

COOPERATE TO FUTUREPROOF FREELANCERS

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ABSTRACT

There is increasing interest in the gig economy and its popularity as a viable career profession, especially among the youth. However, at the same time, there is indifference by the youth to joining cooperatives in Malaysia, and if left unchecked, it may lead to its eventual demise. This concept paper proposes attracting youth participation in cooperatives by remodelling platform cooperatives to protect and promote the interests of freelancers. Utilising secondary data from the Malaysian Cooperative Societies Commission Survey in 2018, the co-operators' age composition reveals the need for more youth involvement. In conclusion, cooperatives can futureproof freelancers' fate, which in turn offers much-needed youth reinvigoration to the cooperative sector. Equally important, as the gig workers' labour force will only grow further, the author recommends safeguarding their interests through freelancer cooperatives as the key to a sustainable gig economy.

Keywords: *Cooperatives, gig economy, freelancers, youth, platform cooperatives*

INTRODUCTION

Even before the advent of COVID-19, our youths were increasingly tilting towards work in the gig economy - independent freelancers who value the freedom of not being tied up to the rigours of employment. They love the idea of working with others instead of for others; non-hierarchical relationships; being autonomous, free and equal; self-determination and control of their own work life.

The International Labour Organization (ILO) defines gig workers as: “often labour independently, in isolation, over geographically expansive areas, and in direct competition with one another, hence are often classified as independent contractors.” Freelancing work is often short-term or task-based, with a higher presence in online labour platforms.

Deemed profoundly liberating, Generation Z (Gen Z) fresh graduates are increasingly becoming freelancers by choice. As a result, up to 36% (59 million people) of the workforce in the United States of America (USA) alone comprises full-time freelancers (Ozimek, 2020). According to a 2020 survey by Statista, 50 per cent of Gen Z respondents (between the ages of 18 and 22) reported participating in freelance work. By comparison and not far behind, 44 per cent of Millennials (Gen Y) are freelancers. These include architects, copywriters, graphic designers, makeup artists, photographers, engineers and even janitors.

Similar to the United States, the number of gig workers in Malaysia is equally substantial. The Malaysian Department of Statistics reveals that 26 per cent of our labour force is in the informal sector - the self-employed and temporary job workers. This figure accounts for almost four million people identified as own-account workers (freelancers). From this total, Foodpanda and GrabFood have a combined 23,000 food riders in the Klang Valley alone in 2019, while 160,000 freelancers as e-hailing drivers.

It is worth noting that the recent COVID-19 pandemic has forced many rather unwillingly into freelancing - some losing jobs from piloting aeroplanes and turning to driving micro-transit vehicles. According to World Bank's Malaysia Economic Monitor, this trend will likely continue in the near term even as we enter full economic recovery. It adds, however, that the changing world of work raises the need for a more enhanced social protection system in Malaysia. This advice is due to the fact that freelancers have limited protection under existing

labour laws. Unregulated earnings, uncertainty, informality and a lack of grievance mechanisms are some of the most problematic concerns. Considering the massive number of freelancers in Malaysia and with their interests at heart, what are some of the efforts they can take to protect themselves?

LITERATURE REVIEW

Cooperatives for Freelancers

One way is to help them organise themselves into cooperatives. Grouping together not only brings like-minded people together but also allows them the collective capacity to bid for larger contracts. Bunders, Arets, Frenken, & De Moor (2022) concluded on the basis of a feasibility analysis, platform cooperatives that organise taxi rides and professional jobs are more likely to overcome common business challenges.

Zhu & Marjanovic (2021) in summarising current literature on platform cooperatives, found our understanding of the social and other benefits of platform cooperatives has been limited by the lack of research attention on the subject. They concluded, however, that analysis of the key publications reveals the high potential of platform cooperatives as a more ethical and fairer alternative to platform capitalism that creates value for their members/co-owners, while creating value for society.

Similarly, Mannan & Pek (2021) articulates research and practice have tended to over-glorify corporate forms of sharing platforms and have primarily neglected their cooperative peers, resulting in its inherent underdevelopment. Though still in a nascent stage, they demonstrate several typologies of platform cooperatives that may overcome the limitations of their corporate counterpart while offering significant social and environmental benefits.

Under the cooperative umbrella, invoices can be issued and being freelancers, there is only a minimal administrative cost to be shared equally. Continuous professional development and training can be easily organised and will be crucial to staying ahead of the curve. Through the cooperative, they can lower these expenses when arranged as a group, and potentially later on, as they excel, even charge fees as training providers. Freelancers stand to gain dual-income, both from hourly salaries and profits the cooperative generates.

