WORKER OWNERSHIP, COVID-19, AND THE FUTURE OF THE GIG ECONOMY

UCLA Labor Center
SEIU–United Healthcare Workers West

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ABOUT THE ORGANIZATIONS

UCLA Labor Center

For more than 50 years, the UCLA Labor Center has created innovative programs that offer a range of educational, research, and public service activities within the university and in the broader community, especially among low-wage and immigrant workers. The Labor Center is a vital resource for research, education, and policy development to help create jobs that are good for workers and their communities, to improve the quality of existing jobs in the low-wage economy, and to strengthen the process of immigrant integration, especially among students and youth.

SEIU–United Healthcare Workers West

Service Employees International Union–United Healthcare Workers West (SEIU–UHW) is a healthcare justice union of more than 97,000 workers, patients, and consumers united to ensure affordable, accessible, high-quality care for all Californians, provided by valued and respected workers.

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EXECUTIVE SUMMARY

Based on a summer 2020 survey with 302 workers for app-based gig companies in California, this report presents the impact of COVID-19 on those workers and their reactions to new models of worker ownership in the gig economy. We also draw from in-depth interviews with 15 workers and 9 experts on labor issues and worker-owned and labor contracting cooperative models, along with an extensive literature review.

The COVID-19 pandemic has exacerbated the precarity of gig work, exacerbating its well-documented exploitative conditions, including wage theft and routine violations of laws designed to protect workers' health and safety.[1] These conditions are enabled in app-based gig work by the lack of control, transparency, and stability experienced by this workforce. Misclassified gig workers—without access to paid sick leave, Unemployment Insurance, workers' compensation, company-provided personal protective equipment (PPE), or income predictability—face a heightened risk of COVID-19 infection, food insecurity, and homelessness.

The report is presented into three parts: (1) findings from survey responses regarding working conditions during COVID-19, (2) feedback from gig workers on a cooperative contracting model for the sector, and (3) case studies of cooperative and contracting models from other sectors. The following are key findings from each section.

1. Impact of COVID-19 on Gig Workers

COVID-19 dramatically diminished gig workers' income and increased the precarity of their schedules.

- Though for three-quarters of workers, gig work was their primary source of income, half had to stop working because of COVID-19, and 70% said their hours were reduced.
- Only 5% of workers received some type of additional hazard pay for the increased risk of working with the public during a pandemic.

Working during COVID-19 poses health risks for gig workers.

- The majority (83%) of those who stopped working did so because they were worried about contracting the virus.
- Nearly half received no PPE from their companies, and 95% said their companies would not reimburse for PPE expenses.
- Most (78%) had not been able to communicate with their companies about health and safety needs and concerns.
- Three-quarters said the companies were doing little or nothing to protect them from COVID-19.

Gig workers needed to access workplace benefits.

- Thirty percent lacked health insurance. Of those who had insurance, 57% had Covered California, Medi-Cal, or another government insurance program.
- More than half (51%) applied for Unemployment Insurance, and 51% also applied for Pandemic Unemployment Assistance.

Gig workers experienced financial, housing, and food insecurity.

- Nearly two-thirds did not have other jobs, and over a tenth were laid off. Half did not have other people in their homes who were still working.
- Eight in ten said their current pay was insufficient to meet their household expenses.
- One-third did not have enough money to buy groceries; another 39% were close to not having enough.

- One in five (21%) did not have money for the next month's rent, and more than one-third (34%) were not sure if they would have enough.
- A few (8%) had lost housing since the pandemic, and two workers shared that they were houseless; one of them was living in his car.

Even with all these issues, over half of the workers surveyed saw the gig economy as a long-term employment opportunity.

2. Worker Feedback on the Cooperative Labor Contractor Model

The Cooperative Economy Act (CEA) would form a federation of labor contractors co-operatively owned and operated by gig workers.[2] This structure would allow individual workers to band together in jointly owned and democratically controlled organizations that provide staffing services to gig companies. Any policy affecting gig workers should be informed by the workers, particularly given their dire circumstances brought on by the pandemic. Workers we surveyed and interviewed have much to contribute to the architects of cooperative policies in the gig economy.

- Workers had little familiarity with worker cooperatives but after a brief explanation, well over half (56%) had a positive first impression of the CEA, and the majority would join with a Cooperative Labor Contractor (CLC).
- Income is of paramount importance to gig workers, and any cooperative model must increase pay or offer greater income stability and predictability.
- The majority of workers across all platforms felt that giving up schedule flexibility was a suitable trade-off for regular and reliable schedules and guaranteed benefits through a CLC.
- Workers see value in a CLC to gain negotiating power and prefer a carefully tailored membership criteria to meet their needs, such as full-time hours, the ability to work for multiple platforms, and a fair payment plan for purchasing or renting vehicles.
- Workers desire protection from deactivation, a fair system of customer review and evaluation, and a transparent method for communicating through the platforms.
- Workers expressed concern that competition between CLCs for contracts with gig companies could drive down wages.

3. Lessons from Cooperative and Contracting Models

Scholars note several defining features of worker cooperatives: the facilitation of local investment and community-based decision making; a flexible mandate around profit objectives determined by workers, not shareholders; and financial advantages and tax opportunities unavailable to noncooperative firms.[3] We offer case studies to contextualize the unique opportunity and potential challenges presented by the CEA.

- The Mondragon Corporation, the largest worker-owned cooperative in the world, provides useful insight given the potential scale of the federated CLCs.
- Cooperative Home Care Associates provides a worker-owned success story from a sector increasingly shaped by the gig economy.
- Los Angeles's cooperatively owned taxi industry is pertinent, given its similarities to rideshare driving: independent contractor classification, uneasy relationship with worker power, and historically poor working conditions.
- Farm labor contracting provides a cautionary tale about the need for robust labor standards enforcement to hold companies, rather than intermediary labor contractors, accountable for working conditions.

Recommendations

The gig economy is on the cusp of change to its business and employment model. Based on this research, we recommend the following to build a sector that is just and accountable for workers.

CLCs

1. Provide gig workers with greater income stability and predictability.
2. Address customer relations issues and lack of recourse to remedy problems.
3. Center gig worker voices in the building of its institutions.
4. Develop flexible and democratic organizations that take worker needs into account.

