A European agenda for the collaborative economy

SUMMARY

The 'collaborative economy' – also known as the 'sharing economy' – enables people to share goods and services by using internet platforms and information and communications technology applications. Due to its rapid growth, the collaborative economy has recently raised regulatory issues in various sectors across the European Union (EU).

It is argued that this new model of economic activity, with its focus on consuming more efficiently, brings consumers lower prices and broader choice and enables them to capitalise on their property and skills to generate extra income. A counter-argument stresses that this is causing market imbalances and unfair competition in relation to traditional market players, because of non-regulated issues related to labour standards and rights, consumer protection, taxation, liability, quality of services and user safety.

To avoid a fragmented approach across the EU and growing uncertainty regarding applicable rules while trying to prevent a potential stifling of innovation, the European Commission published its guidance on the matter on 2 June 2016. 'A European agenda for the collaborative economy' is to serve as policy orientation for Member States to help ensure balanced development of the EU collaborative economy. In the European Parliament, the Internal Market and Consumer Protection Committee will draft an own initiative report on the agenda.

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Introduction
As announced in its 2015 Single Market Strategy, the European Commission presented a communication on A European agenda for the collaborative economy on 2 June 2016. The agenda is to serve as legal guidance and policy orientation to Member States to help ensure balanced development of the collaborative economy across the EU and is aimed at supporting confident consumer, business, and public authority participation. This guidance is complementary to the Commission’s broader approach to online platforms presented in May 2016 as part of the Digital Single Market strategy. The guidance also drew on the results of the Commission’s consultation on the regulatory environment for platforms, online intermediaries, data and cloud computing and the collaborative economy, held from September 2015 to January 2016.

The collaborative economy raises many issues, from its definition, to the application of existing legislation, to the increasingly unclear distinction between consumers and providers, employees and self-employed, as well as the professional and non-professional provision of services.

To avoid a fragmented approach across the EU, uncertainty regarding applicable rules for traditional operators, new services providers and consumers, and to prevent the potential stifling of innovation, job creation and growth related to the collaborative economy, the Commission decided to publish some guidance on the matter. With this guidance, it identified some good practices across the EU and invited the Member States to review and – where appropriate – revise their existing legislation.

The guidance focuses on five issues:
- market access requirements,
- liability regimes,
- protection of users,
- self-employed and workers in the collaborative economy, and
- taxation.

The guidance does not, however, cover issues related to crowdfunding and services provided by learning platforms.

Context
On the definition
The term collaborative economy is often interchangeably used with the term 'sharing economy', but no commonly acceptable definitions of these terms exist as yet. Not least because there is no consensus on whether they represent the same concept at all.

The European Commission mainly uses the term 'collaborative economy' in its documents, while the European Parliament and some other bodies (e.g. the Committee of the Regions, the European Economic and Social Committee) have in the past preferred the term 'sharing economy'.2

According to the European Commission communication, collaborative economy 'refers to business models where activities are facilitated by collaborative platforms that create an open marketplace for the temporary usage of goods or services often provided by private individuals.'

The collaborative economy, as further defined by the Commission, includes three categories of actors:

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1. Good practices identified in the guidance
2. Details about the term 'sharing economy' and its use by various bodies are found in the Commission’s communication.
1) **service providers** who share assets, resources, time and/or skills (private individuals offering services on an occasional basis – 'peers'– or professional services providers);

2) **users** of these services; and

3) '**collaborative platforms**'\(^3\).

The European Commission communication additionally notes that collaborative economy transactions do not usually include an ownership change and can be carried out for profit as well as not-for-profit. For-profit collaborative economy transactions include, for instance, transactions on platforms such as Task Rabbit, Uber, Airbnb, while non-profit examples include **time banks**, or **food swaps**.

According to a 2015 European Parliament **resolution**: 'the sharing economy, or collaborative consumption, is a new socio-economic model that has taken off thanks to the technological revolution, with the internet connecting people through online platforms on which transactions involving goods and services can be conducted securely and transparently'.

