Why do labour platforms negotiate? Platform strategies in tax-based welfare states

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Abstract

The regulatory setting and growing worker mobilisation in the digital platform economy have recently attracted much political and academic attention. However, the perspective of platforms as employers and their role in regulating the online market is less researched. This article contributes with a fresh perspective on labour platforms as potential employers and their various strategies towards collective bargaining. Empirically, we draw on in-depth case studies of three labour platforms operating in Denmark, but choosing very different strategies towards collective bargaining. We identify four factors impacting their choice of strategy: platform ownership, existing sector-level agreements, growth rates and customer base.
1. Introduction

In 2018, the Danish-owned digital labour platform Hilfr became world-known for signing one of the first company agreements between a labour platform and a union. Among scholars outside the Nordic countries, this was often characterised as a union victory and perceived as a result of union pressure towards the platform (Prassl 2018; Vandaele 2018; Slothuus 2019). However, the union in question, The United Federation of Danish Workers (3F), and the platform have openly declared that negotiations took place on the initiative on the platform (King Street 2019; Jesnes and Oppegaard 2020). This discrepancy calls for further research on platform strategies that look beyond the dominant focus on mobilizing and unionizing platform workers when exploring the various attempts to regulate the online labour market. The dynamics between labour platforms and distinct labour market regimes have been subject to much research, typically from the perspective of unions, policy-makers and platform workers (De Stefano, 2016; Goods et al. 2019; Vandaele, 2018). In this context, the Nordic countries are often portrayed as examples for inspiration due to their universal welfare arrangements and densely regulated labour markets that historically have been able to cushion the risks of precariousness, and are thus expected to do so regarding digital platforms (Campbell and Price, 2016; Thelen 2019a). However, we need to include the less researched perspective of digital platforms and their strategies as employers along with how they interact with the regulatory context they operate in, to be able to better apprehend the processes around regulating the online market.

This article explores the recent attempts of regulating online labour market from the perspective of labour platforms- defined as digital intermediaries providing purchase and sale of labour intensive services. Our locus is three labour platforms (Hilfr, Chabber and Uber) and their
strategies towards regulating the online market through collective bargaining in the context of Danish ER model and welfare state arrangements. Each of the selected labour platforms facilitates gig work in Denmark, but have chosen very different strategies (negotiation, compliance and avoidance) towards collective bargaining. Our main research question is: Why do labour platforms engage (or not engage) in collective bargaining?

Analytically, we seek inspiration from the Employment Relations (ER) literature on employer strategies towards collective bargaining at company level and the Varieties of Capitalism (VoC) literature on firm strategies within specific regulatory models (Walton et al. 1994; Hall and Soskice 2001). Although the three platforms examined operate within low-wage service sectors in the CME of Denmark, their strategies towards collective bargaining differ. Through in-depth case studies we explore, which factors may impact their choice of strategy. We perceive this process as an interaction between their exact business model and the surrounding regulatory model in which they operate with a specific focus on their ability to grow and attract customers (Grimshaw et al. 2020; Culpepper and Thelen 2020). From our analysis, we develop hypotheses on platforms strategies to be tested in further research. These hypotheses support findings from both the VoC and the ER literature. We find examples of platforms that draw on well-known tools from the Danish ER model to develop voluntarist responses to solve growth barriers like tax issues in order to expand their business. In line with historical institutionalism, this may be interpreted as path dependency i.e. that even digital platforms adhere to the Danish collective bargaining traditions (Mahoney and Thelen, 2005). However, we also find examples of platforms with high initial growth rates that choose not to engage in collective bargaining. Thereby, our analysis contributes to recent academic debates by illustrating that distinct labour platforms opt for different collective
bargaining strategies even within the same regulatory model. Also, platforms may not necessarily weaken union’s bargaining power and contribute to increased dualisation of wage and working conditions as often argued to unfold in both LME’s and CME’s as part of the neo-liberal trend (Baccaro and Howell, 2017; Wood et al. 2019).

The paper is structured as follows: firstly, we briefly review the labour platform, ER and VoC literatures before presenting our used methods followed by our analysis. Finally we compare and discuss our findings and propose suggestions for further research.

2. Literature review and concepts

Ample research has examined the size of the platform economy, types of platforms, algorithmic control, along with the potential efficiency and cost curbing gains (Duggan et al. 2019; Farrell et al. 2019; Sharma 2020). Also the regulatory setting and the growing worker resistance and mobilisation to lift conditions in the online market have attracted much attention (Vandaele, 2018; Johnstonn and Land-Kazlauskas 2018). The organisation of labour platforms as employers and their approaches towards collective bargaining is less researched. Some studies have analysed the categorisation of platforms as to their business model (Lehdonvirta 2017; Choudary 2018) or explored the business power of digital platforms (Culpepper and Thelen, 2020), but rarely from a labour market perspective. Recent platform studies give a glimpse of platforms’ approach towards regulating the online labour market, but often with limited consideration for the wider regulatory framework (Graham et al. 2017; Vallas and Schor, 2020). These studies point to important differences among distinct types of labour platforms. Pay levels and social protection often vary between individual platforms with examples of minimum wage guarantees, platforms shouldering
the employer responsibility of employee protection and in different ways engage in regulating the online market (Berg et al. 2018). Unilateral, bipartite or tripartite consultations, involving labour platforms, unions and policy makers are seen in many countries, leading to different legislative, collective agreed or good practice measures regulating the online market (Vandaele, 2018; Söderqvist and Bernhardtz 2019). However, their locus is rarely on the strategies adopted by individual labour platforms. To better apprehend the employer strategies towards collective bargaining in the platform economy, we seek inspiration from the ER and the VoC literature to provide us with concepts to capture the potential interlinkages between individual platforms’ approach towards regulating the online labour market and the context of the wider regulatory framework.

