers’ co-operatives leading social struggle that has created significant change in broader society. The historical evidence suggests that co-operatives are most promising when considered alongside other forms of activism and political change. This would involve working through trade unions, municipal associations and state institutions. Despite these limitations, platform co-operatives can still play a vital role as one piece of a broader institutional puzzle of a new economic system. This would require the cultivation of an ecosystem of support from local councils practicing community-wealth building and local procurement strategies to a revitalised labour movement and struggles in workplaces. There are a number of specific institutional forms of support that would be required for platform co-operatives to continue to scale.

Policy Challenges for the Platform Co-operative Ecosystem

In comparison to other European countries such as France, Italy, Switzerland and Germany, which have some of the largest co-operative economies in the world, platform co-operatives in the United Kingdom face a particularly inhospitable climate. They have limited sources of funding, face complex regulations and statutory duties, and must deal with a general lack of awareness about their business model. Due to these hurdles, there are few platform co-operatives that have emerged in the UK out of start-up phase. This paper highlights three major issues for emerging platform co-operatives:

1. Finance

Platform co-operatives face difficulties in accessing sufficient capital for startup and development, with venture capitalists and even impact investors reluctant to invest in the co-operative model due to a lack of return on investment. The Welsh Co-operative and Mutuals Commission found that half of all co-operatives have experienced difficulty in accessing finance. A lack of capital hinders the capacity of platform co-operatives to develop the necessary infrastructure and software to compete against corporate platforms and meet consumer expectations.

Research has begun into alternative schemes such as the “community shares” model which provides a non-transferable share in the company with “one-member,

one-vote.” Shares would be withdrawable at the discretion of the co-operatives board. This model is designed for patient capital and would encourage a form of crowdfunding in which individuals and organisation could invest without granting a wealthy shareholder disproportionate influence over the direction of the co-operative. So far, over £150 million has been raised through this method across the United Kingdom.

However, there are limitations to the amount of institutional investment that could be available through this model as it would exclude most venture capitalists and limit investors to community members, trusts, foundations and philanthropists. Many larger organisations have their own criteria and requirements attached to their grants which may not fit with this model. It has been most successful at mobilising a community around a platform co-op to invest small amounts of money in its initial phases of development.

Another funding idea has been a proposal for the establishment of a National Investment Bank to supply capital specifically to the co-operative, mutual and social enterprise sector. This has the advantage of opening up a larger pool of capital without co-operatives having to source funding from within their own networks. A National Investment Bank would fill a gap in the supply of patient capital that is currently not provided by the private sector and venture capitalists.

2. Regulation

For platform co-operatives to prosper in the UK they will require a more user-friendly regulatory framework to make it quick and simple to start a new co-operative and to convert existing companies into co-operatives. Currently, the entire legal and regulatory framework is designed for companies, often providing disincentives for individuals to form co-operatives due to the extra layer of rules and regulations not faced by private companies.

Co-operatives must register with the Financial Conduct Authority rather than Companies House, which adds costs and burdens them with more onerous reporting duties. Co-operatives UK has gathered evidence that suggests issues with HMRC and Companies House resulted in up to £11,000 in additional costs for some newly converted co-operatives societies. Converting companies also resulted in the status of “Closed/Converted” on their records leading some banks to take this as denoting closure. Furthermore, it created ambiguities with HMRC, sometimes requiring new registrations and partial accounts.

Co-operatives UK has worked with its members and government to create a clear agenda for improving the legal and regulatory framework for co-operatives to make it easier to form new co-operatives and to safeguard against cooperative degeneration. Currently, starting and running a co-operative is more costly and

15. More information on community shares is available at http://communityshares.org.uk/.
complicated than it needs to be and action urgently needs to be taken to reduce this burden on the co-operative sector.

3. Support

The co-operative model is not widely known, making it difficult for individuals to understand the different options open to them when starting a new business. It also increases the difficulty for other institutions to engage with co-operatives once they are established. There is a certain familiarity with the traditional business model of corporate platforms that ensures it remains dominant in comparison to platform co-operatives.

For those starting out as a new co-operative there is limited education and support to help them navigate the early years and establish the know-how to run their co-operative business. It is more difficult for them to seek financial advice, engage in business planning and understand the lifecycle of a co-operative. Another challenge faced by co-operatives concerns staffing, with greater difficulties in attracting, hiring and retaining staff members who may see the co-operative model as less attractive than traditional businesses.