Many other definitions coexist also due to the **all-encompassing use** of the expression 'sharing economy' and a very heterogeneous group of online platforms engaging in many new and innovative economic and social activities that are difficult to classify.\(^4\)

**On the concept**

The **concept** of the sharing economy first emerged in the context of non-monetary transactions, with **initiatives** such as Wikipedia (2001), Couchsurfing and Freecycle. It is based on **sharing human and physical resources**, such as creation, production, distribution, trade and consumption of goods and services, by using internet platforms as well as information and communications technology applications (see Figure 1). These facilitate peer-to-peer exchange, also enabling consumer feedback and rating options. The sense of community, shared access, reputation, and trust between users is another characteristic of this new model of economic activity.

Driven by technology, economic crisis, reduced consumer trust in the corporate world, changing consumption patterns, and environmental concerns, it has changed the way many people commute, shop, spend holidays, and even borrow money. A **profusion of new platforms** matching demand and supply of goods and services exists, from those renting private accommodation, office space, tools and other goods, to those trading services (e.g. a ride to work, house repairs or cat sitting).

This new model of economic activity emphasises the **shift from ownership towards accessibility** and can empower consumers to capitalise on their property and skills, by using them more efficiently, providing opportunities for micro-entrepreneurship and reducing the total cost of ownership of property.

The **five sectors** most affected by entrants to the sharing economy are:
- transportation (e.g. Uber or BlaBlaCar),
- retail (e.g. Etsy or eBay),
- accommodation (e.g. Airbnb or ShareDesk),
- service and labour (e.g. Task Rabbit, Shareyourmeal or Elance), and
- finance (e.g. Kickstarter, Kiva or Indiegogo).

Figure 1 – Sharing economy

Source: Business Model Toolbox

The economic potential of the sharing (collaborative) economy

The potential of the sharing economy is deemed important, with annual growth exceeding 25%. According to European Commission estimates, gross revenue in the EU from collaborative platforms and providers amounted to €28 billion in 2015.

According to Commission estimates, peer-to-peer accommodation is the largest collaborative economy sector on the basis of generated commerce, while peer-to-peer transportation is the largest by platform revenue. The Commission also notes that on average over 85% of gross revenue of collaborative economy platforms goes to its providers. More precisely, platform revenue is mostly based on fixed or variable commissions, which vary from 1-2% for peer-to-peer lending, to up to 20% for ride-sharing services.

European Parliament study 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 EU. However, these estimates should be treated with caution, as substantial barriers might prevent the full benefits from being realised.

The 2015 ING global survey on the sharing economy in 15 countries (among which 12 were EU Member States) found that the majority of sharers across Europe (74%) earned...
€1 000 or less in a year, with European sharers earning a median of around €300. According to the same survey, cars are the most frequently shared items (9 %), with holiday accommodation expected to take the lead in 2016. The survey also showed that consumers seem to be less willing to share clothes (4 %), electrical items (4 %) and household appliances (4 %).

Benefits and concerns related to the sharing (collaborative) economy
On the benefits side, informed and digitally savvy consumers could be and are already benefiting from lower prices and broader choice brought about by the sharing economy. In addition, providers of new services made possible by this new model of economic activity are enjoying new economic opportunities, enabling them to generate extra income. It is also argued that this fosters new growth and different, indirect forms of employment or flexible sources of income and reduces the environmental impact of consumption (e.g. car-sharing or carpooling). Furthermore, this new model seems also inclusive to vulnerable consumers with weaker purchasing power, such as low-income consumers, the long-term unemployed, or students. It is claimed that this new economy model also creates a more diversified market and differentiated – often more personalised – services.

