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DRAFT OPINION

Commission for Economic Policy

The local and regional dimension of the sharing economy

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This document will be discussed at the meeting of the **Commission for Economic Policy** to be held **from 9.30 a.m. to 1 p.m. on 29 September 2015**. To allow time for translation, any amendments must be submitted through the online tool for tabling amendments (available on the Members' Portal: <http://cor.europa.eu/members>) **no later than 3 p.m. (Brussels time) on 8 September 2015**. A user guide is available on <http://toad.cor.europa.eu/CORHelp.aspx>.

Reference document

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**Draft opinion of the Commission for Economic Policy –
The Local and Regional Dimension of the Sharing Economy**

I. POLICY RECOMMENDATIONS

THE EUROPEAN COMMITTEE OF THE REGIONS

1. considers that the sharing economy (SE) builds on new or revived social patterns having important business, legal and institutional implications: the social practices of sharing, collaboration and cooperation. Given its innovative and dynamic nature, the concept cannot be ultimately defined. It however encompasses phenomena presenting the following features:
 - i. its main agent does not act in the same way as the standard economic agent, the *homo oeconomicus*;
 - ii. the SE adopts a platform approach whereby relations, reputation, social trust and other non-economic motives within a community become one of the main drivers;
 - iii. the SE makes large scale, intensive use of digital technologies and data collection. Data becomes primary raw material. Fixed costs are mostly externalised;
 - iv. on a smaller, local scale some SE initiatives might be limited to the shared use or management of physical assets (e.g. co-working spaces, urban commons, etc.) or to new forms of peer-to-peer, sometimes street or building level, welfare systems;

SE as a paradigm changer

2. highlights that many take the view that the main actor of SE is no longer the “consumer” wishing to own something or buy a service, but rather a citizen, commoner, user, maker, producer, creator, designer, co-worker, digital artisan urban farmer seeking access to a service or asset that is needed to satisfy certain of her needs;
3. points out that others however argue that the SE actor is in many instances also a person willing to act and take care of, manage, generate or regenerate a common, open access resource, material or immaterial, without the intermediation of a public or private provider, on a peer-to-peer, person-to-person small scale level. Thus in SE the actor is not a mere "economic actor". It can rather be a social or personal or civic actor for whom traditional economic motives are secondary or entirely absent. Some of the SE realms are not necessarily "economies" in the strict sense, but social communities and networks of collaboration that generate new economic ventures or perform a function with regard to existing economic activities;

4. underlines that the SE seems also to question the *homo oeconomicus*, a self-interested profit- or utility-maximising individual, as its main agent¹;
5. believes that the SE could give rise to a new economic identity. An individual not guided by the perpetual quest to maximise her own material interests, an individual unwilling to act alone². It is the archetype of an individual who, while not giving up the pursuit of her passions and interests, understands that her individual freedom is nothing if not associated with a commitment to the community, if the “acting alone” is not paired with the “acting in common”³. The main SE agent might be thus framed more as a “*mulier activa*”⁴. An individual able to act in the public - social, economic, political - arena and to place herself in relation to others in order to take care of the general, common interest which is the most important of the three pillars of a “*vita activa*”⁵;
6. highlights the need for a distinction between the various forms of sharing economy. They all use the same social paradigm, the act of sharing, collaborating, cooperating. Yet they are very different from one another. There is room to spell out those forms of SE that perpetuate in some way the same social and economic dynamics as the pre-existing economic model and apply to each of them a different legal regime. The profit/non-profit divide does help in reading SE initiatives, but it is not sufficient to draw the line between different forms of SE. There are forms of profit/non-profit activities in almost each of the SE realms. Also the profit/non-profit criterion is increasingly questioned even by standard economics as new hybrid forms of business arise.
7. points out that a first distinction could be drawn between the SE in the strict sense and collaborative forms of SE by framing collaboration and cooperation as added layers of sharing. A distinction could in fact be made between SE initiatives that create and ossify a distinction between different typologies of users (consumers-users vs. providers-users) and SE initiatives that foster a peer-to-peer approach in which every user can be a provider and consumer at the same time, or even be involved in the platform governance. Further cooperation might suggest a commons-based approach to SE⁶. If the actors involved do not just share a resource but collaborate to create, produce or regenerate a common resource for the wider public, the community, they are cooperating, they are pooling for the commons;

¹ Encyclical Letter *Laudato si'* of the Holy Father Francis on care for our common home (24 May 2015). See paragraphs 13, 14, 90, 211. See also L. Trotsky, *Attention to small things*, (1 October 1921).