The State

1. Invest in worker-led cooperative models.
2. Enforce employment classification laws.

INTRODUCTION

In August 2020, Uber and Lyft threatened to suspend their ride-hail services if they were required to adhere to a California court order mandating that they reclassify their drivers as employees rather than independent contractors.[4] An appeal deferred the implementation, but the employment classification of those working in the gig economy and the business model that encompasses it remain looming problems in the sector. A November 2020 ballot measure, Proposition 22, asks voters to exempt app-based drivers from the law. If passed, they would remain independent contractors without labor protections and benefits such as overtime, paid leave, work expense reimbursements, and unemployment compensation, while the companies would offer limited versions of some benefits, such as a health subsidy and a minimum wage for engaged driving time—essentially creating a new employment category for workers.[5] The stakes are high for the gig economy and beyond, as changing the way we classify workers could expand into other industries.

This study was commissioned by SEIU–United Healthcare Workers West to gather input from workers about a legislative proposal called the Cooperative Economy Act (CEA). The act proposes a new form of labor intermediary called the Cooperative Labor Contractor (CLC), which would act as the broker between gig companies and workers. As worker cooperatives, each CLC would be collectively owned and operated by the gig workers that provide services to companies with which they have negotiated contracts.

When COVID-19 struck, drastically altering the gig economy, we expanded the scope of the study to document the impact of the pandemic on working conditions, assuming that might affect workers' outlook on employment opportunities and attitudes toward CLCs. Workers responded to questions about their experience navigating COVID-19 with the gig companies as well as their impressions of these companies and of new models of worker ownership in the gig economy.

Over the past decade, gig economy companies like Uber, Lyft, DoorDash, and Instacart have capitalized on misclassifying their workers as independent contractors in order to evade many of the employment protections workers rely on.[6] By law, independent contractors set the terms of their compensation in return for their labor but have no access to basic employee rights like health insurance, Unemployment Insurance (UI), worker's compensation, overtime, sick leave, or work breaks. Court after court, and most recently, the California legislature in Assembly Bill 5 (AB 5), has concluded that workers at gig companies are employees, not independent contractors.[7] According to a new report by the UC Berkeley Labor Center, intentional misclassification has allowed Uber and Lyft to avoid paying $413 million in state UI.[8] Misclassification also deprives the state of payroll tax revenue.[9]

Misclassification has taken on renewed importance during the COVID-19 pandemic when gig workers are denied paid sick leave, personal protective equipment (PPE), and workers' compensation. In turn, they have filed for UI in unprecedented numbers.[10] Because gig companies have not paid into UI, workers compensation insurance, or payroll tax, the state has been forced to pick up the tab.

This report is based on 302 surveys and 15 interviews with app-based gig workers throughout California, collected during the summer of 2020. In addition, we conducted nine interviews with experts on labor and worker cooperatives. We supplemented survey and interview data with case studies of worker ownership and labor contracting models from other sectors to present the first empirical study of COVID-19 and of worker cooperatives in the gig economy. This report is composed of three parts. Part one presents findings from survey responses exploring working conditions during COVID-19. Part two provides an overview of the CEA and presents feedback gathered from gig worker interviews and surveys on the CEA and CLC model. Part three presents case studies based on expert interviews and an overview of cooperative and labor contracting models from other industries.

GIG WORKING CONDITIONS AND COVID-19

Gig work is casual, contingent, and precarious work that is nonstandard and often temporary, with low wages, little income stability and job security, and high rates of workplace injuries and health issues.[11] Scholars and journalists alike have documented the exploitative conditions endemic to gig work, much of which is attributable to an intentional tactic of misclassification. These conditions include wage theft, typically in the form of failure to pay minimum wage and overtime premiums, lack of breaks for meals and rest, illegal deductions from pay, and routine violations of laws designed to protect workers' health and safety.[12]

Gig work and misclassification are nothing new, but these exploitative conditions are amplified by app-based work resulting in a lack of control, transparency, and stability for workers. Uber, for example, is infamous for its control of driver choices through its algorithm, unilateral and abrupt changes in pay rates and rider interaction rules, and harsh penalties (including deactivation) for drivers who receive customer complaints, underperform, or fail to comply with platform policies.[13] One-third of drivers surveyed in a 2018 study experienced stress from the ceaseless communications from Uber and Lyft, and half felt anxious about the app tracking their driving. Unilateral changes in pay rates have prompted global driver strikes on multiple occasions, and drivers report difficulty covering basic expenses with unreliable incomes.[14]

The COVID-19 pandemic has exacerbated the precarity of gig work. Misclassified gig workers who lack paid sick leave, UI, workers' compensation, company-provided PPE, and income predictability face a heightened risk of COVID-19 infection, food insecurity, and homelessness. The following are key findings from the gig worker surveys.

Pay and Scheduling

As in our last survey, we found that gig workers continue to rely on this work for their livelihoods.[15] Three-quarters (76%) reported gig work as their primary source of income. At the same time, COVID-19 dramatically diminished gig workers' income and increased the precarity of their schedules. When the pandemic hit, 49% of workers had to stop working. For those who continued to work, 70% said their hours were reduced.

Table 1: Hour Changes due to COVID-19

Hours	%
Reduced	70
Stayed the same	12
Increased	9
Fluctuated	9

Though the pandemic was central to the work reductions, Los Angeles also imposed curfews in August during the uprisings in response to police killings. Several survey respondents explained that their hours were reduced significantly during curfews because they were not allowed to work during the night or in particular neighborhoods that Uber had "geofenced." This reduction in work opportunity caused one driver to miss their car payments, and their car was subsequently repossessed. Two-thirds of total gig workers also said tips had decreased.

Table 2: Changes in Tips

Tip amounts	%
Decreased	66
Stayed the same	20
Increased	14

Only 5% said that their company offered extra hazard pay to compensate for the increased risk of working during the pandemic. Twenty-two percent reported other types of incentives, such as ride bonuses.

Health and Safety

Working during COVID-19 poses risks for anyone having to work outside the home. Though some employers transitioned to remote work, most in the service sector could not. Gig workers were afraid of COVID-19 and felt unprotected by their companies. The majority who stopped working did so out of concern about exposure to the virus. Others had to stop to take care of family members or because they became sick themselves.