One success story is the Swindon Music Cooperative, established over 20 years ago; it has grown to more than 50 teachers. The cooperative provides instrumental and singing lessons to more than 1,400 pupils in over 70 local primary and secondary schools. One of the reasons for the success of the cooperative is that it is a cost-effective way of delivering instrumental and vocal tuition. The cooperative work in partnership with local schools to attract students, and this helps their freelance teachers secure stable and long-term contracts directly with parents. As their workforce is fully self-employed, the cooperative has low overhead costs, allowing them to charge affordable rates. Based on hours worked, the cooperative issues monthly payslips to their members critically, without which, they could not secure housing loans from banks.

Unlike traditional corporations, where the biggest shareholder will have the biggest voting power, cooperatives empower each and every member equally with the one-member-one-vote principle. This difference facilitates a democratic style of management that is more in line with freelancers' need to be free from control. A cooperative is best suited to fulfilling their interests collectively as a group, as all members are expected to participate and share the responsibility of running the organisation. Notably, through cooperatives, they may enjoy various support from the government in the form of a five-year tax exemption (extendable after the fifth year if members' funds are less than RM750,000), soft loans (interest chargeable at four per cent), grants (typically RM20,000 and below) and free of charge training at the Cooperative Institute of Malaysia (soon to be Cooperative University).

METHODOLOGY

The cooperative dilemma in Malaysia

This concept paper explores the viability of solving the cooperative membership renewal problem via remodelling of platform cooperatives for gig workers in Malaysia. Using recognised management tools such as PESTEL and SWOT analyses, the complementing and completing elements between cooperatives and freelancers are underscored. With permission, the author analyses secondary data attained from Malaysia Co-operative Societies Commission (MCSC) survey on co-operators in 2018 and establishes the need to attract and sustain youth interest in cooperatives, for their long-term survival.

Cooperatives in Malaysia, in terms of membership renewal, are facing extinction. The number of active co-operators over the years has been declining. To make matters worse, a good majority of those still active are well above 40 years old. If left unchecked without regeneration, the number of cooperative members will continue to slide off the cliff. To be able to compete in today’s dog-eat-dog business environment, cooperatives must remodel to gain competitive advantages.

A review of the cooperative sector through a PESTEL analysis highlights the external environment in which cooperatives operate in Malaysia and provides insights into how remodeling cooperatives may cater for the needs of gig workers.¹

Table 1: Cooperative sector PESTEL analysis

Political	Economic
<ul style="list-style-type: none"> ➤ Cooperative leadership dominated by Baby Boomers & Gen X. ➤ National Cooperative Policy Framework. ➤ ANGKASA is the apex cooperative representing all cooperatives at the national and international level. 	<ul style="list-style-type: none"> ➤ Heavily reliant on the financial services sector, specifically personal loans (87%) ➤ 88% are in the small capital category (<RM100,000) ➤ A large number of cooperatives operate in schools with limited capacities.
Social	Technological
<ul style="list-style-type: none"> ➤ A closely-knit group, especially in family type, women, farming and peer-based cooperatives. ➤ Inadequate awareness of cooperatives by the Gen Y and Gen Z generation. 	<ul style="list-style-type: none"> ➤ Small presence in cutting-edge technology-based industries. ➤ Typically, laggards in technological adoption.
Environmental	Legal

¹ Based on input attained from the author’s appointment as *reference expert* and subsequent involvement in MCSC’s special workshop held from 23rd - 24th October 2017 in Concorde Hotel, Shah Alam, Malaysia.

<ul style="list-style-type: none"> ➤ Limited association with environmental concerns. 	<ul style="list-style-type: none"> ➤ Cooperative bylaws are rigid and heavily regulated by MCSC. ➤ A limited number of cooperative lawyers.
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Building from the cooperative sector overview, a SWOT Analysis outlines cooperatives' internal strengths and weaknesses and their external opportunities and threats. This exercise highlights the potential of matching platform cooperatives and youth freelancers to complement and complete each sector's challenges.¹

Table 2: Cooperative sector SWOT analysis

Strengths	Weaknesses
<ul style="list-style-type: none"> ➤ Strong support from the government. ➤ The large asset base of RM143 billion. ➤ Competitive edge in financial services, agriculture and real estate. 	<ul style="list-style-type: none"> ➤ Shrinking membership base. ➤ Unclear competitive advantage. ➤ Rigid cooperative bylaws.
Opportunities	Threats
<ul style="list-style-type: none"> ➤ Social media presence to boost its attractiveness. ➤ Cooperative models as a social enterprise can fulfil specific economic voids where other business forms could not. ➤ The gig industry is gaining traction among youth but without any form of sustainable organisation. 	<ul style="list-style-type: none"> ➤ Other business models such as enterprises or companies are faster and cheaper to establish. ➤ Sluggish response to rapidly changing economic landscape.