*The ER literature* offer insights into the employer strategies towards collective bargaining often with a particular focus on their responses to worker mobilisation and trade unionism (Traxler, 1995; Gooberman et al. 2019; Müeller et al. 2019). Employers’ different bargaining strategies are typically grouped into three broad categories spanning from *avoidance* (no negotiations) to *accommodation* (arm-length negotiations) and *cooperation* (partnership negotiations) (Walton et al. 1994). The ER literature includes a myriad of employers’ motives for their different strategies, and these motives seem to change according to market fluctuations and technological advancements (Osterman, 1984, 1987; Piore 2002; Belanger and Edwards 2007). The early ER research underlines two employer motives to engage in collective bargaining by arguing that collective agreements with their specific rules on conflict resolution secure the productivity of the company by granting employers 1) their managerial prerogative at the shop floor and 2) a smooth production with limited industrial actions (Commons 1950; Sisson 1987). Recent ER studies also
emphasize the role of other factors such as the potential market growth, the public image as socially responsible employers, business models, and the wider regulatory framework in shaping employer bargaining strategies (Grimshaw et al. 2019; Culpepper and Thelen, 2020). Employers may consider collective bargaining as an instrument to improve their public image and strengthen their market position in return for partly ceding their management prerogative to unions through collective bargaining. In other words, they give up some labour market power to increase their market power (Grimshaw et al. 2019). Companies’ business models such as their customer base and service provision may also impact their approach to collective bargaining. Digital platforms such as gig platforms facilitating small, but often standardized tasks in the physical world like transport and cleaning are often argued to have a different customer base than traditional companies (Culpepper and Thelen, 2020; Choudary, 2018). These platforms mainly target individual consumers as customers and rely on individuals rather than other companies as service providers i.e. the so-called consumer to consumer business model, which is exemplified by Uber POP (Yrjölä et al. 2017). Their strategy is thus to develop alliances with consumers to expand their business, which differ from traditional companies that typically rely on other businesses or public sector institutions as customers (Culpepper and Thelen 2020). Platforms may as many start-up companies evolve their business model and move towards business-to-business relations or business-to-government institutions as their dominant customer groups and thus change their strategies (Yrjölä et al. 2017). Following this literature, platforms dependent on facilitating standardized gig services in the physical world and platforms targeting customers other than individual consumers may be more likely to engage in collective bargaining as an instrument to expand their business (Choudary, 2018; Culpepper and Thelen 2020).
Another strand of ER- and platform research stresses that employers may attempt to avoid or bend collective bargaining for ideological reasons or for cost curbing or flexibility purposes (Rubery et al. 2018; Schor et al. 2020). Labour platforms represent in many ways a novel business model, where employer strategies towards collective bargaining may differ to those of traditional companies. Labour platforms typically mediate tasks between customers and service providers (the platform worker) and often abrogate the traditional employer responsibility for employee protection as well as blur the traditional employer-employee divide by relying on freelancers and conceiving themselves as tech companies and not employers (Kirchner and Schüssler, 2019; Thelen, 2019b). These characteristics combined with the fact that the platform company is not a physical entity with managers and employees present on site and their relations with the service providers is considered a business- to business rather than a traditional employer-employee relation have led commentators to argue that the very business model of digital platforms was partly developed to circumvent and bend existing labour laws and collective bargaining (Kalleberg and Vallas, 2018; Schor et al. 2020). By building on these notions, we seek to explore the role of labour platforms’ business model such as their service provision and customer base for their strategies towards collective bargaining.

*The VoC literature* provides us with concepts to capture company strategies within specific regulatory models, and thus how labour platforms may act in the context of the wider regulatory framework like the Danish labour market and welfare state. Their choice of strategy is assumed to be influenced by a given national regulatory context (Hall and Soskice 2001; Pierson 2004). According to this literature, national economies can be divided into two regulatory models: the less regulated Liberal Market Economies (LMEs) such as the US and the more densely regulated
Coordinated Market Economies (CME’s) exemplified by Denmark (Hall and Soskice 2001; Campbell et al. 2006). The argument of VoC is that economies develop a comparative advantage by specialising as either a LME or a CME. This specialisation is reflected in the institutions of the society, and is therefore difficult to change, as companies will utilize these institutions and the inherited advantages. Company strategies and choices will therefore reinforce the specialisation process of the overall regulatory model. In recent years, the VoC argument has been challenged by studies on neo-liberalism and how this trend unfolds in all types of economies leading to varying degrees of dualisation in wage and working conditions in both LMEs and CMEs (Benassi 2016; Baccaro and Howell 2017). Ample research argues that labour platforms form part of the neo-liberal trend and will reinforce the labour market divide (Kalleberg and Vallas, 2018). Following the VoC literature, labour platforms operating in Denmark are expected to opt for strategies resembling existing practices used in other parts of the Danish labour market like collective bargaining to ensure a competitive advantage (Hall and Soskice, 2001). In line with this, much institutional theory argues that regulation complementing or enforcing existing ER-practices - such as using existing collective agreements (compliance) or concluding new agreements (negotiation) within CMEs and not using agreements with LMEs (avoidance) - are easier to implement than changing the fundamental methods (Trygstad et al. 2018; Pierson, 2004; Mahoney and Thelen, 2010).