Table 3: Reasons for Stopping Work

Reasons	%
Worried about COVID-19 exposure	83
Not enough business	55
To care for a family member	16
To care for children whose schools closed	9
To care for someone who got sick or got sick themselves	8
Got another job	3
Other	16

Note. Participants could select more than one.

Many drivers had to purchase their own PPE, such as masks, gloves, and hand sanitizer. Some who did receive PPE from their companies mentioned that the quality was sub-par. One food delivery worker commented, "It took about two months to receive these items, and they are inadequate. Gloves don't fit. Masks look fake and tear easily. Hand sanitizer is probably not actually hand sanitizer. I don't trust these products so I don't use them. I had to buy my own." Only 5% reported that their companies reimbursed for PPE purchases.

Table 4: Source of PPE

PPE	% provided by platform	% purchased by worker
Face masks	38	79
Gloves	12	57
Cleaning wipes for car	13	68
Hand sanitizer	24	78
None	48	13

The costs of acquiring PPE can be onerous for gig workers already facing reduced incomes and even more so if they have to provide PPE to customers. As one interviewee observed, "I stopped driving for awhile . . . because I didn't have the face masks properly for customers, and customers would come in without them. It got to a point where sometimes the customers would come in and they'd want to just sit, crowd the whole van with six, seven people, even though you're only allowed to have five now and nobody in the front."

Some workers reported that their companies offered training on how workers could protect themselves, such as contactless delivery and safe contact with customers.

Table 5: Trainings Offered by Gig Companies

Type of training	%
Protection from exposure through contact with customers	43
Contactless deliveries	37
Protection from exposure when shopping or picking up food	34

Most companies did not require customers to report if they were sick, and some workers were concerned that they had encountered customers who were sick.

Table 6: Sick Customers

Concerns about sick customers	%
Company did not require customers to report when they were sick	61
Encountered customers suspected to be sick	41

Nearly half of workers did not receive information about what to do if they were exhibiting COVID-19 symptoms. Most reported that companies would not provide financial assistance if workers were exposed.

Table 7: Lack of Support for Exposure to COVID-19

Company support for exposure	%
No information or support for what to do when exhibiting symptoms	48
No financial assistance or medical reimbursement in cases of COVID-19 diagnosis or exposure	61

Three-quarters (78%) said they have not been able to communicate with their companies about health and safety needs and concerns. Overall, even with some measures in place, the majority of workers felt that the platform companies did little to nothing to protect them from exposure to COVID-19.

Table 8: Company Response to Protecting Workers

Level of response	%
Nothing	47
Not enough	32
Reasonable	15
High	6

Benefits

Classified as independent contractors, gig workers do not have access to workplace benefits such as company-provided health insurance and unemployment benefits. For some workers, that left them without coverage. Nearly a third lacked health insurance, making it even riskier to get sick. For the 70% who did have insurance, over half received it through Covered California or a government program.

Table 9: Health Insurance

Source of insurance	%
Covered California/Medi-Cal or another state/ federal insurance program	57
Family plan	12
Other job or school	11
Self	11
Platform company insurance partner	4
Other	5

Most gig workers applied for UI and/or for Pandemic Unemployment Assistance (PUA). Just 22% did not apply for any relief. The Coronavirus Aid, Relief, and Economic Security (CARES) Act extended PUA to gig workers through July 30, even though gig companies did not pay into the benefits program, which meant the cost fell to taxpayers.[16]

Table 10: Unemployment Benefits

Benefit application and status	%
UI	**51**
Approved	60
Pending	15
Denied	16
Other	9
PUA	**51**
Approved	78
Pending	11
Disqualified due to W2 from another job	4
Denied	3
Other	4

Following the protections provided by AB 5, many gig workers were able to pursue UI benefits in spite of the companies' opposition. As one reported, "If I didn't live in California and I worked with Uber or Lyft, I wouldn't be able to get unemployment. But California was like, 'Well . . . based on law, [they're] supposed to make you an employee. They're not doing it, but we will still . . . give you guys the unemployment you deserve.'"

Very few workers applied for local government support such as city or other state relief programs. A small portion applied to other income assistance programs such as disability, workers compensation, and paid family leave. Some workers were able to get support from community organizations.

Table 11: Income Assistance Applications

Type of assistance	%
Emergency city or state relief	9
Income assistance	
Workers compensation	2
Supplemental disability insurance	2
CalFresh (food support)	2
California Family Medical Leave	2
Other	4
Community emergency assistance	
Community organizations	15
Unions	7
Religious institutions	3
Other (e.g., food banks, arts organizations)	10

Impact on Livelihood

Of those who stopped working for the gig companies, two-thirds did not have other jobs, and 17% had been laid off from their other jobs.

Table 12: Other Jobs aside from Gig Work

Second job status	% stopped working for gig company	% still working for gig company	% all workers
None	67	61	64
Laid off	17	13	15
Employed	16	26	21

Over half of gig workers did not have household members who were still employed.

Table 13: Working Household Members

Household member working status	%
Have working household member	46
Did not have working household member	34
Live alone	20

Even with UI and other assistance programs, gig workers still experienced financial, housing, and food insecurity. More than three-quarters (80%) said their pay was insufficient to meet their household expenses. A third had been unable to pay for groceries since the start of COVID-19, and 39% were approaching that status. Many were also concerned about being able to cover their housing costs—21% could not cover the cost, and a third were unsure if they would be able to cover their rent or mortgage. Furthermore, nearly a tenth had lost their housing because of COVID-19. For workers who selected "Other," a few said they were behind on rent and on the verge of losing housing. Two workers were already houseless, and one said they were living in their car.

Table 14: Food and Housing Insecurity

Funds available for basic needs	%
Groceries	
Yes	28
No	33
Borderline	39
Rent or mortgage	
Yes	45
No	21
Unsure	34
Housing	
Housed	85
Lost housing	8
Other	7

COVID-19 has clearly wreaked havoc on gig workers' lives. They either lost work or had to work in unsafe conditions, often having to purchase their own safety equipment. Benefits fell short, and workers experienced extreme financial hardship. The precarity of work in the gig economy was exacerbated when COVID-19 hit. Employee misclassification had enabled gig companies to avoid providing protections or benefits, leaving workers, taxpayers, and the government to take up the slack. But even with all these issues, 58% reported that they plan to stay in the sector and that they see it as a long-term employment opportunity.