The sustainability of the cooperative sector is highly dependent on its members' regeneration rate. A key question on this issue needs to be answered succinctly. Is there a youth disinterest in joining cooperatives? Comparing the number of cooperatives and their members from 2014 to 2018 attained from MCSC, it is plain to see that these two variables are on opposite trends.

The number of cooperatives increased by 20%, from 11,871 cooperatives in 2014 to 14,247 cooperatives in 2018. Concurrently, however, the number of co-operators has shrunk by 18%, from 7.4 million people in 2014 to just over 6 million people in 2018.

This vast reduction raises important questions with valuable answers of strategic value to the future of cooperatives in Malaysia. In the past 40 years, the mortality rate in Malaysia has remained constant, between 29-32 deaths per 100 population. According to knoema.com, a terse preliminary observation of these opposing trends may suggest that people are not as interested in joining cooperatives as they used to be before.

MCSC's survey done in 2018 to develop the Malaysian Cooperative Movement Index (MCMI) allows a peek into the age composition of current co-operators in Malaysia. The author has been privileged to have access to this information by virtue of his appointment as a subject matter expert by MCSC for MCMI. The results of the survey of 4,955 members (Figure 1) disclose that 57% of members are aged in the two age groups between 31-50 years old. In contrast, the youth age group under 30 years old (based on Malaysia's redefinition in July 2019) represents only 14% of the co-operators sample.

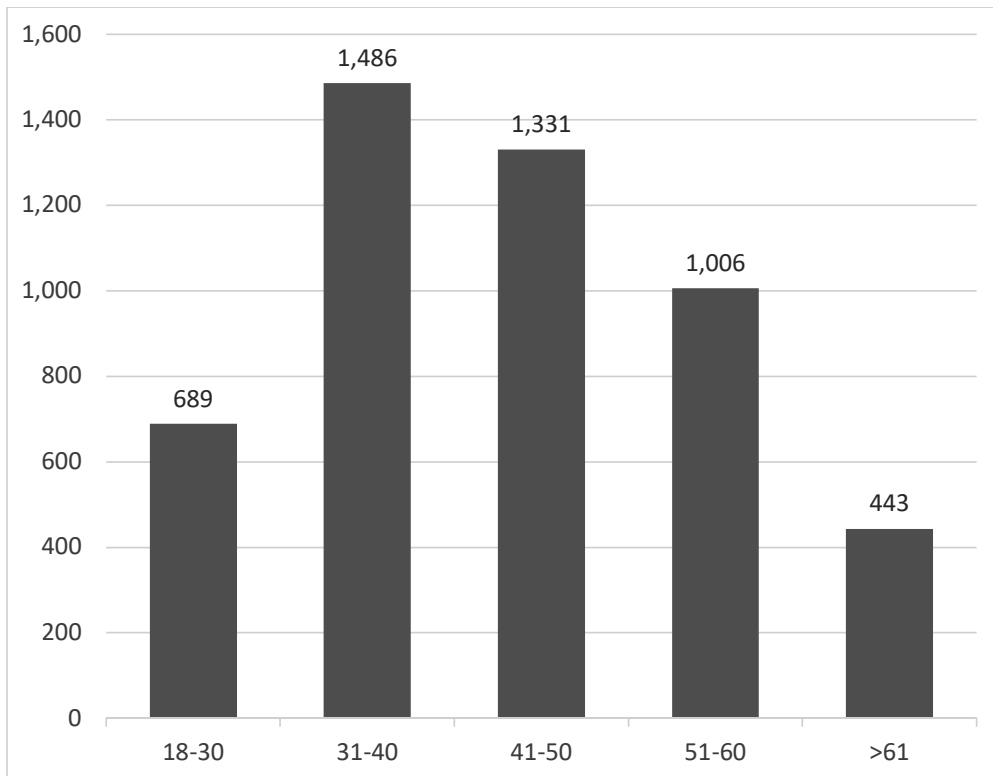


Figure 1: Cooperators composition by age

As the under 30 age group is only fourth topmost among all five age groups, this suggests youths, in particular, have not been keen to join cooperatives. As youths still have a sizeable composition in Malaysia, the country's demographics are clearly at odds with the demographic of co-operators that are skewed more towards older generations, whereby the above 40 years age group sums up to 55% of all members. This fact is even more apparent when we factor in the statistic that Malaysia's median age of 29.6 years is still in the youth age group based on the Department of Statistics estimate for 2021.

Moreover, anyone who has ever been to any cooperatives events can visibly see that youths are clearly under-represented in this sector. A quick-win initiative to immediately increase their participation can be achieved by making it compulsory for cooperatives to elect at least one youth board member. More than just a customary role, this will ensure the voice of youths is heard in cooperative board meetings and provides valuable experience in grooming future cooperative leaders. Tweaking the makeup of cooperative board composition will endear

cooperatives more favourably to the general populace and inject much-needed diversity, a crucial factor for organisational performance known widely in business academia.