To contribute to this discussion, we propose a perspective that moves beyond the usual approach that not only assumes that the national and sectoral regulatory framework are more important than individual companies, but also stresses that notably unions and policy-makers push for regulating the online market when dealing with the platform economy (Tassinari and Maccarrone 2020;
We add another layer to the platform literature, by exploring how distinct labour platforms contribute to shaping the regulatory framework in digital platform economies to capture the dynamics and variations across companies operating in a similar national setting like the CME of Denmark. To advance our understanding of these dynamics, we use the three bargaining strategies by employers, *negotiation, compliance* and *avoidance*, as selection criteria for our case studies. We then draw on insights from the ER and the VoC literature with a particular focus on the role of the *business model* such as customer base, service provision and growth potential to explore why distinct labour platforms adopt different approaches towards collective bargaining even when operating in a similar *regulatory model*.

### 3. Used data and methods

As mentioned earlier, our empirical analysis focus on three labour platforms all operating in Denmark, but with very different strategies towards collective bargaining (i.e. a most different research design) (Flyvbjerg, 2006). This allows us to conduct in-depth case studies of the choice of various platform strategies. The first case, Hilfr utilized the opportunities within the established Danish ER-model to *negotiate* a novel company agreement, whereas our second case, Chabber, decided to *comply* with existing regulation in the Danish sector-level agreements. The third platform – Uber – opposed the very idea of engaging in any form of collective bargaining and has left the Danish labour market. All three platforms arrived on the Danish market in the mid-2010s and became one of the leading platforms within their various submarkets: Uber within personal transport, Hilfr within cleaning in private households and Chabber within staffing in the hotels and restaurant sector.
We interviewed platform managers and workers in all three cases (6 platform managers and 13 platform workers). Platform managers are important gate keepers for interviews on labour platforms, since back offices are fairly small and most workers are freelancers. We interviewed one platform manager from each case platform, who had been in contact with social partners, the government or participated in public debates. This person referred us to one further platform manager and a number of different platform workers (including young and old, Danish and foreign-born). Interviews were also conducted with 11 union representatives, 6 representatives from Danish employers’ associations and 9 government officials – including the Danish tax authorities. The interviews were triangulated with desk research of relevant collective agreements and policy documents. In total, we draw on 44 semi-structured interviews conducted between 2017 and 2019. All interviews focused on the challenges and possibilities experienced by the involved parties with regards to the emerging platform economy, the welfare system and the Danish ER model. Interviews with platform managers also included a number of questions on their approach towards collective bargaining. All interviews lasted between ½-1½ hours and were recorded and fully transcribed before analysis.

Our strategy of analysis is three-folded. First, we coded all interview transcripts to uncover dominant challenges and possibilities experienced by all the interviewed actors with regards to the platform economy. The results of this background analysis is presented in the first section. Secondly, we coded the interviews with the managers from the three selected case platforms for arguments on their choice of strategy towards collective bargaining. The result of this analysis is organized in three short case descriptions. Thirdly, we compared our three cases to identify factors
affecting platform strategies towards collective bargaining, which are presented in the last section and lead to our formulation of hypotheses for further studies.

4. Findings

4.1 The Danish platform economy and emerging regulatory challenges

The Danish platform economy remains limited in size with 1 per cent of all employed in Denmark have sold their labour via a labour platform (Ilsøe et al. 2021). This is similar to findings in other Western countries, where for instance 1 per cent in the US and 2.5 per cent in Sweden report the same (Farrell et al. 2019; SOU 2017). Most labour platforms in Denmark operate in sectors such as cleaning, transport and hotel and restaurants, where they comprise of both foreign-owned and local domestic platforms.

When digital platforms start-up or expand their business to Denmark, they find themselves in a CME characterised by a high degree of voluntarism with limited state intervention in important areas of the employment relationship, such as wage-setting, which is left exclusively up to the social partners. The union density (63%) and collective agreement coverage (84%) is comparatively high, but vary considerably across sectors with the Danish bargaining model being considerably weaker in private services such as industrial cleaning, hotels and restaurants than for example in transport (OECD, 2019). For workers not covered by collective agreements, there are statutory social rights, but these are less generous than the terms set out in most collective agreements. Considering the fact that most platform workers are freelancers and not covered by collective agreements, the online market is less regulated than the otherwise densely regulated Danish labour market (Soested and Munkholm 2018).
The Danish welfare state, characterized by its universal welfare services based on citizenship and limited means-testing, is also an important context for the Danish ER model and labour platforms (Esping-Andersen, 1999). Most welfare services are funded through a progressive income taxation system and various still taxes, where employers are legally obliged to register income tax for their employees to the Danish tax authorities (SKAT). Employers are also compelled to shoulder certain costs of social protection such as sick pay, leave entitlements, further training and occupational pensions, which often has been negotiated and agreed to through collective bargaining. Labour platforms facilitating freelancers may challenge these rules and practices as they abrogate the traditional employer responsibilities by leaving it to the individual platform worker to shoulder employee protection and report their taxable income to SKAT (Skattelovrådet 2019). Therefore, labour platforms have sparked much political debate.