² For an archetype of individual willing to collaborate or “reciprocate” see for instance the “homo reciprocans” of S. Bowles, H. Gintis, *Homo reciprocans*, 2002.

³ A. de Tocqueville, *Democracy in America*, 1835.

⁴ See C. Iaione, *Economics and law of the commons*, 2011.

⁵ H. Arendt, *Vita activa*, 1964.

⁶ D. Bollier, *Think like a commoner: a short introduction to the life of the commons*, 2014. S. Foster, *Collective action and the Urban Commons*, 2011; C. Iaione, *The Tragedy of Urban Roads*, 2009.

8. considers that four forms of SE seem to emerge:
- “*access economy*”, for SE initiatives whose business model implies that goods and services are traded on the basis of access rather than ownership. It refers to renting things temporarily rather than selling them permanently;
 - “*gig economy*”, for SE initiatives based on contingent work that is transacted on a digital marketplace;
 - “*collaborative economy*”, SE initiatives that foster a peer-to-peer approach and/or involve users in the design of the productive process or transform clients into a community;
 - “*pooling economy*” for SE initiatives that are collectively owned or managed, democratically governed, do not extract value out of local economies but anchor jobs, respect human dignity and offer new forms of social security;
9. underlines finally that the growth⁷ of SE should only partially be considered a revolution and/or a consequence of the crisis. For some aspects it might also represent the reverse-transformation⁸ or transition⁹ of some sectors of the current economic model to long-standing economic traditions and economic models (e.g. cooperative economy, social economy, solidarity economy, handicraft production, commons economy etc.) and even to ancient forms of economic exchange (e.g. the bartering economy), which are alternatives to capital-intensive forms of the market economy;

Design principles for an EU initiative on the SE

10. believes that the SE should be encouraged only if it improves the quality of life and fosters growth, in particular in local economies, generates new, good quality jobs, reduces the cost and increases the availability and efficiency of some goods and services or infrastructure, without threatening local traditions, customs, social practices and small and medium size economic ventures, urban landscape and urban collaborative behavioural patterns. The evaluation of all possible positive and negative impacts and the definition of the public policy objectives to be encouraged should also be key drivers of any regulatory initiative on the SE;
11. considers that data transparency and free access to the market for newcomers need to be guaranteed. Data collection by SE platforms/initiatives causes "imbalances in economic power". Data are the raw material of the SE and they need to be open source as much as possible. This is necessary in order to lower barriers to entry to the SE and to allow evaluation of the effects of SE initiatives or ventures and favour data-driven regulation at all levels of government. SE platforms should be asked to build in the platform technical mechanisms to feed public, relevant, but not sensitive data to LRAs. In any case, the EU and national governments should

⁷ J. Schor, *Debating the sharing economy*, 2014.

⁸ K. Polanyi, *The great transformation: The political and economic origins of our time*, 1944.

⁹ M. Bauwens, *A commons transition plan*, available at: <http://commonstransition.org/>.

support LRAs in developing data collection operations. Data protection should also be one of the key drivers and the *mulier activa* should be able to own her data;

