

European economist view on collaborative economy

Workshop on *Collaborative Economy*
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Collaborative economy: Main Sectors

- Accommodation: platforms which allow people to rent out properties or parts of properties: AirBnB, HomeAway, HouseTrip, 9Flats, Wimdu, Onefinestay, Roomerama, Sleepout, Love Home Swap and Holiday lettings
- Transportation:
 - hiring of the assets themselves: ZipCar, Car2Go and Autolib', Velib'
 - hiring of an asset mixed with labour and human capital: Uber, Lyft
- Share of labour and human capital: TaskRabbit, Skillshare, 99Designs, Kaggle, Share Your Meal
- Finance: Kickstarter, Lending Club, RateSetter

Benefits from Collaborative Economy

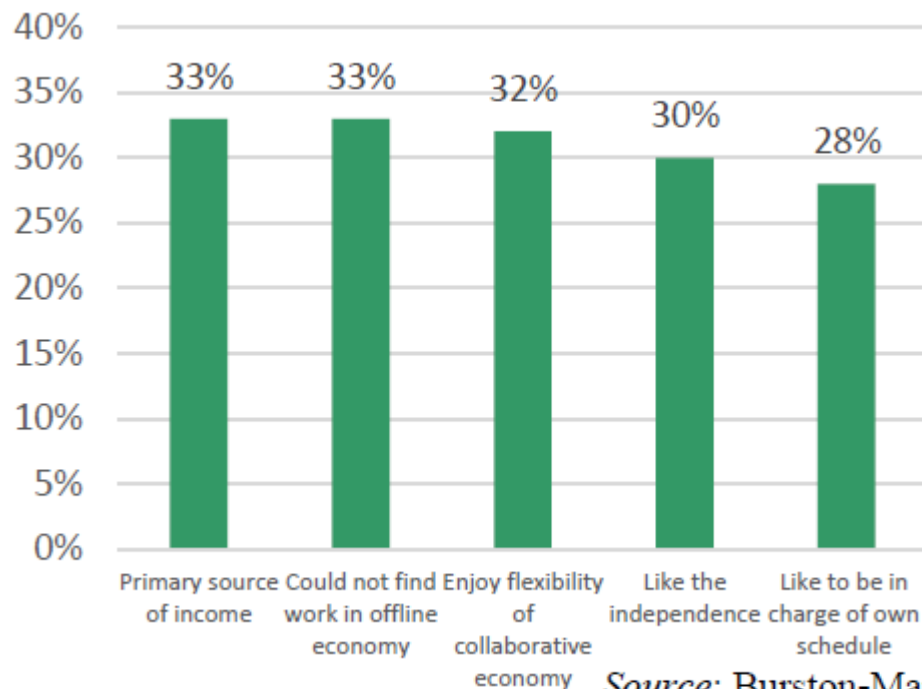
- Technology reduces consumers' transactions/search costs
- Lower barriers to entry for potential suppliers (sellers)
- Reputation and other sharing information mechanisms reduce asymmetric information and facilitate efficient trade
- Better resource allocation and utilization that improve productivity and efficiency in the economy
- Indicative studies
 - PwC (2015): Europe's sharing economy has generated revenues of nearly €4bn and facilitating around €28bn of transactions in 2015
 - Goudin (2016): Potential economic gain of €572bn in EU if there are not regulatory obstacles

Regulatory Concerns

- Collaborative platforms affect traditional incumbents through the increase in market competition
- How can we assess their impact? Access to data
- Asymmetric rules
 - Peer-to-peer services Vs. Professional services: Licensing requirements
 - Employment: Employees Vs. Independent Contractors
- Ending “protectionist” regulation (Edelman and Geradin, 2016)
- Assessment of the dynamic impact on market competition: Network effects Vs. Switching costs
- How can we induce more innovation by the traditional players?

Services: Professional or not?

- Big diversity of business models: Case-by-case analysis
- Frequency of provision of service
- Motive: Cost compensation or making profit?
- Level of generated income



Survey in US. Responses from those earning more than 40% of their monthly income in the collaborative economy

Source: Burston-Marsteller, the Aspen Institute and TIME (2015)

Platforms: Employers or (only) Matchmakers?

- Does the platform has the right to control how the service is provided?
- Who sets the price? Terms of provision of the service?
- Is the provider paid and how?
- Is there a written (contract) agreement and what is its duration?
- Who decides about the time of the provision?
- Is there a firing policy?
- Exclusivity?
- Market characteristics: Variability in demand? (Einav et. al., 2016)
- Provision of training?

