

Livelihood futures in the digital economy

Anita Gurumurthy, IT for Change

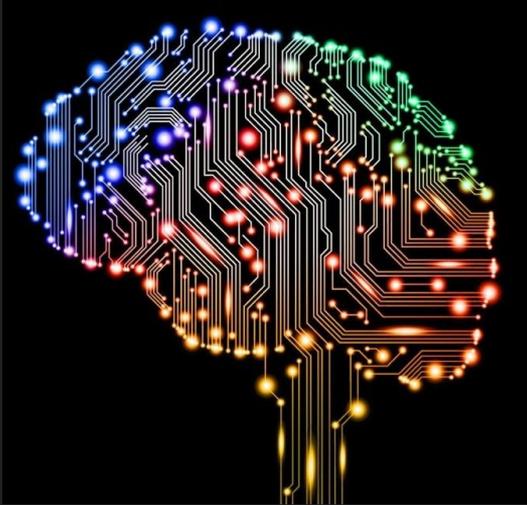
International Conference on Universal Social Protection and Labour

5 April 2019

Part 1

What is happening to
economic value in the digital
paradigm?

1.1 Platformisation of the economy

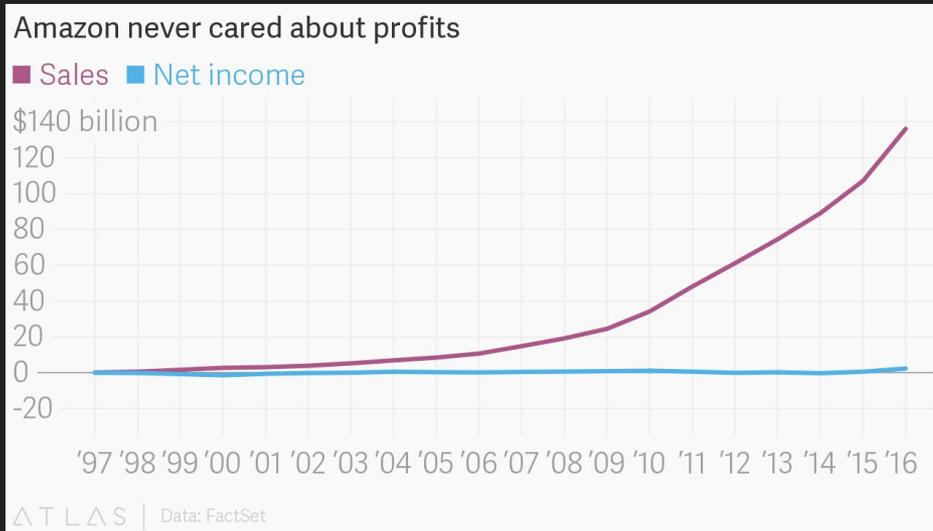


- From economies of scale to economies of intelligence, through data and data-based intelligence
- Using network effects and algorithmic power – platforms reap “intelligence premium”
- Platforms work through value networks - (vertical-agnostic) connections between individuals, groups and nodes across different segments of the economic ecosystem, fashioning new geographies of production, distribution and market exchange over which they have centralised, monopoly control