The sector is in dire need of reform to address working conditions and sustainability for workers. In the next two sections, we explore worker-owned cooperatives, what gig workers believe these offer them, and the potential risks.

WORKER RESPONSE TO THE COOPERATIVE ECONOMY ACT

Efforts to regulate app-based gig work have proliferated in the last two years. In 2018, the California Supreme Court adopted the "ABC test" from *Dynamex Operations West, Inc. v. Superior Court*.[17] That test makes independent contractor classification illegal unless companies can demonstrate that the worker's labor is (1) free of the company's control, (2) outside its usual course of business, and (3) a common part of the worker's independent trade, occupation, or business. If any one of these factors does not apply, the worker should be classified as an employee entitled to all the rights and protections afforded California employees.

Last year the legislature codified the *Dynamex* decision in the landmark AB 5, requiring gig companies to offer their workers the benefits typically withheld from independent contractors.[18] In our survey, half of the workers were fairly or very familiar with this legislation. These companies have pushed back, spending hundreds of millions to avoid the costs of employees, including minimum wage, occupational safety and health protections, payroll taxes, and premiums for workers' compensation and health insurance.[19] In response, organized labor and worker cooperative advocates proposed legislation, the Cooperative Economy Act (CEA), to form a federation of labor contractors owned and operated by gig workers.[20]

The key innovation of the CEA is to introduce a worker cooperative model into the gig economy, affording individual workers the opportunity to band together in jointly owned and democratically controlled organizations that provide staffing services to gig companies. Worker cooperative advocates argue that, while uncommon, cooperative ownership is well studied and provides a unique opportunity for sustainable growth, financial security, and equitable access often unavailable to marginalized communities.[21] This model provides a stark contrast to gig companies' undermining of existing legal frameworks and prioritization of market share and profitability over worker welfare.[22] Worker cooperatives could be the optimal solution to the ongoing turmoil within the gig economy.[23]

Any policy affecting gig workers should be informed by the experts—gig workers themselves—particularly given their dire circumstances brought on by the COVID-19 pandemic. Trebor Scholz's pioneering work on platform cooperativism outlines guiding principles for worker cooperatives in the app-based gig economy[24] that would provide an alternative to the current corporate power players.[25] This approach has garnered considerable attention around the world, with many local upstarts implementing the cooperative model at modest scale but with meaningful impact. With impressive early results in numerous sectors, including the rideshare platform Eva and a worker-owned marketplace for photographers called Stocksy, this budding movement inspires confidence.[26]

Whereas Scholz and his growing consortium of platform cooperativists[27] emphasize the importance of workers autonomously developing alternative app-based platforms, the CEA would instead create intermediaries between workers and gig companies that are jointly owned by the workers. The platform cooperative analysis, while providing clear precedent in concept if not in scale, can benefit from this and future quantitative studies on the opinions and experiences of gig workers about the model and the CEA's labor contracting approach to collective ownership in the gig economy.

What follows are the findings from gig worker surveys and interviews about worker cooperatives, income, scheduling and flexibility, labor contracting, and control. As these findings show, gig workers are receptive to cooperative ownership, seek to improve their working conditions, and are gravely concerned about diminishing income and control over their work.

Knowledge of Worker Cooperatives

Interview and survey participants had little familiarity with worker cooperatives, a problem the literature identifies as one of the biggest obstacles for growing the movement.

Several workers were familiar with consumer-oriented cooperatives, like the sporting goods store REI and utility coops common in rural areas, both of which increase the purchasing power of large consumer groups. Two were more acquainted with worker cooperatives, citing Rainbow Grocery in San Francisco (a worked-owned supermarket) and an agricultural cooperative in Texas collectively owned by farmers.

Others expressed uncertainty about the practical distinctions between worker cooperatives, labor unions, and advocacy groups like Rideshare Drivers United and Gig Workers Rising. Most (83%) were already affiliated with worker advocacy or labor organizations. Additionally, 61% said that if they were to join a worker cooperative, they would want it to be affiliated with a union. A quarter were unsure about this.

Over half (56%) of survey respondents had a positive first impression of the CEA after watching a short informational video, while only 11% had a negative impression. The remainder were skeptical or neutral, with many wanting more information before they formed an opinion. In our follow-up interviews, when we provided additional information about the structure and operation of worker cooperatives, most workers indicated strong support for the notion of collective ownership, democratic control, and worker autonomy.

Income and Wages

With 80% unable to meet their household expenses, workers across the board expressed their greatest concern as wages and earnings. Despite the many differences in pay structure from platform to platform, workers repeatedly said that even if other benefits were made available vis-a-vis AB 5 or the CEA, these would be ineffectual without a meaningful increase in overall earnings.

In addition, workers articulated the urgent need for transparency and stability in their wages, recounting the frequent and unilateral changes made by companies behind the scenes: reduced default tip rates, ballooning commission fees, fleeting bonuses for new workers, and efficiency incentives pegged to increasingly demanding and unattainable metrics. Each of these adjustments to the app—an ongoing process of fine-tuning—had enormous impact on the day-to-day experience of drivers, couriers, and grocery workers, resulting in unpredictability in all ways but two: overall earnings are always under threat, and wages are always decreasing.

One component of the CEA that came under considerable scrutiny from workers in our follow-up interviews was a proposed wage exemption for platform companies. This exemption would incentivize platform companies to contract for labor from a CLC by removing their liability for wages; CLCs would negotiate with companies over other aspects of working conditions but take on responsibility for paying minimum wage. Almost every worker we spoke with was disturbed by this, even after learning that wage exemptions were common in collective bargaining agreements negotiated by unions and were sometimes used as an incentive to bolster other benefits. An Instacart worker put it bluntly, "Even with good benefits, with low pay, what's the point?"

However, several workers suggested other strategies for indirectly negotiating earnings. Of particular note were the suggestions for platform-specific solutions, indicating that a one-size-fits-all approach like a minimum wage might be less feasible or desirable in the context of gig work. For example, rideshare drivers said that time spent idling, including waiting for new rides or waiting for passengers to enter their vehicle, should be paid time. Grocery and courier workers for DoorDash and Instacart suggested that compensation should be calculated based on the physical demands associated with completing the delivery, including carrying heavy items, climbing multiple flights of stairs, or walking up hills when delivering on foot. In these and other cases, workers want to be able to decline work without penalty. While this is technically an option that companies advertise as a key perk, it is often not feasible for workers with reduced take-home pay or possible penalties.