However, this new model of economic activity raises some concerns. It has been argued specifically that new entrants cause market imbalances and represent unfair competition in relation to traditional market players, as they are not necessarily bound by the same rules and safety standards, and could be avoiding taxes. Consumer protection issues are also raised, as it is not clear who is liable for accidents or responsible for conflict resolution – the platform operators or the service providers. Another issue relates to labour standards and rights, as service providers often have an unclear status of ‘freelance worker’ and cannot benefit from the social security traditional employees enjoy. They are also not necessarily insured to exercise their activity, with traditional insurance markets being slow to offer new, adapted insurance packages. Some environmental benefits of the sharing (collaborative) economy are also questioned, as the transport solutions could discourage the use of public transport, while the convenience of ride-sourcing could induce new and additional trips in cars, thereby fuelling congestion and environmental impact. There are additional concerns about potential discrimination based on the reputation economy, race, religion or sexuality, and the questionable inclusive nature of this economy, as take-up by the entire population can, in reality, prove to be difficult (e.g. in rural areas, or among those who lack digital skills).

A European agenda for the collaborative economy
On market access requirements
The European Commission clarifies that, in line with the fundamental freedoms of the Treaty and the services directive, service providers and professions should not be subject to market access or other requirements, such as authorisation schemes and licensing requirements, unless they are non-discriminatory, necessary, and proportionate to attaining a clearly identified public interest objective. Absolute bans and quantitative restrictions of an activity should, in principle, be considered as a measure of last resort.

In line with the e-commerce directive, collaborative platforms should not be subject to authorisations or licenses where they only act as intermediaries between consumers and those offering the actual services (e.g. transport or accommodation service). If the collaborative platform offers other services than mere information society services
however (especially if it provides the underlying service being offered, such as transport or short-term rental service), it could become subject to relevant sector-specific rules governing these services, provided they are justified and proportionate. This needs to be established on a case-by-case basis.

Key criteria for determining whether a platform provides the underlying service (in addition to an information society service), are its level of control or influence on the price of the service, key contractual terms between service providers and users, and the ownership of key assets used to provide the service.

EU law does not define at what point an individual providing services on an occasional basis becomes a professional in the collaborative economy. When applying market access requirements, Member States should, however, differentiate between individual citizens providing services occasionally and providers acting in a professional capacity. This could be achieved by establishing thresholds based on the level of activity (i.e. the frequency of the service provided and the amount of generated income), for instance.⁶

**On liability regimes**

The e-commerce directive also exempts collaborative platforms from intermediary liability for the information they store if:

- the services provided are of a purely technical, automatic and passive nature; and
- the platform has no knowledge of illegal information being stored on its website or, once aware of it, it acts promptly to remove or disable access to this information.

They should, however, not be exempted from liability for the services they offer themselves (e.g. payment services). Platforms cannot be obliged to generally monitor or actively track illegal activity, rather the Commission encourages them to continue fighting illegal content online on a voluntary basis to increase user confidence.

**On protection of users**

The European Commission notes that the Member States need to find a balanced approach to ensure a high level of protection against unfair commercial practices for consumers,⁷ while not imposing disproportionate obligations on individuals who are not traders but provide services only occasionally.

The Commission clarifies that EU consumer and marketing legislation addresses business-to-consumer transactions between a consumer and a trader (acting for purposes relating to their business), and therefore excludes consumer-to-consumer transactions. Some criteria, such as frequency of service, profit-seeking motive, and level of turnover, can prove to be helpful in qualifying a provider as a trader compared to the consumer.

In addition, the European Commission mentions that, for the sake of clarity, collaborative platforms could also indicate to users that they can solely benefit from protection under EU consumer and marketing laws in their relations with traders.⁸

**On the self-employed and workers in the collaborative economy**

In defining the existence of an employment relationship on a case-by-case basis, three essential criteria should be considered, according to the Commission:

- the existence of a subordination link,
- the nature of work, and
- the presence of a remuneration.
Member States are free to decide who is considered a worker under their national rules and can extend the definition of a worker to situations which do not fall under the EU definition.

If a case-by-case assessment determines that an employment relationship exists, EU labour and social law setting out minimum standards applies (health and safety requirements; right to annual leave and daily and weekly rest; protection in case of night work; information on individual employment conditions; prohibition of discrimination against workers in non-standard forms of employment; protection in case of insolvency of employers).

The European Commission also states that Member States should provide guidance on the national employment rules that apply to labour patterns in the collaborative economy.