DISCUSSION

Remodel cooperatives for freelancers

Not all is gloom and doom, however. Another stunning example of a famously successful cooperative for freelancers is Eva. Launched in 2019, the Canadian-based cooperative quickly became the second most used ride-share app in Quebec, challenging Uber and Lyft for market share. Based on blockchain technology, its mobile app is fully decentralised by encryption to offer transparency and data privacy. In terms of members, Eva has three types: driver members, rider members, and worker members. True to its cooperative spirit, whenever there is a surplus from operations, it will either be distributed among members or invested for the future based on equal voting rights (one person, one vote) by all members.

As our economy progresses deeper into the fourth industrial revolution, freelancing is expected to grow by leaps and bounds as a viable career profession in a world where creative destruction and continuous disruption become the norm. For younger generations, the pull factors of freelancing consist of a lifestyle free from ringing alarms, crowded commutes and decking up on strangling neckties. Meanwhile, push factors such as the rising cost of living, advancement of digital platforms, company cost-cutting via on-demand hire, and constant need to upskill and work in diverse environments will continue to feed an undying hunger for freelancing opportunities and its increasing popularity.

Even more so, the main advantage of time flexibility in adjusting to one's schedule ensures freelance jobs in Malaysia will remain popular with young parents, students, fresh graduates or people with family liabilities. In today's highly digitalised environment, there are opportunities abound for gigs ranging from android/iOS development, graphic designing, web development to digital marketing. However, we must take steps to safeguard the sharing economy from becoming a taking economy via oppression of workers' rights. Uber is one of the many cases in point where its involvement in various scandals due to its low wages and lack of monitoring in ensuring safety for drivers has come to light repeatedly over the years.

The pressing need for an organisation to protect the interests of freelancers can be fulfilled by cooperatives, which in turn, as a sector, is in dire need of new members for renewal. If our cooperative sector continues to lose its members, it is only a matter of time before the number of cooperatives will also dwindle, to possibly a point of no return until the whole industry collapses unto itself. Moreover, failure to rejuvenate the sector with new members will ultimately cost Malaysia's economic growth in terms of the lost potential of at least RM40 billion a year and, to a lesser extent, employment as the cooperative sector employs no less than 12,000 people at present. Above all, jazzing up our cooperatives to be more appealing to our youths is even more significant when we account for the RM143 billion worth of cooperative assets currently at stake.

An innovative offshoot of the cooperative model is the "platform cooperative," a term coined by scholar-activist Trebor Scholz referring to the cooperative model applied in the digital economy. Scholz (2016) claims it follows the same principles as a traditional cooperative, apart two main differences. First, a business transaction is conducted on digital platforms such as websites or mobile apps. Second, due to the interconnected nature of the digital economy, platform cooperatives are more efficient in fostering collaboration among their own members and between different cooperatives. Eva is a gleaming example of a platform cooperative, and there are many others - Fairbnb.coop, Green Taxi Cooperative, Stocksy United and Up & Go, to name a few.

Unless we want to see a cooperative catastrophe unravel before our very eyes, an urgent and immediate intervention will be required to enhance interest and participation in this sector. As there are more gains to be made from the youth than any other age group, targeted efforts should be increased and customised effectively by focusing on the appeal of platform cooperatives as an umbrella organisation for freelancers, as charted in Table 3.

Table 3: The case for freelance cooperatives

Freelance Cooperatives	
Benefit to Freelancers	Cooperative Competitive Advantage
+ Payslip	+ Low overhead / Minimise cost
+ Find clients / joint marketing	+ Ready pool of talent
+ Administrative & invoicing service	+ Loyalty from a sense of ownership
+ Bulk procurement	+ Borderless operation
+ Professional development & training	+ No Trade Union to manage
+ Bid large contracts	+ Flexibility in fulfilling small/big orders
+ Network of like-minded individuals	+ Team creativity
+ Legal protection / representation	+ Five years income tax exemption
+ Share profits	+ Lower cost of capital

As right as rain, cooperatives can futureproof the fate of freelancers, who in turn offers much-needed competitive advantage to reinvigorate the cooperative sector. As we can reasonably expect the freelancers' labour force to grow, either from job losses or by job entry among the youth, safeguarding their interests is key to a sustainable gig economy. A long-term solution may lie in promoting freelancer cooperatives. The Malaysian Cooperative Societies Commission (MCSC), as the custodian of cooperatives, ought to be empowered to affect change to this effect. One for all, and all for one.

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