Stability over Flexibility

The majority of workers we interviewed felt that giving up the ability to work whenever they wanted was an acceptable tradeoff for regular and reliable schedules and guaranteed benefits through a CLC. But because workers have widely varying flexibility needs, architects of the CEA should consider a tailored membership approach that provides scheduling based on workers' diverse circumstances. For example, one student worker needed to carve out considerable time for class and studying, while workers with children recounted the unpredictable demands of childcare and the desire to pick up extra work whenever an hour or two was unexpectedly freed up. Others were working more than 60 hours per week before the pandemic drastically reduced the amount of work available, while some who had lost full-time jobs in the wake of COVID-19 sought to ratchet up their gig work.

Many workers wanted clarity regarding the impact the CEA would have on their day-to-day working experience. While flexibility is a notoriously slippery notion in the context of gig work—described by one Lyft driver as a "bamboozling mythology"—some workers were troubled by what they saw as a potential pitfall of CLCs: membership requirements that could result in scheduling limitations. Most were concerned about minimum working hour requirements to earn or retain membership status. A few expressed the opposite concern that a CLC might impose maximum working hour limits to ensure a more even distribution of wages among all workers. One driver's biggest complaint was that Amazon Flex workers are only allotted a certain number of hours per day, preventing them from working full-time; if a delivery worker CLC was able to resolve this, he would consider joining.

Cooperative Labor Contractor Structures

Most gig workers expressed openness to CLCs. Despite workers' overwhelming prioritization of increased income, nearly two-thirds said that they would prefer a CLC that prioritized long-term negotiating power over short-term profit-sharing. One Instacart shopper articulated an urgent need for workers to have a voice in policy making and suggested that the statewide federation of CLCs invest heavily in a lobbying arm that could counterbalance the campaigns funded by wealthy gig corporations.[28]

Opinions about appropriate requirements for membership varied. Several suggested that a small percentage of total monthly income toward CLC membership made the most sense in the context of the gig economy (37%), while those for whom gig work is a primary means of income were more interested in an investment model with a larger up-front fee for membership (48%). One driver wondered whether a tenure requirement would be necessary, opening membership only to workers who had worked more than a certain period of time or number of hours for a company. Worker cooperative membership rules in other sectors vary, and CLCs could be structured for certain subsets of the gig workforce. For example, over one-quarter of survey respondents indicated that they would prefer to work regularly scheduled hours for a single company. These workers might seek to establish a CLC that offers benefits and resources appropriate for full-time work, which might be less appealing to the majority who prefer to move between companies at will and work fewer regular hours.

Respondents mentioned a few potential benefits of CLCs. Several suggested that a rideshare or delivery CLC could attract drivers by offering a plan for purchasing or renting vehicles so that workers would not have to invest in vehicles that, given the high intensity nature of the work, depreciate in value well before they can be paid off.[29] CLCs that provide legal and financial resources, like credit unions or tax and accounting services, might prove especially appealing to potential members. Other benefit suggestions were pension funding, childcare services, and education opportunities.

Respondents' enthusiasm was tempered by uncertainty about whether CLCs amounted to "just another middleman." A courier for Caviar asked, "Why not just have the workers own the actual platform?" Such sentiment suggests Scholz and other platform cooperativists might be right: gig workers want to own their own platform companies and cut out the intermediaries altogether. A clear challenge for the CEA will be articulating why CLCs are a more viable and appealing fix than investing in an alternative infrastructure. Ultimately, whether through a CLC or other means, workers yearn for dignity in employment and humane treatment by their employers, "just normal things," a Lyft driver we interviewed pleaded. "Just normal human being worker things."

Worker-Centered Policies

One of the most animating issues for gig workers in both rideshare and delivery services was the relationship with customers mediated by platforms. This relationship, according to these workers, is entirely one-sided: high turnover rates and razor-thin margins mean that platforms have an existential incentive to follow the credo "The customer is always right." A former Metro bus driver, who had recently been banned from Uber for falling below the platform's rating threshold, said that the arbitrary difference between four- and five-star ratings from customers determines whether or not workers are able to sustain their livelihoods. He argued that customers hastily dole out subpar ratings through the app with little thought and based on no specific standards—"for arriving too early or arriving too late; for talking too much or talking too little." The startling rate of worker turnover means platforms can keep wages down and benefits slim because there will always be, as one worker put it, "more bodies to run through the mill." Keeping customers happy is the overriding logic of the gig economy that more often than not is weaponized against workers.

Workers we interviewed had almost no outlet for appeal or means to liaise with companies directly, making for an unforgiving process of hasty deactivation. The CEA presents a unique opportunity to provide a thorough process of review to ensure that workers can share their side of the story and avoid unilateral termination without means of appeal. Many workers also called for a more robust and actionable customer rating system, mirroring the rating systems imposed on workers, to address safety concerns and make gig work more sustainable. In lieu of a full customer rating system, which gig companies would likely reject outright, a policy that allows workers to refuse service without penalty—whether that be negative ratings, reduced workloads, or otherwise—would materially improve working conditions for gig workers.

Alienating Algorithms

Scholars have described the gig economy as built atop a technological infrastructure that uniquely produces "information asymmetries."[30] Companies carefully control access to information concerning wages and commissions, workloads, and routes and frequently change the algorithms and metrics that allocate work and determine pay. Keeping workers in the dark allows platforms to micromanage and manipulate their workforce, despite their insistence that they merely provide software for an existing marketplace.[31] Frustrated workers described their work experience as unpredictable, mysterious, and often manipulative. "You just feel the algorithm of the company," one driver said, while describing how he would spend weeks trying to figure out Uber's routing algorithm in order to maximize his efficiency, only for the platform to suddenly change something and upend his schedule and predicted earnings. Another described logging in to the rideshare app as subjecting themselves to "trial by algorithm." Many echoed this sentiment, recounting the powerlessness they feel in relation to the platform, the algorithm, and even the customers. This perception clearly contradicts the marketing rhetoric of entrepreneurship and self-empowerment espoused by gig work platforms and points to an area in which the CEA could productively intervene.