On taxation
The Commission encourages Member States to facilitate and improve tax collection by using the possibilities provided by collaborative platforms (e.g. in the accommodation sector, where some platforms facilitate the payment of tourist taxes on behalf of service providers). As a guide, Member States should apply functionally similar tax obligations to businesses which provide comparable services. Stakeholders involved need to be clearly informed about their national tax obligations, including those related to employment status.

According to the European Commission, collaborative platforms should also be proactive in cooperating with national tax authorities to establish the parameters for an exchange of information regarding tax obligations, and should at the same time comply with EU legislation on the protection of personal data. Finally, Member States should strive for simplification, reduction of the administrative burden, transparency, and issue guidance on the application of tax rules to collaborative business models.

Reactions and stakeholders views
European Parliament
The Parliament’s Internal Market and Consumer Protection Committee (rapporteur Nicola Danti, Italy, S&D) is responsible for drafting an own initiative report on the agenda and is organising a workshop on the collaborative economy on 8 November 2016. From 2015 onwards, Members of the European Parliament also raised the issue of the collaborative and sharing economy in a number of questions to the European Commission.

Throughout previous non-legislative resolutions, the Parliament mentioned the new challenges of the sharing economy. As an example, in its October 2015 resolution on new challenges and concepts for the promotion of tourism in Europe, the Parliament emphasised that current legislation was not suited to the sharing economy. Parliament stressed that platforms need to be fully accessible and that consumers using such sites must be correctly informed and not misled, and their data privacy protected. Parliament also pointed out that the technology companies acting as intermediaries need to inform providers of their obligations, particularly as regards the protection of consumer rights. In its January 2016 resolution, 'towards a digital single market act', Parliament welcomed 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 urged the European Commission and Member States to support the further development of the sharing economy by identifying artificial barriers and relevant legislation hindering its growth. It called on the Member States to ensure that their employment and social policies are fit for purpose for digital innovation, entrepreneurship, and the growth of the sharing economy and its potential for more flexible forms of employment. It further urged the Commission to identify and facilitate exchanges of best practices in the EU in these areas and at international level.

In its February 2016 resolution on the single market governance within the European Semester 2016, Parliament recognised the enormous potential of new sharing-economy business models for innovation, which should comply with existing legal and consumer-protection standards and with equal conditions for competition.

In its July 2016 resolution on tax rulings and other measures similar in nature or effect, Parliament stressed the potential of digital solutions for effective tax collection in gathering tax data directly from operations in the sharing economy and in lowering the overall workload of tax authorities in Member States.

The Council
At the Competitiveness Council on 29 September 2016, EU ministers discussed the Commission’s agenda for the collaborative economy, and backed a balanced development of the collaborative economy in Europe which benefits consumers as well as businesses.

Advisory committees
The European Economic and Social Committee (EESC) is currently preparing its opinion on the European agenda for the collaborative economy. It is expected to be adopted at its December plenary session.

In its 2014 opinion on collaborative or participatory consumption, the EESC invited the Commission to address this economy model and also to:

- compile the basic rights and principles enshrined in EU law to protect the public;
- draw up studies, identify potential barriers and problems relating to the operation of these activities;
- set up a database for exchange of experience and best practices in collaborative consumption, accessible to all consumers;
- organise awareness-raising campaigns on these forms of consumption;
- consider harmonising legislation on cross-border issues.

In its May 2016 opinion on the sharing economy and self-regulation, the EESC noted that new sharing economy business models need to comply with the applicable national and EU legislation, especially regarding the protection of the rights of all its users, including 'prosumers', by adapting these relations across the existing EU acquis on consumer rights.

In its initial reaction to the publication of Commission's agenda, the Committee of the Regions (CoR) stressed that 'the European Commission's guidance cannot be the end of the work on the collaborative economy at EU level'. It noted that, due to the evolving nature of this phenomenon, further efforts will be needed to reduce uncertainty and prevent regulatory fragmentation between the different national or local rules that could harm the single market.