The debates on digital platforms have evolved around tax payments, taxi regulations, competition rules, social protection, employment status of platform workers and the weak regulatory setting surrounding digital platforms. Lack of tax payments has especially attracted much attention and was also the main reason why the Danish Government agreed with the digital platform Airbnb to implement an automatic tax reporting, which is expected to happen in 2021 (Ettrup and Fink 2019). Indeed, many platform workers appear to struggle with correct tax reporting of their online income with more than 95 per cent of platform workers have reported their online income incorrectly (Ettrup and Fink 2019).
To deal with some of the challenges associated with digital platforms, the Danish government in close collaboration with unions and employer associations has initiated a series of tripartite responses like The Disruption Council (2017) and The Council on Sharing Economy (2019). However, wage and working conditions have, in line with the Danish voluntaristic regulatory approach, been subject primarily to collective bargaining, but often with very different responses by individual labour platforms, which we investigate further below.

4.2 Hilfr – negotiating a novel type of collective agreement to solve the tax issue

Hilfr is a Danish-owned cleaning platform founded as a site for freelancers in 2017. They facilitate cleaning in private households and have more than 2,000 customers and around 200 active workers across all major Danish cities. Hilf is the second largest player in the Danish market for online cleaning platforms.

In Spring 2018, Hilfr took the initiative to negotiate and sign a company agreement with the Danish trade union 3F that represents cleaners. Both negotiating parties were very pleased to announce the first Danish company-level agreement on a digital platform and one of the first in the world. The agreement was launched at a high-level conference in April 2018 with an opening speech by the former Danish Prime Minister. Negotiations took place simultaneously with a tripartite commission – the Disruption Council (2017-2019) - focusing among others on digital platforms.

The Hilfr agreement was a pilot agreement that the negotiating parties agreed to evaluate after one year. In Summer 2019, the parties started to renegotiate the agreement. Negotiations have been somewhat delayed by a verdict by The Danish Competition and Consumer Authority in August
26th 2020 that ruled against some of Hilfr’s managerial practices with regards to employees on the platform. The verdict identifies a lack of managerial instruction and hierarchy, and criticizes the fact that employees primarily carry the financial risk of their own work than the platform. Hilfr immediately changed their practice in accordance with the court ruling, which was recognized by the public authority. Since the first agreement, Hilfr has joined the employers’ organization The Confederation of Danish Industries (DI), and all involved parties are at the time of writing testing the grounds for developing a sector-level agreement.

The Hilfr agreement includes a number of novel elements. The agreement introduces a new category of workers – the so-called SuperHilfrs – which exists in parallel with the existing freelancers. After 100 hours of work, freelancers automatically become SuperHilfrs covered by the company agreement and gain employee status (unless they choose not to). SuperHilfrs receive a minimum hourly wage of €19 and accrue rights to pensions, holiday entitlements and sick pay. These rights mirror the content of the existing sector agreement covering the private industrial cleaning sector. Freelancers’ hourly wage is typically €17 which is topped with a ‘welfare supplement’ of €3 per hour. Both freelancers and SuperHilfrs can set their hourly wage higher than the minimum wage on their individual profile on the platform. The ability for SuperHilfrs to set their own price and to choose not to be covered by the agreement are novel features not previously seen in Danish collective agreements.

Interviews with the negotiating parties from Hilfr and 3F straight after signing the agreement demonstrated that especially Hilfr pushed for an agreement, whereas 3F initially was more hesitant to negotiate. The motivation for engaging in collective bargaining also differed between the
bargaining parties with 3F emphasizing the possibilities for securing not only hourly wages, but also important social benefits like pension and paid sick leave. Hilfr’s motivation was to demonstrate that it is possible to develop orderly conditions for cleaners working in private households – a sector that otherwise is dominated by undeclared work and low collective agreement coverage (Mailand and Larsen, 2020). It was a clear business strategy for Hilfr to differentiate themselves in the market for cleaning platforms as a socially responsible employer according to the Hilfr managers interviewed. Prior to signing the agreement, Hilfr struggled to recruit full-time cleaners and their freelancers often struggled to report their earnings to SKAT, as they are not reported automatically for freelancers. This often acted as a barrier for freelancers to take more gigs via Hilfr:

“Hilfr is very easy to use, but it is not easy to pay taxes, because you have to do it yourself. (...) If I could receive help on reporting (to SKAT – ed.), I would definitely clean more” (Freelancer, Hilfr).