One DoorDash worker, however, worried that the CEA could ultimately enable platforms to rebrand themselves as just software companies, effectively insulating them from labor law and regulatory oversight. This insight has been articulated in legal scholarship as "regulatory entrepreneurship," whereby the only real innovation in a business model is skirting the law until you are able to pressure lawmakers to change it.[32] The implication is that while the CEA offers gig companies a mechanism to contract with workers, each CLC must have control of the technology that enables networked ridesharing, delivery, and other forms of service provision. Multiple workers across different sectors noted that if CLCs have to compete against one another for contracts, the CEA might inadvertently re-create the "race to the bottom" dynamic already rampant in gig work. Federated CLCs could set a baseline beneath which no single CLC could negotiate. The CEA needs to address the contracting relationship to ensure that it does not reinforce an existing power imbalance.

LESSONS FROM OTHER COOPERATIVE AND CONTRACTING MODELS

While there is little precedent for introducing cooperatively owned contracting agencies into the gig economy, worker cooperatives and labor contractors are not new. A 2009 study found that 350 million people in the US are members of cooperatives.[33] This figure includes consumer, utility, credit, agricultural, and distribution cooperatives. However, according to a 2019 report, there are only 435 known *worker* cooperatives in the US, spanning sectors from childcare and home care to handiwork and retail.[34]

Scholars have noted several defining features of worker cooperatives:

- the facilitation of local investment and community-based decision making
- a flexible mandate around profit objectives determined by workers, not shareholders
- financial advantages and tax opportunities unavailable to other types of firms[35]

US worker cooperatives have numerous benefits. Made up of over 6,400 worker-owners (also called members), cooperatives boast an average hourly wage of $19.67, considerably higher than most state minimums.[36] Worker cooperatives tend to be owned and controlled by local residents, enriching communities in a way that investor-oriented firms do not. Additionally, without the overriding incentive structure of shareholder profits, worker-owners can act more nimbly to prioritize their needs, which may be things like more comprehensive benefits or stronger workplace protections, rather than profit. With comparatively low start-up costs and access to state and federal loans and grants, cooperatives make workplace autonomy accessible to a more diverse workforce.

Worker cooperatives also face challenges in the US. Surveyed worker-owners identified the administration of benefits, including but not limited to health insurance, as their most significant challenge—and one the CEA needs to address. Another recurring issue is lack of awareness of the model, particularly as an alternative approach to organizing the workplace.[37]

We offer a few case studies to contextualize the unique opportunity and potential challenges presented by the CEA. The Mondragon Corporation, with decades of history and massive scale, provides particularly useful insight given the potential size of the federated CLCs. Cooperative Home Case Associates provides a success story from a sector increasingly shaped by the gig economy. Los Angeles's cooperatively owned taxi industry is particularly pertinent given its similarity to rideshare driving but offers a cautionary tale of what can go wrong when workers don't have actual control and decision-making power within the structure. The labor contracting model in farming closely resembles the CLC model and offers lessons learned from a long history of employer cooptation. Finally, we look at how worker organizing functions in a cooperative model.

The Mondragon Corporation

Policy advocates behind the CEA cite the Mondragon Corporation as a key inspiration for the proposed statewide federation of CLCs.

Mondragon grew from a community-based economic initiative in 1941 following Spain's civil war to the world's largest industrial cooperative of 75,000 worker-owners today. As the organization grew, it became more complex and bureaucratic. To ameliorate this, it implemented policies in the mid-1960s to ensure participation and transparency, including worker-led social councils (representative bodies elected to interface with Mondragon administration) and strict limitations on the size of its member cooperatives. After several decades of relative prosperity during which the model flourished, when the recession hit in the 1980s, Mondragon's cooperative model faced a period of stress and austerity, resulting in increased management control. In the 1990s, in response to globalization (the off-shoring of production) and financialization (the centralization of profits), the organization was restructured as the Mondragon Corporation and reorganized by sector rather than geography.[38]

Historians suggest that Mondragon's model was resilient largely due to its ability to adapt to the drastic socioeconomic changes that occurred over the decades following WWII.[39] Confronted with Spain's record unemployment and shrinking economy in the twenty-first century, Mondragon has weathered the storm by embracing an ethos of flexibility unavailable to traditional firms guided by shareholder interests rather than worker self-determination.[40] On the whole, the corporation has decreased financial inequality, with the highest paid member limited to five times the salary of the lowest paid—compared to the US where CEOs make an average of 278 times more than their companies' lowest-paid workers. Regularly cited as the two key components bolstering Mondragon are a robust suite of financial resources and education and training available to all workers.[41]

Cooperative Home Care Associates

Launched in 1985 as an alternative to nonprofit and private healthcare providers, Cooperative Home Care Associates (CHCA) is now the largest worker cooperative in the US. With over 2,300 care workers providing home health services across New York City, the worker-owners that comprise CHCA receive an above average wage and are guaranteed a minimum of 30 hours work per week. Cooperative members also receive family health insurance and union membership in SEIU. Both of these benefits are typically inaccessible to independent healthcare workers, a sector with a growing percentage of its workforce subjected to the dynamics of the gig economy.[42] Along with a slate of robust benefits, members of CHCA are entitled to a profit-sharing plan, which pays out small dividends each year. In an interview with CHCA CEO Adria Powell, she emphasized that these payouts are primarily symbolic, intended to instill camaraderie and a collective sense of investment in the cooperative. CHCA prioritizes benefits and stability over profit sharing, a decision that distinguishes it from other cooperatives that serve primarily as vehicles for investment with the overriding goal of maximizing returns for workers. Moreover, this practice—which resonates with the sentiment expressed by gig workers in our study about CLCs—has helped CHCA remain sustainable for more than three decades, despite the increasing precarity and general volatility of care work.