12. points out that an important precondition in the SE is trust and reputation management¹⁰. Thus trust and reputation must be accurately and independently managed (e.g. regulation, certification, third-party arbitration). It should be further analysed whether SE actors can effectively carry out self-regulations¹¹. Peer-review could ensure trust. The establishment of independent bodies providing ratings, preferably co-owned by the peers, is a policy option that should receive major attention. Insurance coverage must also be evaluated. In any case data and reputation “portability” should be one of the main policy objectives;
13. underlines that SE impact evaluation results are not always positive in terms of environmental protection, social cohesion, equality and social justice, sound land use, or urban governance¹². EU and LRAs need to support and encourage only the development of those SE initiatives or platforms that produce positive social, economic, environmental impacts. Community-building, urban commoning, local economic development, young people's entrepreneurship, environmental awareness and person-to-person solidarity are the public policy objectives that should be advanced through the SE;
14. believes that if working conditions of SE actors are framed within the EU in the same way as those of an “employee”, SE actors should receive the appropriate treatment. In an increasingly “flexible” context of economic exchange, the SE is potentially disruptive to labour relations. SE effects on personal economic security and social welfare must be thoroughly scrutinised. The Commission, in cooperation with Member States and LRAs, must study in detail the employment and working conditions of SE workers, in order to ascertain whether regulatory action is needed in this area. The SE is giving rise to a new social class, the sharetariat, collaboratariat, pooltariat. This social class must not emerge without securing the social and economic safeguards of the new social classes that had to struggle to gain recognition in the pre-existing economic models;
15. emphasises that clashes with the pre-existing economic paradigm must be prevented by applying all antitrust and internal market regulatory safeguards to SE initiatives, platforms and ventures, especially those which do not fit properly within the true framework of SE. Unfair competition rules and tax legislation should be applied to those SE initiatives that use the sharing paradigm only to disrupt pre-existing markets without bearing similar fixed costs. The debate on the circular economy and the Digital Single Market could be some of the areas where the SE should be taken into consideration. At the same time the EU Commission and Member States should ensure a coordinated approach to regulating the SE at European level, in order to strengthen the single market and enable successful SE initiatives to spread easily across borders;

¹⁰ T. Wagner, M. Kuhndt, J. Lagomarsino, H. Mattar, *Listening to Sharing Economy Initiatives*, 2015, Nesta & Collaborative Lab, *Making Sense of the UK Collaborative Economy*, 2014.

¹¹ M. Cohen, A. Sundararajan, *Self regulation and innovation in the peer to peer sharing economy*, 2015.

¹² P. Parigi P., State B., Dakhlallah D., Corten R., Cook K., *A Community of Strangers: The Dis-Embedding of Social Ties*, 2013; S. Shaheen, *Greenhouse Gas Emission Impacts of Carsharing in North America Final Report*, 2010.

For an SE agenda

16. considers that, given the early stage of development of the SE, hard holistic regulation is not advisable. This would impair innovation. Any hard regulatory initiative should be taken in keeping with a sectoral approach and should take into account the large/small scale of the SE initiative as a criterion to draw regulatory lines;
17. calls, however, on all EU institutions dealing with the issue of the SE to adopt a holistic approach in addressing the SE as a political and social phenomenon and to coordinate their efforts, in view of the widespread disruption the SE could cause to current economic systems, through a comprehensive public policy, using soft regulatory tools by drawing up an SE public policy agenda built collaboratively (e.g. www.SharEuropa.eu);
18. underlines the importance of ensuring compliance with the principle of self-organisation for LRAs, leaving room for LRA intervention to face the impact of the SE at the local level (e.g. the Bologna Regulation on collaboration for the urban commons)¹³ and emphasises that SE is best approached through a vision of urban and local collaborative and polycentric governance¹⁴;

Brussels, [...]

¹³ For more examples see the *Sharing cities* project run by Neal Gorenflo of Shareable and the *Sharitories* toolkit designed by the Ouishare Community.

¹⁴ S. Foster, C. Iaione, *The City as a Commons*, 2015.

II. PROCEDURE

Title	The local and regional dimension of the sharing economy
Reference(s)	/
Legal basis	Art. 307, par. 4, TFEU.
Procedural basis	Art. 41, par b) ii, CoR Rules of Procedure.
Date of Council/EP referral/Date of Commission letter	/
Date of Bureau decision	2 June 2015
Commission responsible	Commission for Economic Policy
Rapporteur	Benedetta Brighenti (IT/PES)
Analysis	15 June 2015
Discussed in commission	29 September 2015
Date adopted by commission	/
Result of the vote in commission (majority, unanimity)	/
Date adopted in plenary	/
Previous Committee opinions	/
Date of subsidiarity monitoring consultation	/