The CoR adopted its opinion on the local and regional dimension of the sharing economy in December 2015. The Committee noted that the Commission's use of 'collaborative
economy' rather than 'sharing economy' – as defined in the European Commission 2015 communication – focused on the commercial and consumer aspects of this economy, leaving aside the non-commercial and commons-based approaches. It consequently called on the Commission to further analyse and define the different forms of the sharing economy. It deemed EU sectoral regulation necessary for the commercial aspects of the sharing economy, and considered that many of the sectors affected have a sometimes disruptive impact at the local and regional level. The Committee felt it should be possible for these sectors to be governed or regulated as necessary by local and regional authorities in compliance with the principle of local autonomy. In addition, it pointed out that an important precondition in the sharing economy is trust and reputation management, also noting that the establishment of independent bodies providing ratings is a policy option that should receive key attention.

Other stakeholders

In April 2016, just before the publication of the Commission’s agenda, the European Consumer Organisation, BEUC, published its position paper on the collaborative economy. The paper stated that many existing laws in the EU potentially apply to collaborative economy activities; and that these need to be clear and enforceable. It also commented that issuing non-binding guidance will probably not be enough to guarantee a consumer-friendly regulatory framework. BEUC also suggested policy-makers define clear criteria for assessing when a 'prosumer' becomes a trader in different sectors across the collaborative economy. The paper further notes that coordination at EU level is essential to allow the use of cross-border collaborative economy services and ensure that all users are familiar with their rights and obligations. It also calls for platforms to inform their providers about their obligation to possess insurance, or where necessary provide appropriate insurance policies, as well as to offer multiple payment methods, enable easy switching for its users, and guarantee the respect of data protection rules.

Procomuns.net – a space for the promotion of a 'commons collaborative economy' – commented that the Commission's agenda does not refer to the 'commons collaborative economy' model. In its opinion, the agenda mainly adopts the 'unicorn' model as a reference to large corporations like Uber and Airbnb,11 without considering other small business models, free technology and/or licenses that encourage open knowledge, such as the digital commons model or platform cooperativism. As these are different economic models because of their format and impact, they call for a different regulatory approach. Procomuns.net also argued that the agenda does not pay sufficient attention to the dilemmas and needs involved in protecting citizens, producers, and workers. With many effects of the collaborative economy currently still unknown, Procomuns.net remarked that the European Commission should aim to preserve the general interest, enhancing models that could better respond to social challenges, with open information processes and citizen consultation.

The European Federation of Food, Agriculture and Tourism Trade Unions regretted that 'the Commission, instead of giving clear guidance on how to find Europe-wide solutions for the problems brought about by the collaborative economy, and to ensure a level-playing field and fair competition, plays the ball back into the field of Member States and collaborative platforms, and calls for lowering standards, self-regulation and voluntary action'. The Federation welcomed the Commission’s intention to establish a monitoring framework for the collaborative economy, but apart from periodic surveys on consumers and businesses and the mapping of regulatory developments, it believes that a collection of coherent data on the impact of the collaborative economy on employment is required.
The umbrella association HOTREC, representing the hotel, restaurant and café industry in Europe, stated that the European Commission’s agenda leaves many areas of confusion, and ignores the platforms’ liability. The association supported the approach that service providers offering their services on a permanent basis should be considered as traders, but criticised the agenda for not clearly differentiating between occasional and permanent activity. It further stated that the possible setting-up of thresholds for distinguishing between occasional and permanent activities, and especially enforcement related to this distinction, will require well-coordinated cooperation between the various players, including platforms, to allow authorities to check compliance. In its opinion, the approach to assess who can be qualified as a trader on a case-by-case basis could be impossible to implement with the multitude of continuously changing offers on various platforms.

In a European Trade Union Institute policy brief, Jan Drahokoupil and Brian Fabo argue that the term 'collaborative economy' used by the European Commission is a misleading concept, claiming that the trend is merely an extension of the market mechanism. For this reason, they propose an alternative term 'platform economy', the underlying phenomenon being the use of online platforms, which decreases the transaction costs of labour outsourcing, and temporary access to goods and services.