The LA Taxi Industry

In their comprehensive history of the taxi industry in Los Angeles, Gary Blasi and Jacqueline Leavitt explain how worker cooperatives came to dominate the sector after a period of disarray and corruption in the late 1970s. Despite the narrative of entrepreneurship that typically accompanies the profession of taxi driving, Blasi and Leavitt pull no punches in their diagnosis: LA taxis are like "sweatshops on wheels."[43] This is the effect, they argue, of a decision made by the LA City Council in the 1980s to reclassify taxi drivers as independent contractors and reenlist these drivers in a franchise system of "cooperatives." No longer employees, taxi drivers were exempted from minimum wage laws and other worker protections. This reclassification also weakened the labor movement's hold on the taxi industry, making it vulnerable to a new industry trafficking in strategic misclassification: app-based ridesharing. The critique levied by Blasi and Leavitt mirrors the current AB 5 standoff between gig companies and workers: owners espouse a rhetoric of worker autonomy to deflect attention away from workers' lack of control over their working conditions.[44] The CEA will need to address this consequence of exemption from workplace protections to ensure this history is not repeated.

One driver we interviewed, a member of a taxi cooperative since the 1980s, recounted some of the troubled advent of LA's taxi industry cooperatives. Over time, each of the nine existing taxi cooperative franchises in LA came to embody one of two distinct organizational structures: some that practiced an ethos of democratic control and worker ownership and others that functioned more like traditional management-based firms. While both types are officially recognized as cooperatives, their member-workers have vastly different degrees of autonomy and equitability. The taxi industry model provides diverging paths, one where companies utilize the tools of worker ownership to stamp out internal corruption and the other that results in, as this driver put it, a "cooperative in name only." Despite their weaknesses, each of these cooperative taxi franchises have been able to ensure much better working conditions than their nonunionized or rideshare counterparts.

Farm Labor Contracting

CLCs have a precedent in agricultural work. Since the late nineteenth century, the agricultural sector in California has sourced much of its labor force through staffing intermediaries called farm labor contractors, or FLCs.[45] Similar to the CLCs envisioned in the CEA, FLCs recruit workers to provide their services to growers who establish and maintain contracts with FLCs rather than directly employing workers. In contrast to CLCs, FLCs are not cooperatively owned by farmworkers, a critical distinction that significantly limits the autonomy and negotiating power of workers and allows growers to determine and control working conditions.[46]

Although FLCs are heavily regulated in theory, lax enforcement allows them to serve as a mechanism for powerful growers to hire migrant workers while dodging labor laws and insulating themselves from regulatory scrutiny.[47] In our interview with farm labor expert Gaspar Rivera-Salgado, he explained that by utilizing networks of contractors, the FLC model allows growers to reduce overhead and liability. Growers often contract with middlemen—called mayordomos—who operate outside the scope of California or federal regulations to recruit large numbers of migrant workers from Latin America. This system results in obfuscation and asymmetry, allowing growers to avoid oversight and ensuring that farmworkers remain largely unaware of their rights and without the means to organize.[48]

This practice runs through the entire history of FLCs, despite significant updates to agricultural labor policies throughout the 1960s, '70s, and '80s.[49] In his critical assessment of farm labor policy in the 1970s, Richard Fischer attributes this loophole to policies that prioritize employment classification while failing to address the reality of farm work, where definitions of employer, employee, and contractor are "practically meaningless."[50] This ambiguity of farm work employment relations creates a legal gray zone that lets growers off the hook for contractor behavior and vice versa. Layers of obfuscation between the boss and the workers stymie enforcement of workplace standards. Cooperative ownership of the CLCs offers an alternative, where worker-owners can ensure accountability and enforce higher standards.

Organizing in Worker Cooperatives

The CEA would fundamentally alter the relationship between workers and gig companies. Instead of relying on the companies to set wages, hours, and working conditions, workers who are members of CLCs would assume legal responsibility for payment of wages, health and safety expenses, payroll taxes, UI, and workers compensation. And as is standard in worker cooperatives outside the gig economy, workers would be their own bosses.

Former National Labor Relations Board chair Wilma Liebman suggested in our interview that while this approach was exciting, it was not clear that workers would want both ownership and collective bargaining rights. When workers own the business, they would effectively sit on both sides of the bargaining table—a scenario that does not jibe with existing labor law. Nevertheless, activists and researchers from organized labor and worker cooperatives have struck up a productive dialogue in recent years, described by one author as "an emerging solidarity."[51] Both organized labor and worker cooperatives seek economic security and democratic control but rely on different regulatory frameworks and financial structures to achieve those ends. The CEA, by explicitly allowing CLC members to form unions, will require workers to navigate this new terrain and collectively determine the best way forward.

There is some precedent for this structure. Worker ownership models created by labor unions offer a meaningful innovation in workplace organizing that sets the stage for the CEA. For example, in 2016, SEIU–United Healthcare Workers West began experimenting with worker ownership, helping to launch the NursesCan Cooperative in California.[52] NursesCan, which has a collective bargaining agreement with the union, provides on-demand services from licensed vocational nurses to more efficiently address market demands than traditional hospitals can.

Consistent advocacy by gig workers has yielded media attention and modest gains. Grassroots organizations like Rideshare Drivers United and Gig Workers Rising, as well as more established organizations like Jobs With Justice and Mobile Workers United, backed by SEIU, have grown their ranks and gained energy, particularly in California. A global strike in May 2019 united rideshare and taxi drivers to protest gig working conditions and raised public awareness of unilateral reductions in pay rates for Uber drivers.[53] Multiple experts and workers we interviewed wondered whether and how the CEA would harness this organizing. Rivera-Salgado asserted that if the CEA is able to tap into the "organizational capacity of actors from the ground up, it will work. But when it's a model imposed from above, it's not going to work."

These case studies offer several takeaways with relevance for the CEA. First, worker cooperatives come in many shapes and sizes and are not always driven by the same incentives. Second, worker ownership can be an effective means to achieve greater equity, but the structure of the gig economy may pose a unique set of obstacles to this. Third, the labor contracting model is vulnerable to cooptation and in some sectors has been used to violate workers' rights. Finally, new policy initiatives that are not aligned with existing organizing campaigns or have not received buy-in from workers might face difficulties in implementation.

RECOMMENDATIONS

Working conditions in the gig economy have grown increasingly dire during the COVID-19 pandemic. Meanwhile, gig companies are investing hundreds of millions of dollars—even though many of these same companies remain unprofitable—to continue to avoid reclassifying their workforce as employees or paying into UI, workers compensation, or payroll taxes.[54] In the next few months, the gig economy has the potential to shift to a more accountable and just system. Based on our research and conversations with gig workers, we recommend the following for the CEA or any worker-owned models considered for the sector:

Provide gig workers with greater income stability and predictability.

