

## Sharing economy: They come in like a wrecking ball

The sharing economy (also referred to as the collaborative economy, peer-to-peer economy or collaborative consumption), is based on the sharing of human and physical resources like creation, production, distribution, trade and consumption of goods and services. For consumers, it stresses the shift from ownership towards accessibility. The sharing economy seems to be bringing about an alternative business model to the traditional corporate one. It is taking advantage of new technologies, by using internet platforms as well as information and communications technology applications, and leveraging communities or crowds to rent, share, swap, barter, trade, or sell access to products or services.

### What precisely is the sharing economy all about?

The sharing economy model – driven by technology, economic crisis, reduced consumer trust in the corporate world, changing consumption patterns and environmental concerns – has changed how many people are commuting, shopping, going on holiday and even borrowing money. It empowers consumers to capitalise on their property and skills, by using them more efficiently, and gives them an opportunity for micro-entrepreneurship and for reducing the total cost of ownership of their property. It is all about matchmaking. The sharing economy implies transactions between peers, with companies (i.e. platforms) taking the role of brokers between peers.

Uber, Lyft, BlaBlaCar, eBay, Airbnb, Kickstarter and Wikipedia, for example, all emerged from the concept of the sharing economy. A [multitude](#) of new **platforms matching demand and supply of goods and services** exists, ranging from those renting second-hand wedding dresses or designer clothing, to platforms for renting private accommodation, office space, tools and other goods, or for trading services (e.g. a ride to work or dog walking). They are based on the **sense of community, shared access, reputation and trust**, and also widely incorporate consumer feedback or peer-to-peer rating options. They have opened up new opportunities for new start-ups and contingent workforces in need of additional revenue, driving down prices and broadening the choice for consumers. But in entering the market these sharing-economy models have also shaken up already highly regulated traditional business models (e.g. accommodation providers like hotels; and taxi drivers) and raised questions regarding a level playing field for all market players, liability, quality of service, safety and consumer protection.

Several **aspects of the sharing economy** can be [distinguished](#):

- the **'access economy'**, where goods and services are traded on the basis of access rather than ownership. This form refers to renting things temporarily rather than selling them permanently (e.g. Rent The Runway; ShareDesk; Airbnb);
- the **'gig economy'**, based on 'contingent work' that is transacted on a digital marketplace (e.g. Uber; BlaBlaCar; Elance; TaskRabbit);
- the **'collaborative economy'** based on a peer-to-peer approach, involving users in the design of the productive process, transforming consumers into 'prosumers' (i.e. simultaneously producers and consumers) and clients into community (e.g. Etsy, Kiva);
- the **'commoning economy'** for initiatives that are collectively owned and managed (e.g. Wikipedia, Kickstarter).

*This note has been prepared for the [European Youth Event](#), taking place in Strasbourg in May 2016.*



### Some advantages of the sharing economy

The rise of the sharing economy is linked to the younger, digital generation and culture, and the development of a sharing mentality to act and consume goods and services differently. That is why informed and digitally savvy consumers could benefit from **lower prices** and **broader choice** as a result of the sharing economy. Providers of new services that the sharing economy has enabled are enjoying new economic opportunities – mainly located in urban areas.

It is argued that this is fostering **new growth** and **indirect forms of employment** or **flexible sources of income**, often offering more customised services to consumers (with the help of ratings and reputation peer-to-peer platforms) and **reducing the environmental impact** of consumption (e.g. car-sharing or carpooling). It is also creating a more diversified market, while encompassing more vulnerable consumers with weaker purchasing power (e.g. low-income consumers, long-term unemployed, students).

The [potential](#) of the sharing economy is considered important, with **annual growth exceeding 25%**. European Parliament [research](#) estimates that the potential aggregate **economic gain** related to the more efficient use of capacities due to the sharing economy represents **€572 billion** in annual consumption across the European Union. But these estimates should be treated with caution, as substantial barriers might prevent its full benefits from being realised.

### Some disadvantages of the sharing economy

There are some concerns about the sharing economy, however. Indeed, regulators have not been quick to respond to the changes it is bringing. Some traditional market players have emphasised that new entrants are causing market imbalances and **unfair competition** as they are not necessarily bound by the same rules and safety standards, and could be **avoiding taxation**.

Others have stressed that **consumer protection** could be lacking, as it is not clear who is liable for accidents or responsible for conflict resolution – the platform operator or the service provider. Another issue concerns **labour standards and rights**, as service providers often have an unclear status of 'freelance worker' and cannot benefit from **social security** as traditional employees would. They are also not necessarily insured for exercising their activity, with traditional insurers also being slow to offer new, adapted insurance packages. Some environmental benefits of the sharing economy have also been [questioned](#), as its transport solutions, for instance, could discourage the use of public transport, thereby increasing emissions per traveller and could also be delaying other public urban planning policies. There are concerns about the not completely inclusive nature of the sharing economy as take-up by the entire population can prove to be difficult (e.g. in rural areas or among the elderly who lack digital skills).

### Future challenges

Without clarity on which laws apply or should apply to sharing-economy models, self-regulation solutions or legislation may be needed to respond to the challenges raised in various sectors (i.e. accommodation, transport, labour, finance, intellectual property). However, regulation should avoid stifling innovation.

### What is the European Union doing about it?

In 2016 the **European Commission** is set to [publish](#) a European agenda for the sharing economy, together with guidance on how the EU law applies to its business models, while also assessing possible regulatory gaps. Both EU consultative bodies, the [European Economic and Social Committee](#) and the [Committee of the Regions](#) have already adopted opinions on the subject.

In 2015 and 2016, the **European Parliament** adopted several resolutions, mentioning the new challenges of the sharing economy. It [welcomed](#) the new sharing-economy business models and recognised their enormous potential for innovation, which should be carried out in compliance with existing legal and consumer-protection standards and with equal conditions for competition. It [greeted](#) the increased competition and consumer choice arising from the sharing economy, as well as opportunities for job creation, economic growth, competitiveness, a more inclusive job market and a more circular EU economy through more efficient use of resources, skills and other assets. It also urged the Commission and Member States to support the further development of the sharing economy by identifying artificial barriers and relevant legislation hindering its growth. The Parliament however also [emphasised](#) that current legislation is not suited to the sharing economy.