1.2 How platformisation transforms the production and distribution of economic value:

Case study of Amazon

The platform business model



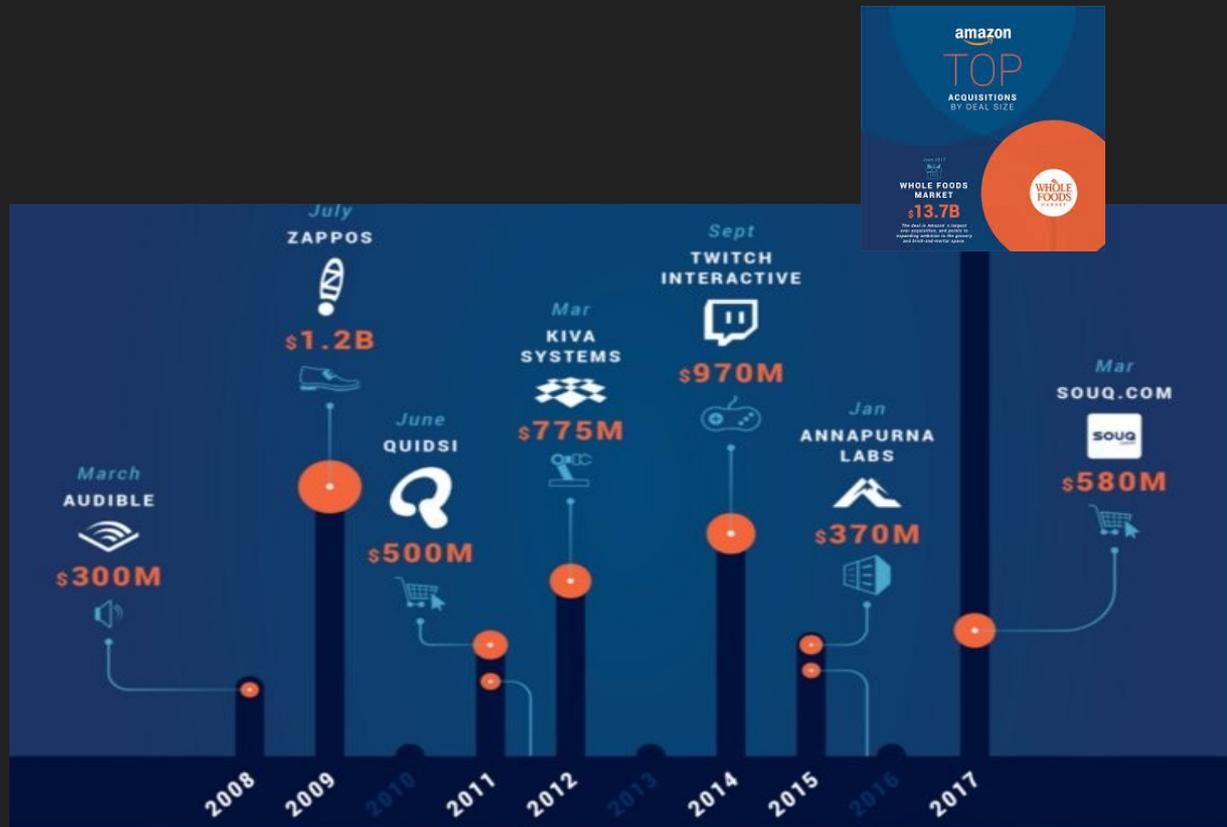
- The business model of Amazon is not just the creation of a digital marketplace; it is about building and controlling a hold-all platform infrastructure outside which no e-commerce can take place.
- The end-game is not short term profit, but long term monopoly rent

The platform business model (cont)

- Strategy 1. Involvement in multiple, unrelated business lines through strategic re-investment and acquisition

In addition to being a retailer, Amazon is a marketing platform, a delivery and logistics network, a payment service, a credit lender, an auction house, a major book publisher, a producer of television and films, a fashion designer, a hardware manufacturer, and a leading provider of cloudserver space and computing power.

Amazon's biggest acquisitions - a snapshot



The platform business model (contd.)

Strategy 2. Use of data and digital intelligence capabilities generated as part of one layer of business to strengthen another

- Market place as laboratory - Product and sales data from platform marketplace used by Amazon to launch its own private labels that undercut third party sellers.
- Internal logistics management system re-fashioned as AWS platform providing “intelligence as a service” to retailers and small businesses. **Today, AWS is the highest contributor to Amazon’s operational income.**
- By leveraging data mining to launch Alexa-compatible products, the long term objective is to create a closed smart home ecosystem that consumers will never leave.

1.3 Impacts on value distribution

The U.S. economy has become less entrepreneurial.

Number of new businesses created each year:



Source: "The decline of American entrepreneurship — in five charts," J.D. Hamison, Washington Post, Feb. 12, 2015 (citing analysis from the Kauffman Foundation)

Amazon's Net Job Impact in the U.S. 