To address the issues around taxation, Hilfr initially contacted SKAT with an offer to deliver income data for their freelancers, but this was refused by SKAT due to their lack of resources and competences. Therefore, Hilfr started to search for alternative solutions to resolve the tax issue where collective agreements were considered by Hilfr as a way forward for various reasons. Firstly, it would entail an automatic reporting to SKAT as Hilfr would have to attain employer status if engaging in collective bargaining and thus be responsible for reporting income and employment taxes to SKAT. Secondly, automatic reporting to SKAT would also ease customers’ ability to claim a statutory tax credit of up to 800€ (servicefradrag), when hiring cleaners in private
households. Therefore, platform workers and customers and in the end also Hilfr would gain from signing a collective agreement as it would ensure automatic reporting to SKAT and facilitate retention of workers and customers on the platform. Thus, signing a collective agreement would make Hilfr more attractive for customers and potential workers than other cleaning platforms, i.e. increase the market power of the platform (Grimshaw et al. 2019). Solving the tax issue and removing growth barriers were therefore the core motivation behind Hilfrs’ choice of negotiating a collective agreement. The negotiation of a collective agreement was reportedly a conscious and efficient market strategy: “Hilfr has positioned itself in the market as socially responsible compared to other platforms” (Manager, Hilfr).

The Hilfr agreement seemed relatively successful already after the first 6 months. In early 2019, more than a third of the cleaning jobs on Hilfr were provided by SuperHilfrs, although this share has slightly stagnated throughout 2019 and 2020. Furthermore, working as a SuperHilfr continues to be a part-time activity, which most platform workers combine with other cleaning jobs or study activities and typically for a limited period. The fact that most workers registered with Hilfr (also SuperHilfrs) are students followed by migrant workers looking for a fast way to find work may account for this.

4.3 Chabber – complying with existing EU and ER regulations to attract big clients

Chabber is a Danish-owned platform facilitating waiters, chefs and other service personnel for hotels, catering- and event companies and private events in Denmark and abroad. It was founded in 2016, and started as a platform for freelancers (so-called Chabbers) seeking gigs in hotels and restaurants. There are other platforms in Denmark facilitating gigs for private service companies
like for instance Meploy, but Chabber is the only one specialized in waiters and chefs. In early 2020, Chabber had more than 21,000 active workers and 1,200 customer companies in Denmark, Norway, Sweden and The Netherlands. The turnover on Chabber was hit hard by the corona crisis in 2020 due to the governments’ restrictions on hotels and restaurants. In 2021, Chabber was bought by the temp agency company Moment.

When Chabber launched its services, they found it easy to attract small hotels and restaurants often unorganized and not covered by collective agreements as well as private people as customers. However, Chabber struggled to attract the large hotels chains as clients and it was considered a major growth barrier according to the platform managers interviewed. Chabber had to transform their company into a clear cut ‘consumer to business’ model, if they wanted to scale up their business as a manager explained:

“We started as a classic freelance platform that only facilitated the contact. However, we met a lot of resistance from the employers’ organization. The unions were ready to talk, but the employers’ organization was reluctant to accept our business model, which held the big clients back. We concluded that it would be too difficult to change the system, so we decided to hire the workers as employees and deal with the potential consequences. We created a temp agency, and then we got a lot of customers.” (Manager, Chabber)

The large hotel chains are often member of the Danish employers’ association HORESTA, representing hotels and restaurants, and they did not approve of their members hiring workers operating in a grey zone, where working conditions, tax payments and employer responsibilities
were unclear. This was reportedly the very reason why Chabber changed their hiring practices in the beginning of 2017. Chabber decided to comply with the existing EU directive and ER regulations on Temporary Agency work \(^9\) and changed the employment status of all their workers from freelancers to temporary agency workers\(^x\) to ensure a faster growth of their business. According to EU’s directive, temporary agency workers are entitled to the same wage and working conditions as comparable workers at the client company. In other words, Chabber decided to give up some labour market power to increase their market power (Grimshaw et al. 2019).

Most large hotels and restaurants in Denmark are covered by sector agreements concluded between 3F and HORESTA\(^{xi}\). Therefore, this agreement’s working conditions typically apply. When Chabber decided to draw on the EU directive on Temporary Agency Work, they de facto decide to comply with this agreement. Also when the client company is not covered by an agreement, the workers from Chabber are entitled to similar wage and working conditions as the other workers due to the implementation of EU’s directive. It is the client company that determines the hourly wage and working conditions for each shift offered. However, there is a minimum wage floor of €16 per hour plus paid holiday entitlements. This wage floor was introduced by Chabber without involving the unions and mainly to avoid social dumping.

After Chabber changed their business model and started to recruit platform workers as temporary agency workers, the platform grew rapidly. In other words, their strategy seemed to work. By the end of 2017, they had 4,440 workers and 252 companies active on the platform and between 2017 and 2018, they secured investments from different investors\(^{xii}\). In 2019, they decided to expand their business to Norway, Sweden and The Netherlands, where they also hire their workers
according to the EU Directive on Temporary Agency Work (2008). The employee turnover on Chabber is relative high with each platform worker taking on average eight shifts before they exit. According to the interviewees, the typical platform workers are students and migrants that supplement their main sources of income with work through the platform, which may explain the high turnover rate.