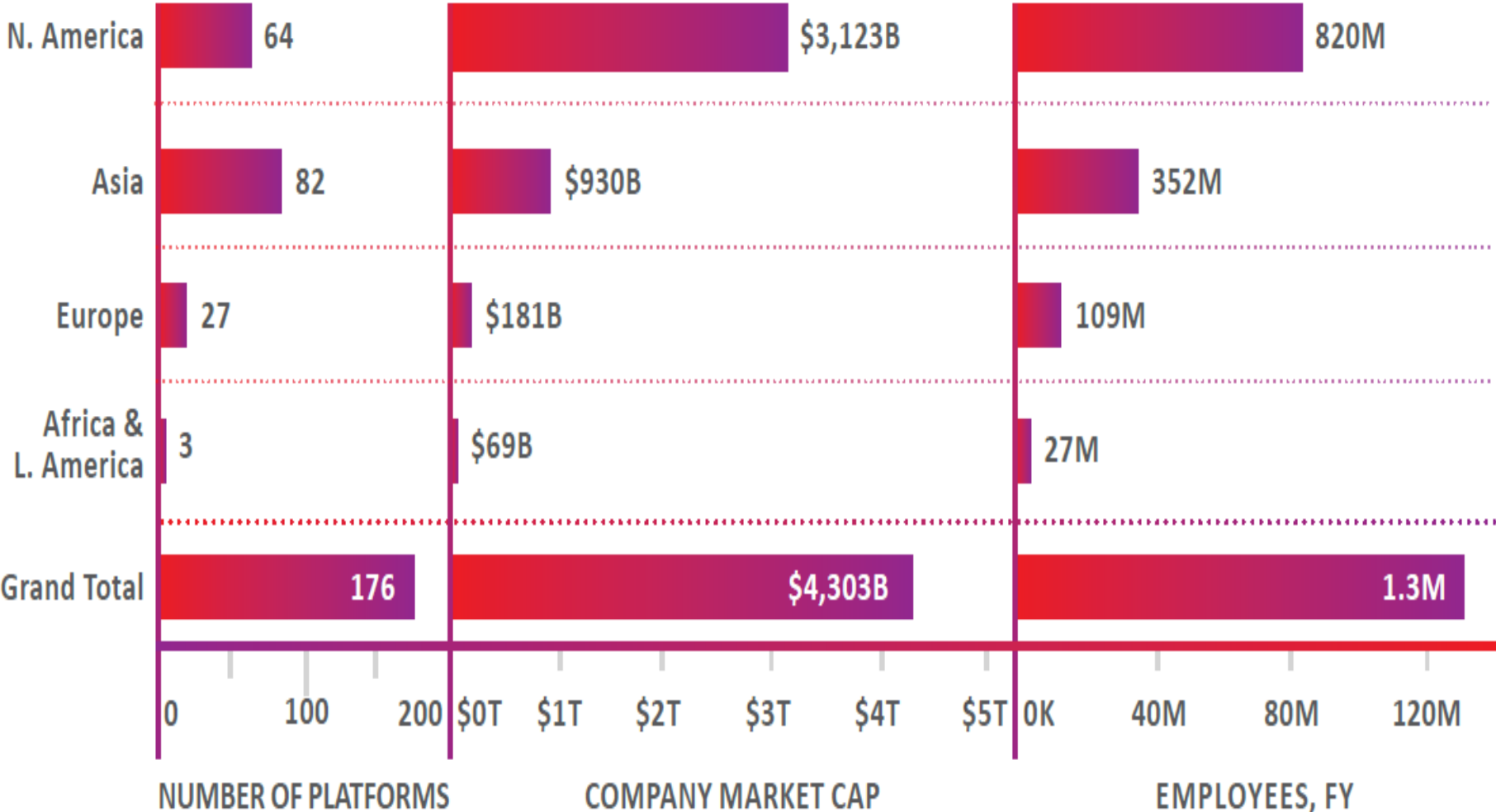
Employment controversy

- ECJ (see European Commission, 2010): *the essential feature of an employment relationship is that:*
 - *For a certain period of time a person performs services for and under the direction of another person*
 - *In return of this service, he receives remuneration*
- What about flexibility?
- We need a new employment relationship which
 - Facilitates collective bargaining (using information technologies)
 - Provides flexibility to service providers
 - Applies only to relevant platforms in a clear way
- Who will pay for the additional operational costs?
- How this relationship will disrupt business models?

Regulatory Certainty: First Priority

PLATFORM COMPANIES BY REGION

Source: Evans and Gawer (2016)



Some References

- PwC (2015): Assessing the size and the presence of the collaborative economy in Europe
- Goudin (2016): The cost of non-Europe in the sharing economy
- European Commission (2010): Reaffirming the free movement of workers: rights and major developments
- Burston-Marsteller, Aspen Institute and TIME (2015): The collaborative economy survey
- European Commission (2016): European agenda for the collaborative economy
- Evans and Gawer (2016): The rise of the platform enterprise-A global survey
- Loisi (2016): Commoditized CrowdWorkers
- Edelman and Geradin (2016): Efficiencies and regulatory shortcuts: How should we regulate companies like AirBnB and Uber?
- Kennedy (2016): Three paths to update labor law for the gig economy
- Petropoulos (2016): Uber and the economic impact of sharing economy platforms
- Einav, Farronato and Levin (2016): Peer-to-peer markets