Full-time, part-time, and temporary employees on Amazon's payroll in the U.S. **145,800**

Displaced jobs at brick-and-mortar stores **-294,574**

-148,774

Net job losses at the end of 2015

Impacts on value distribution



“ Hawkers fill the last mile for sale of small products, connecting small producers and farmers to middle and working class consumers. With their micro-reach with data, Walmart and Amazon will also sweep up this link and render millions jobless and reduce consumer choice”

- Shaktiman Ghosh, General Secretary, National Hawkers Federation, India

Impacts on value distribution



“Amazon is like the Guppy fish in the pond. It will bide its time and swallow up everything until no one else is left. While we hope to have made a small margin at the end of each day, the platform cares only about turnover. Doesn't matter if it is running on losses.”

- Woman street vendor at a public consultation on the impacts of e-commerce hyper-liberalisation, December 2018, Bengaluru, India

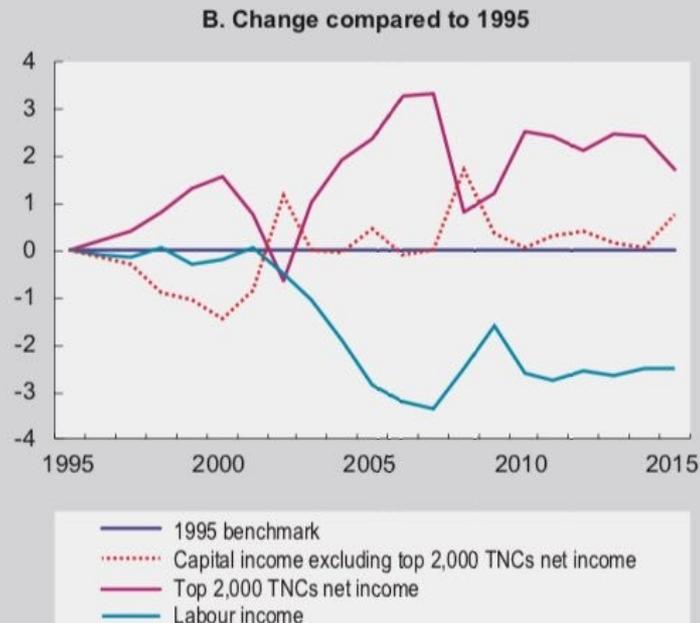
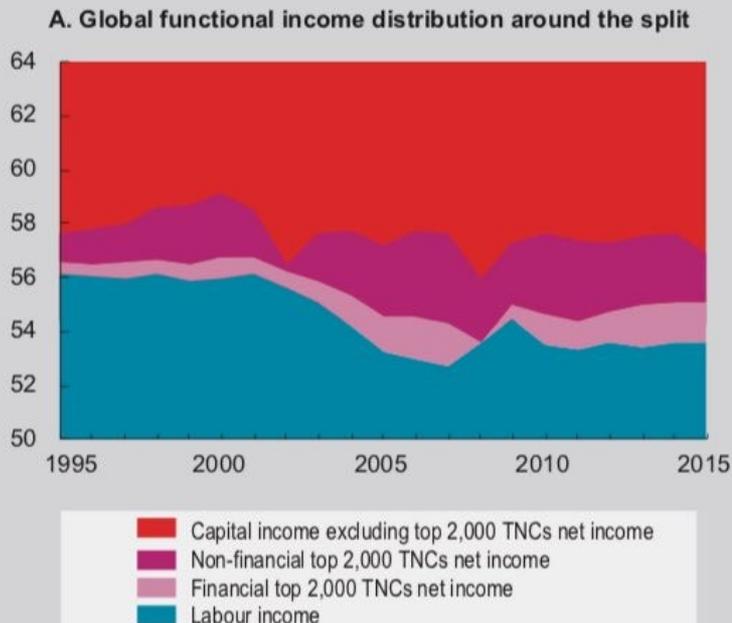
Impacts on value distribution