It is crucial for co-operatives to have specialist advice available to them that address problems specific to their sector. The current lack of government interest in and support for the co-operative sector makes it less attractive for further investment and development.
Policy Recommendations

To ameliorate these three main barriers for platform co-operatives, this paper recommends the following constructive steps to help support the sector:

1. a new co-operative-friendly legal and regulatory framework
2. the creation of a national platform co-operative incubator
3. new municipal-level digital centres to nurture new platform co-operatives
4. a Digital Innovation Fund for the co-operative sector to provide capital for scaling

Policy Recommendation 1: the UK government should establish a legal and regulatory framework that addresses the specific needs of co-operatives.

Starting and running a platform co-operative should be as easy as a company limited by shares. The government should simplify the current regulations to remove disincentives for emerging businesses. In addition, it should provide:

1. statutory duties for public bodies to promote co-operatives and consider co-operatives over private enterprises for government contracts.
2. taxation incentives for profits from co-operatives reinvested back in the development of the co-operative.
3. an alternative to the current discrepancy between establishing a for-profit enterprise via Companies House versus a co-operative via the Financial Conduct Authority
4. education programs aimed at raising awareness of the benefits of the co-operative model for businesses and the broader economy.
5. Clarification on internal policy for how companies can convert to co-operative societies while continuing as the same corporate entity for tax purposes.

Policy Recommendation 2: the UK government should fund a national platform co-operative incubator that provides new co-operatives with the training and seed funding needed to get started.

Those interested in founding new platform co-operatives to serve socially useful purposes require a clear pathway for how to move from startup phase to trading consistently. The idea behind a national incubator program is to create a new model of a startup incubator that mirrors certain aspects of the Y Combinator design, but supports ideas that would provide social value rather than generate large profits for investors.

The government-funded program should combine seed funding to pay a platform co-operative’s expenses in the early phases in addition to working with them to figure out how to refine their ideas and help them understand the purpose and direction of their co-operative. It could be based on the pilot accelerator program

18. See also Lawrence, Pendleton, Mahmoud, “Co-operatives Unleashed”.
developed by UnFound with eight platform co-operatives in 2018. It should also be sensitive to the issue of gendered and racialised exploitation reproduced within the co-operative economy and therefore designed to help founders from marginalised communities and those underrepresented in the tech sector.\(^9\)

**Policy Recommendation 3:** Local councils should create a digital hub in each municipality to support the development of platform co-operatives.

After the initial support of an incubator program, platform co-operatives will require working space and support in specialist business planning, financial management and scaling. A digital hub would provide these to new co-operatives who could rent out space at the hub from a municipal council for subsided rent. The hub would also be a centre for running support and mentoring services to platform co-operatives for the first years of the co-operative’s lifecycle.

One prototype for this model is Space4, a tech co-op working space, supported by Islington Council in London. The local government purchased a long lease on a property and selected tech co-op, Outlandish, to run the space to support a new generation of tech co-ops.

**Policy Recommendation 4:** the UK government should establish a Digital Innovation Fund to provide capital for platform co-operatives to expand their business.

The next step in the life of a platform co-operative would be to take an existing prototype or model that has proven effective and to expand its operation. To compete with existing corporate platforms, co-operatives would require significant capital investment which could be achieved through a new fund, similar to proposals for a National Investment Bank for co-operatives, proposed by the New Economics Foundation. Keeping in the spirit of co-operatives, the Fund could have worker representatives on it to ensure co-operatitve members had a seat at the table.

This Fund would provide the capital needed to adequate finance the co-operative sector with a specific emphasis on the types of loans needed by platform co-operatives. It would allow successful platform co-ops to access levels of finance that could not be provided by a community shares model or other crowdsourcing activities. Such funding would need to be limited to a select few co-operatives with a proven track record and excellent potential to make a significant social impact with their model.

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Recoding our Digital Future

To find an alternative to the extractive platform models of Big Tech we need to support the digital co-operative economy with greater levels of investment and support. Platform co-operatives will only thrive in a well-developed ecosystem of supporting institutions and infrastructure that enables co-operatives to grow. New democratically controlled alternatives to corporate platforms do not necessarily create the conditions for a transformation of the broader economic system, but they do provide the basis for empowering workers, fairer businesses and a collaborative culture of shared value creation. They could serve as practical examples of an alternative ownership model, offering inspiration for further struggle and political organising.
References


Sandoval, Marisol. “Entrepreneurial Activism? Platform Cooperativism Between


