



Investment implications of the platform economy: how is greater transparency possible?

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The provisional European agreement on a proposed directive to improve working conditions for platform workers and the potential that the legislative proposal brings on presumption of employment status, better protections for platform workers and rules on the use of algorithm systems in the workplace may deviate scrutiny from a key stakeholder that somehow has been remained apart from these negotiations, now set back for the Belgian Presidency to progress on this initiative.

Investors play a crucial role in the growth and development of digital labour platforms (DLPs). They, of course, provide the necessary capital and resources for platforms to expand their operations and reach more customers. The unprecedented flow of capital that followed the 2009 financial crisis enabled major DLPs to remain in private hands, avoiding scrutiny and valuation in public financial markets. Since then, the investment landscape has shifted towards fostering a favourable environment characterised by investor appetite for venture-backed opportunities, with DLPs engaging in mergers and acquisitions, financing rounds of investment, cross-shareholding, mutual investments, and initial public offerings.

The response of investors to the volatility and underlying unpredictability that characterise the ways in which DLPs are used has been to prioritise short-term profit maximisation rather than longer-term sustainability. The inevitable result is a focus on the bottom line, so platform workers' welfare is at best a secondary consideration.

The scaling-up of operations and the savage competition to expand the market make DLPs and platform-based start-ups extremely attractive to investment ([ILO, The role of digital labour platforms in transforming the world of work, 2021](#)) through private equity or hedge funds.

However, the rush to invest is accompanied by neither thorough external oversight nor robust corporate disclosure of social-related issues. This is despite the alleged exploitation of platform workers becoming increasingly public news in Silicon Valley's publicly and privately traded platforms.

The recent Uber Files scandal ([The Guardian, The Uber whistleblower: I'm exposing a system that sold people a lie, 2022](#)) leaked by Mark MacGann presented a pattern of systematic lawbreaking and is a dramatic case in point. The culture of corporate misconduct exposed by the whistleblower suggested connivance on the part of venture capital firms and other investors, who argued misleading narratives and poor transparency from the ride-hailing platform as extenuating circumstances. What followed was comparatively minimal legal and reputational harm – effectively dealt with by Uber's

PR machinery – resulting in an insignificant financial impact associated to market capitalisation and value losses.

This is not an isolated case. Amnesty International research ([Amnesty International, How leading venture capital firms ignore human rights when investing in technology, 2021](#)) on the human rights responsibilities of venture capitalists found that the majority of the world's most important venture capital firms don't take into consideration the harms to labour rights caused by their investment decisions when investing in technology.

In the EU, even with the prospect for a Platform Workers Directive, platform workers' working conditions often go unnoticed or receive scant attention in the investment decision-making process. DLPs and their lack of corporate transparency are to be blamed. The on-demand industry is known for misusing their corporate influence to weaken regulatory frameworks, for adopting predatory legal tactics, and perverting corporate disclosure of information. So, it's not altogether surprising that efforts to create a more accountable and fairer system for platform workers will continue to meet with numerous challenges.

Uber ([Uber, US Safety report 2019-2020](#)) and Lyft ([Lyft, Community Safety Report, 2019](#)) committed to improve their transparency and accountability of decision-making by publishing regular safety reports about their ride-hailing business, but their data have not included safety-related incidents such as non-fatal shootings, sexual harassment incidents, robberies and car-jackings. Similar challenges ([EU-OSHA, Preventing and managing health and safety risks in digital platform work: examples of initiatives, practices and tools, 2023](#)) can be seen with the impact that algorithmic management and automated decision-making practices can have on platform workers.

Even though many irregularities have been exposed, and despite the ample documenting of other abusive work conditions, capital has not stopped from flooding in. This is the case even for platforms incurring substantial operating losses. The high financial stakes in Silicon Valley lead to a fierce defence of the pursuit of profit maximisation and shareholder value at any cost.

If commercial and investment banks, institutional investors and funds fail to make a critical break from their historical practices, then their investments will continue to contribute to labour abuses. They will need to demonstrate that maintaining the status quo is not in the interest of their collective, by exhibiting willingness ([Aviva Investors, Tough gig, 2022](#)) to reform the existing business model towards improved corporate transparency and accountability.

Financial actors and investors can make a decisive contribution to putting workable systems and solutions in place. They can make a positive difference in digitally mediated work by insisting on publicly accessible annual reporting by DLPs. Other interventions they can make include adopting precautionary principles in early-stage venture investments in digital platform-mediated services.

Financial institutions can also require platforms to conduct risk management evaluations and independent audits of working conditions. These can include the risk of physical and mental harm that artificial intelligence, machine learning systems and app-based performance metrics can cause to platform workers.

Divestment is a big stick that investors can wield to discourage platforms from poor working practices. The threat of withholding or withdrawing finance could not only affect platforms' available capital but also impede any plans for scaling-up. Enlightened investors could also consider updating their policies on prohibiting investment activities that could drive people into precarious forms of employment.


These are examples of instruments that investors can use as part of their decision-making to improve accountability and transparency in the online platform economy. The question remains how to persuade investors to see that their business objectives are best met through a focus on people.

The long-delayed agreement and the two-year implementation period for member states to adopt the provisions of the directive will mean that, realistically speaking, platform workers will have to wait till 2026 to enjoy better rights and more effective protections. This is by no means acceptable. Other key stakeholders could have a real, immediate impact on the working conditions of platform workers by stepping up efforts and incentivising good work in the platform economy and for platform workers.

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