

Working Title:

Digital Capitalism without Firms? Consequences for the Organization and Regulation of Work from an Employment Systems Perspective

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Traditional employment contracts as established and institutionalized in most of Western-Europe since the second half of the 20th century are under attack. In “A Theory of Employment Systems” David Marsden (1999) addressed the international differences in the organization of work and employment relations rooted firmly in Coase’s “theory of the firm”. Moreover, he developed a framework that enabled a better understanding of how conflict and opportunistic behavior between employers and workers can be constrained and how economic cooperation is possible despite divergent needs (Marsden, 2004; 1999). Since the beginning of 2000, new types of communication and information technologies have paved the way for the formation of new markets and new business models, thus contributing to the emergence of a new digital economy known as the platform economy (Srnicsek, 2017). Digital platforms are therefore referred to as the dominant organizational form of the 21st century (Davis, 2016; Davis & DeWitt, 2021; Gawer, 2022; Kenney & Zysman, 2016). In this context, the platform economy is not only revolutionizing business models and value chains, but is also changing the organization of labor relations (Ellmer et al., 2019; Kirchner & Schüßler, 2019). Digital platforms refuse to be seen as employers and rather identify themselves as enablers of transactions, although recent legal initiatives, e.g. at EU level, increasingly push back on this interpretation. The organization of work via platforms breaks with traditional forms of work and employment, as it replaces the long-term employer-employee model with a short-term contract relationship (Hoose et al., 2019). Davis and Sinha (2021) speak of the decline of the corporation – i.e. the firm – in a process of *Uberization*.

This development has extensive consequences for those who work as self-employed workers completing assignments online. Platform workers are excluded from employee protections and therefore often have to work under precarious conditions (De Stefano, 2016; Weil, 2017). Marsden (1999) identified two ways, task-centered and function-/procedure-centered, of effectively organizing transactions between employers and workers to protect both from

opportunism and constrain conflict. The way in which digital labor platforms organize tasks and their completion emphasizes enforcement through the task-centered approach. This development raises questions regarding the position of platform workers and the extent to which digital labor platforms generate benefits from the task-centered organization of employment transactions. Marsden (2004) attributes the success of the classical employment relationship to the three types of contracts: psychological expectations, performance incentives and a legal framework. In this conceptual paper, we want to address the effect of digital labor platforms on these three dimensions. We aim to elucidate how digital labor platforms affect employment relationships and challenge existing employment systems in different professional fields (Yao, 2019). While an increasing number of studies has looked at different aspect of platform work, such as algorithmic management (e.g. Cameron & Rahman, 2022; Christin, 2017), voice and resistance (e.g. Gegenhuber et al., 2021; Wood et al., 2019) or flexibility and inequality (e.g. Cansoy et al., 2021), we lack an integrated understanding of the kinds of employment or work system created by platforms, particularly regarding their institutional embeddedness. Based on the analytical work of David Marsden on firm-based employment systems and extensions on network-based multi-employer relationships (Marsden, 2004; Rubery et al., 2003), we ask: *How do digital labor platforms change institutionalized employment systems? What elements of the employment relationship do they challenge and how? How do digital labor platforms contribute to the emergence of alternative work and employment systems outside of the formal employment contract, and with what consequences for the organization and regulation of work?*

In general, digital labor platforms mediate between workers and consumers who place orders or search for services on platforms (Howcroft & Bergvall-Kareborn, 2019; Kenney & Zysman, 2016). Digital labor platforms promise lower-entry barriers into the labor market, as well as increased autonomy and flexibility in terms of work assignments and working time arrangements (Bauer & Gegenhuber, 2015). Under the slogan of the "sharing economy", many digital labor platforms present themselves as offering opportunities of participation, though these narratives are contested (Schüßler et al., 2021). Moreover, the platforms' exercised algorithmic control, algorithm-based discrimination, and a lack of co-determination opportunities documented in prior research (e.g. Kornberger et al., 2017; Kirchner & Schüßler, 2019) stand in stark contrast to the image promoted by the platforms themselves. This flexibility and autonomy narrative is opposed by the non-negotiable, contractual relationship between the platform and its users, which is based on unilateral agreements presented in the form of detailed terms and conditions and must be accepted by participants (Dolata & Schrape, 2023). Platforms exert control over work processes via digital infrastructures, centralize power over critical decisions (e.g. via price setting and task allocation) and use algorithms, ratings, and reputation systems to manifest these power asymmetries (Attwood-Charles, 2019; Kornberger et al. 2017). The field of platform work is highly heterogeneous, ranging from lucrative side jobs to exploitative employment arrangements. Through a series of strikes, court cases, and policy initiatives, initial improvements for platform workers have been achieved. However, these mostly concern the area of so-called location-based "gig work" (e.g. Uber drivers) and not "cloud work", which refers to digital-only platform work (e.g. Amazon Mechanical Turk).

In this paper, we draw on our own as well as others' empirical research on (skilled) cloudworkers performing tasks as freelancers on digital labor platforms and unions' organizing efforts for platform work in Germany and Austria to analyze and sketch out elements of an employment systems perspective on platform work. Linking to extant regulatory debates, particularly on an EU level regarding the classification of platform-based work, we aim to contribute to the revitalization of Marsden's theory of employment systems in the digital age marked by a changing role of firms at the center of employment relationships.

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