- While workers' reasons for entering the gig economy vary widely, there is consensus about one thing: wages must go up.
- An enforceable minimum wage that encompasses gig work would be the most immediate and impactful answer to this long-standing issue.
- The majority of workers would trade flexibility for regular and reliable schedules and guaranteed benefits through a CLC.

Address issues with customer relations and the lack of recourse to remedy disputes.

- Workers need equitable resolutions to customer relations issues—including ensuring workers' physical safety, stopping unilateral deactivations, setting objective standards for customer rating systems, increasing tip transparency, and decreasing tip theft.

- » The CEA should clarify and bolster mechanisms to liaise directly with companies to address and remedy these day-to-day concerns.

Center the voice and perspective of workers.

- » Any new employment model must prioritize the voice of gig workers and be built from the ground up with their input and direction.
- » Given that most gig workers are unfamiliar with worker cooperatives, CEA stakeholders must ensure that there is sufficient opportunity before implementation to educate the workforce that will be most affected by the policy.

Create a flexible and democratic structure that takes worker needs into account.

- » Gig workers are enthusiastic about CLCs but with caveats relating to their unique experiences and goals. Membership criteria for ownership shares should be flexible enough to attract a diversity of workers while taking care to avoid counterproductive competition between CLCs that drives down wages and other working conditions.
- » Gig workers value long-term negotiating power more than short-term profit-sharing opportunities. CLCs should strive to be a vehicle for comprehensive change and democratic control, not just financial return. CLCs can maximize membership by offering a lower recurring fee structure rather than mandating higher one-time fees.

In addition, we provide the following recommendations for the state, which must be a partner in the CEA:

Foster worker-led, cooperative models.

- » Invest in worker-owned collectives to develop and launch their own platform cooperatives as alternatives to corporate-owned gig companies.

Enforce employment classifications laws.

- » Unless and until AB 5 is reliably enforced across the state, any additional policy intended to redress structural exploitation could alienate the workers and activists who fought to pass AB 5. Allowing gig companies to continue to flout the law with impunity will undermine CLCs and any other worker-centered models.

APPENDIX: METHODOLOGY

This study employed a mixed-methods research design including quantitative survey data, qualitative interviews, and an extensive literature review. In addition to surveying and interviewing workers, we conducted in-depth interviews with nine experts on labor and worker cooperatives.

From June to July 2020, the UCLA Labor Center conducted online surveys of 302 gig workers in California. For the purposes of this survey, we defined the gig economy to include the following: driving for ride-hailing platforms such as Uber and Lyft; restaurant delivery through apps like Postmates, Uber Eats, Caviar, Grubhub, and DoorDash; grocery shopping and delivery through platforms like Instacart, Mercato, and Shipt; Amazon Flex package delivery; performing household chores on demand through TaskRabbit; and alcoholic beverage delivery through apps like Saucey and Drizly.

Surveys were conducted online and took approximately 22 minutes to complete. Participants were recruited through community organizations, unions, and nonprofits that had lists of gig workers. Recruitment partners shared the link with potential participants via email and social media. A $20 incentive was provided to workers who completed the survey. The survey questionnaire was divided into two parts: 1) questions focused on COVID-19 impacts and demographics, and 2) questions soliciting feedback on the CEA, following a four-minute informational video produced for this study. Because our sampling relied on community partners, the majority of our participants were affiliated with community organizations such as Rideshare Drivers United (71%) and Gig Workers Rising (15%), both of which helped us recruit survey participants, as well as Tech Workers Coalition (2%), or a labor union (4%). About 17% were not affiliated with any organization.

From our survey pool, we selected 15 gig workers from diverse sectors and regions across California for follow-up interviews, and each received an additional $25 incentive. These interviews were 30 minutes long and conducted via telephone or video conferencing software.

This study has some limitations, including the overrepresentation of rideshare drivers and a corresponding underrepresentation of care work. Most of our respondents were based in Southern California. Given the limited time and scope of the surveys, thoroughly conveying the details of the CEA was challenging, potentially affecting the quality of survey responses. We mitigated this by conducting in-depth follow-up interviews with a representative sample of survey respondents. Finally, COVID-19 restrictions limited our ability to go into the field to conduct the survey with a broader sample. Future scholarship should examine the experiences and opinions of a larger sample of gig workers from a greater diversity of sectors.

Table A1: Characteristics of Sample

Characteristic	Survey participants %	Interview participants %
Main industry		
Rideshare	73	47
Food delivery	16	27
Grocery delivery	5	13
General delivery	2	13
Other	4	--
Main platform		
Uber	44	34
Lyft	28	13
DoorDash	5	7
Uber Eats	5	--
Instacart	4	13
Grubhub	3	--
Amazon Flex	2	13
Postmates	2	13
Caviar	1	7
Shipt	1	--
Other	5	--
Region		
Northern California	3	7
Bay Area	6	13
Central California	3	7
Southern California	88	73

Characteristic	Survey participants %	Interview participants %
Age		
30 and younger	12	13
31–40	32	27
41–50	22	33
51–60	23	20
61 and older	11	7
Gender		
Men	77	67
Women	22	33
Transgender, gender-nonconforming, genderqueer, or gender-questioning	1	--
Race/ethnicity		
White	38	40
Latinx	28	27
Black or African American	10	--
Asian	11	27
SWANA (Middle Eastern/Southwest Asian/North African)	2	--
Multiracial	7	6
Other	4	--
Years working for main platform		
Less than 6 months	12	29
6 months–1 year	10	7
1–2 years	17	29
More than 2 years	61	35

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Experts interviewed: Joseph Blasi (School of Management and Labor Relations, Rutgers University), Wilma Liebman (formerly with National Labor Relations Board), Ivan Pardo (Rideshare Drivers United), Adria Powell (Cooperative Home Case Associates), Gaspar Rivera-Salgado (UCLA Labor Center), Nathan Schneider (College of Media, Communication and Information, University of Colorado at Boulder), Trebor Scholz (Institute for the Cooperative Digital Economy, The New School), Leon Slomovic (Taxi Workers Alliance Los Angeles), and Hays Witt (Driver's Seat Cooperative)

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