4.4 Uber – rapid growth, avoidance and departure

Uber is a well-known American owned platform facilitating passenger transport worldwide. Uber Pop, which facilitates transportation gigs between private passengers and drivers (consumer to consumer business model), arrived in Denmark in 2014. Back then, it was the only platform for personal transport active in Denmark, and the platform grew relatively quickly. Only a year after its arrival, Uber Pop covered 15 per cent of the taxi rides in the Danish capital Copenhagen, indicating a relatively strong market power from the very beginning. Uber recruited especially foreign-born workers as drivers, where many had limited Danish language skills and therefore often struggled to find traditional jobs. However, Uber struggled with a series of court rulings, union campaigns and law changes during its time in Denmark. The transport sector, including the taxi industry is well-organised in Denmark, and Uber’s arrival to the market sparked protests due to issues like lack of tax payments and unfair competition. Therefore, Uber left Denmark again in 2017. At that time, Uber had around 2,000 drivers in Denmark.

The dialogue between unions and Uber has been sparse. Uber was not willing to engage in any direct negotiations and on the few occasions, where Danish Uber drivers met with the Uber management, but bargaining results were few. Uber had also limited contact with the Danish
employers’ associations mainly because Uber considered itself as a technology company that
provides an app to its ‘partner-drivers’ – not as an employer or even a transport company according
to the Uber management. This perception has been challenged by the European Court of Justice
(ECJ) (ECJ 2017).

The Danish unions interviewed complained about Uber’s unwillingness to comply with the Danish Taxi Act. The unions were also concerned about the wage differences between freelancers and regular wage earners within the transport sector. Uber drivers’ lack of social benefits to top of their earnings meant that their total wages were lower than the wages for taxi-drivers covered by sector-level collective agreements.

To increase awareness among the general public about the implications of Uber and other platforms facilitating freelancers, 3F - the union representing Danish taxi-drivers - launched a Facebook campaign in May-June 2016. The campaign had a character called Poul Uberman, who exemplified what it would mean for the Danish society and the individual worker, if everybody was employed on the same terms as the Uber-drivers and paid no taxes. Uber management has, however, been very straight with their drivers that they need to pay tax:

“We have from day one and at all the information meetings told the drivers that tax has to be paid and that they themselves are responsible for this” (Manager, Uber Denmark).

However, this has shown to be very difficult due to complex tax regulations, where Uber drivers have to pay income tax and at the same time are entitled to two types of tax exemptions. Uber
hired an accountant to assist their Uber-drivers with tax registration. However, the practical reporting of income and other important information for calculating the tax deductions (mileage reports etc.) is very time consuming for individual drivers, although SKAT has published pamphlets with clear guidelines on how to report income accrued from Uber and similar transport platforms[^xvi]. Therefore, most drivers rarely reported their income to SKAT and even fewer did so correctly with more than 99 per cent of the Uber drivers failing to report or incorrectly reported their income to SKAT[^xvii].

Uber has been involved in several court cases in Denmark. Most infringement cases around Uber were addressed as legal issues by the police (violations of the Danish Taxi Act) and resolved within the civil courts. In Denmark, taxi driving is only legal, if the driver and the vehicle has been approved for passenger transportation. Uber’s arrival speeded up an already existing political process of revising the Danish taxi legislation. In 2017, Danish politicians passed a new Taxi Act (2017)^[^xviii], and as a result Uber decided to exit the Danish market. It was especially the requirements of taximeters and seat sensors in all vehicles for personal transportation that Uber was unwilling to follow (Soested and Munkholm 2018).

5. Comparative analysis and discussion

Our in-depth case analyses of the platforms Hilfr, Chabber and Uber and their different strategies towards collective bargaining indicate that certain factors are highly important for choosing either negotiation, compliance or avoidance. All three platforms experienced challenges with regards to the Danish tax system, Chabber also experienced challenges with regards to the employers’ associations, and Uber also experienced challenges with the Danish unions and the law. However,
they dealt with these challenges in very different ways, which our case studies suggest can be explained by variation in (at least) four factors: initial growth rate, customer base, platform ownership and existing sector-level agreement, which we sum up below (Table 1).

### Table 1: Four factors impacting platform strategies towards collective bargaining

<table>
<thead>
<tr>
<th>Platform</th>
<th>Strategy towards collective bargaining</th>
<th>Initial growth rate</th>
<th>Customer base</th>
<th>Platform ownership</th>
<th>Existing sector-level agreement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hilfr</td>
<td>Negotiation</td>
<td>Low/medium</td>
<td>Consumers</td>
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<td>Compliance</td>
<td>Low/medium</td>
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</tr>
<tr>
<td>Uber</td>
<td>Avoidance</td>
<td>High</td>
<td>Consumers</td>
<td>American</td>
<td>Yes</td>
</tr>
</tbody>
</table>

The main reason Hilfr pushed for collective bargaining seems closely tied to their strategy to increase their market power (Grimshaw et al. 2019). During operations with their first business model, where they only facilitated freelance work, they experienced tensions with the Danish tax system, where practical issues for both platform workers and customers were difficult to resolve. Hence, negotiating a new form of collective agreement appeared to be a more viable solution for Hilfr than waiting for SKAT to develop new digital solutions. The weakly regulated setting combined with the absence of a sector-level agreement for cleaning in private households also seemed to pave the way for unions to engage in negotiating a company agreement. In sum, Hilfr saw a competitive advantage in active adjustments to the existing ER-model, as this would ease tax payments and remove growth barriers (Table 1). Such findings differ from studies of low-wage cleaning companies operating in the UK, which indicate that the ownership of Hilfr could play a role for their choice of strategy (Grimshaw et al. 2019). Interestingly, certain aspects of the
traditional managerial prerogative (for instance instruction) highlighted in much ER literature as a motivation for collective bargaining seem to be less prioritized by the platform (Sisson 1987).