**Outlook**

This new model of economic activity holds new societal and economic potential, but some aspects related to its definition, scope and regulatory response still remain unclear. More input on the issue is expected shortly, by the Court of Justice of the European Union as well as the Commission.

The Court of Justice of the European Union is due to deliver two judgements related to one of the transportation network companies, Uber. This will provide additional clarification of the EU legal framework to be applied. One case was initiated by a Spanish court (Case C-434/15) and another by a Belgian court (Case C-526/15). In the Spanish case, the Court of Justice was requested – through a preliminary ruling procedure – to provide clarification on whether this specific company should be considered an information society service operator or a transport operator. Similarly, the Belgian court requested clarification on whether the term 'taxi services' also applies to unpaid individual carriers, involved in ride-sharing through accepting ride requests offered via Uber’s software application, established in another Member State.

Additional studies may also contribute to better understanding of the issue. For instance, the European Commission is currently preparing an exploratory study of consumer issues in the sharing economy where it will investigate the user, and, in particular, consumer aspects and issues in certain online peer-to-peer markets. The intention is also to map relevant national legislation in all 28 Member States. The study is expected to be published by the end of November 2016.
Figure 2 – Number of collaborative economy companies in Europe by country of origin

Further reading


Sharing economy: They come in like a wrecking ball, EPRS, At a glance, 2016.
A European agenda for the collaborative economy

Assessing the size and presence of the collaborative economy in Europe, PwC UK, April 2016.


Endnotes

1 An example of good practice according to the Commission, namely good cooperation between tax authorities and collaborative economy businesses, comes from Estonia, which introduced a test service for automatic simplified tax declaration, developed in cooperation with ride-sharing services. See also Annex I of the Commission’s supporting analysis for a table of actions taken by individual Member States in the area of the collaborative (sharing) economy, pp. 47-49. Additional EU public authority best practices related to the sharing economy were identified in the EIPA study: Cost of non-Europe in the sharing economy: legal aspects, pp. 41-42.

2 In this briefing, both terms are used, according to the usage of individual institutions.

3 The intermediaries connecting providers with users through an online platform and facilitating transactions between them (See: European Commission, A European agenda for the collaborative economy, 2016, p. 3).

4 See also a tentative conceptual mapping of sharing platforms, Joint Research Centre, Scoping the Sharing Economy: Origins, Definitions, Impact and Regulatory Issues, 2016, pp. 11-13.

5 For instance: protection of tourists; ensuring public safety; combating tax evasion; maintaining a level playing field; safeguarding public health and food safety.

6 Thresholds such as the United Kingdom ‘rent a room scheme’, allowing tax exemption for sharers earning up to GBP4 250 in a year for 2016. In May 2016, a similar tax exemption for sharers earning up to €5 000 a year was also proposed in France, but the debate on thresholds is still ongoing.

7 The Commission presented its revised Guidance on the unfair commercial practices directive in May 2016.

8 The European Commission further clarifies that for business-to-consumer transactions in the collaborative (sharing) economy, the unfair commercial practices directive, consumer rights directive and directive on unfair terms in consumer contracts would apply. For business-to-business transactions, the directive on misleading and comparative advertising would apply.

9 Some Member States are already providing guidance on the application of their tax rules (Austria, Slovakia, and Lithuania), while others, such as the United Kingdom, France, and Finland have opted for information exchange (See: European agenda for the collaborative economy – supporting analysis, p. 42). For an overview of Member States’ tax initiatives targeted at the collaborative economy, see: European agenda for the collaborative economy – supporting analysis, pp. 43-44).

10 A ‘prosumer’ in relation to the sharing economy is to be understood as simultaneously producer and consumer. The difficulty of defining this term lies in its hybrid name, combining ‘consumer’, ‘producer’ and ‘professional’.

11 Companies such as Uber and Airbnb, for instance, seem to have welcomed the publication of the agenda.

12 This is relevant because information society services benefit from the freedom of establishment for service providers and free movement of services in line with the services directive, while transport operation is regulated at Member State level. The Case C-434/15 is currently pending before the Court of Justice for decision.

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