- Agriculture expropriation of data from farmer producers in the global South to aid financial intermediaries and agricultural TNCs
- Tourism and travel - Trip advisor on-boarding home-stays on terms that are unfair
- On-demand service work - Evidence from ILO on how labour platforms corner the lion's share of value

1.4 So, what's happening to economic value in the digital paradigm?

Consolidation, labour's share of income, inequality

FIGURE 2.14 Top 2,000 TNCs profit and the global labour income share, 1995–2015
(Percentage of world gross product)



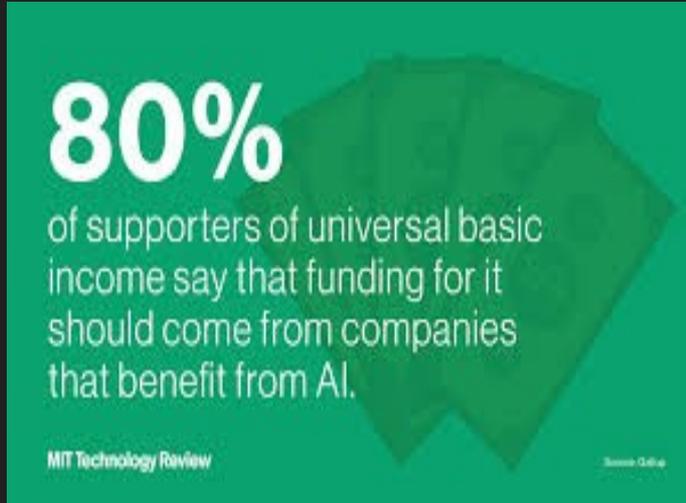
- Pervasive platformisation through lock-ins of data and digital intelligence facilitates increasing economic concentration and unequal distribution of economic value.
- This expropriation primarily benefits US and Chinese platform companies who have enclosed and captured these global value networks and are engaged in a “brutal and sophisticated” regime of extraction that squeezes the livelihoods of the most marginalised.
- We face a crisis of value -- this is often sidestepped in mainstream discussions on the future of work and labour

- A new model of production and circulation of value is emerging in the economy, one in which platforms are a post-market phenomenon defining market exchange.
- Platforms continuously evaluate, incessantly calibrate and relentlessly expand the economic ecosystems they control (through protocol power and venture-capital based financialisation)
- Existing economic value is cornered by digital intelligence-aided enclosure of production and market ecosystems - a platform is not generative, what it corners is monopoly rent (Langley and Leshon 2016)

Part 2

What do we need to do to safeguard labour futures in this new paradigm?

2.1 Labour protection – necessary, but only ameliorative



- Extending universal social protection (eg. new proposals for Universal Basic Income)
- Enhancing state investment in care infrastructure and social support services

2.2 Holding transnational digital corporations accountable

- Updating labour legislation so that minimum wages, worker protection etc can still apply to the changing context of work (Eg. ITU's new proposal of classifying platform workers as "dependent contractors" rather than "independent contractors")
- Creating new labour standards to hold gig work companies accountable. (Eg. Fair Work Foundation)
- Updating laws on anti-competitive and anti-trust practices
- Taxation of digital companies, bringing back ideas of wealth tax to address the rise of a global elite

2.3 New frameworks for data access and use

- Forcing Big Tech to share data for national development
- Laws that bring big platforms under the purview of information transparency – to scrutinise algorithmic decisions
- Nascent industry protection for digital sector - moving towards the next industrial revolution, developing countries need to safeguard their interests in data localisation, access to source code etc. in trade negotiations
- Global governance mechanisms for data rights

2.4 National policies to communitise data value

- Value maldistribution can be corrected only if producers and workers and meso level organisations supporting them can control platform and data infrastructure, and leverage this for digital intelligence in ways that benefit them. Example: Ek Gaon India, Coop - New York
- For such initiatives to be scalable and replicable, governments must create a supporting national environment for a data commons and public digital infrastructure
 - national data marketplaces that can be accessed by meso-level organisations
 - data for development strategies that focus on sovereign control of domestic data resources (Senegal)
 - alternative public platform models – small farmers, artisans etc.

Thank you!

www.ITforChange.net