Chabber primarily chose to comply with existing EU and ER regulations (including existing sector-level agreements) and hire workers as temporary agency workers to be a legitimate player on the market in the eyes of their potential larger clients. They chose to give up some labour market power and rely on existing sector-level agreements to increase their market power and scale up their business (Grimshaw et al. 2019). They may have given up more labour market power than Hilfr, since Hilfr through their negotiations had direct influence on the exact wage and working conditions. Chabbers’ change of business model seemed to deliver immediate effects on company growth and has been exported when Chabber entered new markets.

Uber enjoyed a rapid initial growth, but was also faced with a series of challenges when they entered the Danish labour market. They decided to stick to their perception of themselves as a technology company and refused to attain employer status. This contributed to a path of legal issues with politicians and judges on company law issues instead of negotiations with for instance unions on labour issues. Although Uber experienced similar challenges as Hilfr and Chabber (on for instance the tax issue), they opted for a very different strategy. Uber chose not to utilise the existing regulatory framework and avoided collective bargaining. A combination of high initial growth rates, consumers as customer base and foreign ownership (US) may account for this. Furthermore, Uber is a multinational company active in many markets, which means that they can more easily choose the exit option in CMEs and thus focus on their existing markets in LMEs – notably if operating in CMEs such as Denmark proves difficult or clashes with their fundamental
values (Streeck 1997; Edwards et al. 2013). Uber’s business model did not seem to depend on initial adaption, which is very different from platforms such as Chabber that also wanted to expand into new or different markets. Also, the existence of an extensive sector-level agreement in the transport sector may have left limited room for experimental negotiation for a new agreement as in the case of Hilfr.

Our findings allow us to formulate a number of informed hypotheses on collective bargaining strategies among labour platforms to be tested in further research.

*Platform strategies depend on the initial growth rate:* Lower initial growth rates seem to facilitate various forms of collective bargaining (negotiation and compliance), whereas higher initial growth rates appear to relate to choosing avoidance. Here, we add to existing discussions within the ER literature, as we suggest that the market power of the platform may play an important role in shaping platform strategies towards collective bargaining (Grimshaw et al. 2019).

*Platform strategies depend on their potential customer base:* Recent studies highlight that many platforms target private consumers as customers and that this impact their choices (Culpepper and Thelen 2020). We add to this literature by demonstrating that customer bases differ between platforms and can change over time, which may impact their approach towards collective bargaining. When platforms target companies as their customer base as in the case of Chabber, the regulatory framework seems to have a greater impact on the market power of platforms and in line with our expectations appear to influence platform strategies.
Platform strategies depend on platform ownership: Uber is an American-owned multinational company and managed from abroad, which supply local management in Denmark with a different room for maneuver than managers from local start-ups like Hilfr. Following the VoC literature, we should expect companies to choose similar strategies when operating within the same regulatory model, i.e. the CME in Denmark, or at least within similar sectors (Hall and Soskice 2001; Katz and Darbishire 2000). However, Danish platforms seem to more easily adapt their business model and perhaps also spot more potentials in negotiation and compliance processes than foreign players less accustomed to the Danish bargaining traditions. In addition, large multinational companies are active in several markets, which means they can shop between different regulatory regimes and more easily choose the exit option (Streeck 1997; Edwards et al. 2013). Here, we add to the VoC literature by underlining the importance of whether platforms are large companies from LME or start-ups from CME, when it comes to platform strategies.

Platform strategies depend on existing sector-level agreements: In line with VoC literature, we find that platforms strategies interacts with the national regulatory context (Hall and Soskice 2001). However, contrary to what some might expect, this seems to unfold differently depending on whether a sector-level agreement is present in the sector, where the platform operates. An existing sector-level agreement seems to facilitate choices of compliance, whereas the absence of a sector-level agreement may leave more room for choices of negotiation as seen in the case of Hilfr.

Finally, our findings call for further research into the dynamics between the ER-model, the welfare state arrangements and platform strategies. Our findings suggest that an important driver pushing
labour platforms to conform to the Danish ER model may not per se be the ER model, but rather the challenges emerging from interacting with the welfare state. The Danish progressive tax system seems especially to influence platforms’ market power; Labour platforms are not legally obliged to report taxable income for freelancers. When platforms offer to do so voluntarily, the Danish tax authorities lack resources and competences to receive and utilize such digital data. Freelance platform workers are legally obliged to report their own income, but many fail to do so correctly due to highly complex rules. Customers on labour platforms may miss tax exemption options. As long as the tax issue remains unsettled, labour platforms may be keener to use collective bargaining as an instrument to secure growth, recruitment and retention of workers and attract customers.

6. Conclusion

The emergence of labour platforms has raised debates with regards to regulating the online market and inspired research of regulatory initiatives world-wide. Most studies explore the role of unions and policy makers in regulating the online market, while our locus - the employer perspective - is less researched (Vandaele, 2018; Johnston and Land-Kazlauskas 2018). Our conclusion emphasizes two main findings from our analysis.

Firstly, labour platforms can be the main initiators of collective bargaining. Contrary to what has been expected by many, it can be a conscious strategy not only for unions, but also for labour platforms to address their counterpart and take up negotiations (Prassl, 2018; Slothuus 2019). For Hilfr, the collective bargaining strategy was motivated by an opportunity to increase their initial growth. Here, we add to exiting ER theory by suggesting that market power could be one of the main drivers for platform strategies towards collective bargaining, whereas drivers found among
traditional companies like securing managerial instructions etc. seem to play less of a role (Grimshaw et al. 2019; Sisson 1987). Other important factors seems to be the customer base, platform ownership and existing sector-level agreements.

Secondly, the Danish welfare arrangements and densely regulated labour markets may push labour platforms from weakly online markets in the direction of regulated labour markets. Our findings suggest that the proactive platform strategies towards collective bargaining may be closely tied the wider regulatory framework and speaks into not only the VoC literature, but also into a long history of studies demonstrating a path dependent development of the Nordic models even in times of exogenous shocks like financial crises and digital platforms (Esping-Andersen, 1999; Campbell et al. 2006; Pierson 2004). The Danish ER-model includes institutions at micro (company) and meso (sector) levels that may enable platforms to adapt faster than via macro-level welfare institutions such as taxation laws. The Danish ER-model appears to be an instrument used to deal with challenges and adapt rapidly to notably the welfare state, when new business models like labour platforms seek to grow and attract workers and customers.

Since our study is explorative with a limited number of cases, we cannot generalize our findings, but rather inform the formulation of hypotheses, which should be tested in future studies. Such studies are relevant for examining the impact of the regulatory setting and may in line with our findings test the widespread notion that digital platforms per se reinforce the neoliberal tendencies and lead to the weakening of labour’s discretion over wage and working conditions and thus increase labour market dualisation in both CMEs and LMEs (Baccaro and Howell, 2017; Wood et al. 2019). Studies of employers’ willingness to give up labour market power in exchange for
market power in the UK echo such notions (Grimshaw et al. 2019). Our case studies also imply that several company-specific factors influence platforms’ choice of strategy in relation to collective bargaining. This call for further comparative research into how market power, customer base etc. may impact platforms’ choice of strategy across distinct regulatory settings.
References


Benassi, C (2016) Liberalization only at the margins? BJIR, 54(3): 597-622


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i Interviews were conducted as part of two research projects on the platform economy in Denmark: *IRSDACE*, funded by the European Commission and The Digital Economy at Work, funded by the Velux Foundations.


iii [https://www.regeringen.dk/media/6332/regeringen_disruptionraadet_uk_web.pdf](https://www.regeringen.dk/media/6332/regeringen_disruptionraadet_uk_web.pdf)

iv [https://www.3f.dk/fagforening/fag/rengeeringsassistent-(privatansat)/overenskomsten-hilfr](https://www.3f.dk/fagforening/fag/rengeeringsassistent-(privatansat)/overenskomsten-hilfr)

v [https://www.kfst.dk/media/qq5hoinx/20200826-minimumspriser-p%C3%A5-hilfrs-platform.pdf](https://www.kfst.dk/media/qq5hoinx/20200826-minimumspriser-p%C3%A5-hilfrs-platform.pdf)


vii [https://www.regeringen.dk/media/6332/regeringen_disruptionraadet_uk_web.pdf](https://www.regeringen.dk/media/6332/regeringen_disruptionraadet_uk_web.pdf)


x [http://www.x.mu.st/case/3f-uberman/](http://www.x.mu.st/case/3f-uberman/)

xi [https://www.horesta.dk/media/2168/hotel_fast290517_final.pdf](https://www.horesta.dk/media/2168/hotel_fast290517_final.pdf)

xii In 2018, they bought an established temp work agency, KTB, and they received an Innobooster Grant from the Danish government.

xiii An example was in October 2016, where some Danish Uber-drivers protested against Uber’s 16 percent price reduction. Uber management arranged a meeting with the Uber drivers, but the involved parties were unable to reach agreement.

xiv The exception is Uber’s software development department in Aarhus, which is member of The Confederation of Danish Industry (DI) and The Danish Chamber of Commerce (DE).


xvi [https://www.3f.dk/fagforening/fag/rengeeringsassistent-(privatansat)/overenskomsten-hilfr](https://www.3f.dk/fagforening/fag/rengeeringsassistent-(privatansat)/overenskomsten-hilfr)

xvii The Taxi Act affirms that the taxi-driver must have a license, that the driver’s car has a meter, and that the seats can register passengers.