SHARING ECONOMY: OPPORTUNITIES AND THREATS

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Abstract: Legal aspects of various instances of 'collaborative economy' are discussed, originally in view

of their relevance for gender equality law which prohibits also indirect discrimination. The legal nature of the user-to-platform relation has to be assessed on a case-by-case basis, taking

into account the rules imposed and the algorithms applied by the platform.

1. Context

In the framework of an assessment of the implementation of Directive 2004/113/EC on equal treatment of men and women in the access to and supply of goods and services (OJ L 373, pp. 37–43 of 21 December 2004), it was necessary to analyse legal aspects of the upcoming collaborative economy. The full study on «Gender Equal Access to Goods and Services» is available on European Parliament's site www.europarl.europa.eu/thinktank/.¹

2. The provider-consumer relation: change of paradigm

People are sharing goods and services increasingly via internet platforms which work – at first sight – like marketplaces, bringing together the offers and demands of a large number of people. The collaborative or sharing economy is rapidly entering many economic sectors, such as accommodation, transport, healthcare, diversified labour, and finance. The «potential economic gain linked with a better use of capacities otherwise under-used as a result of the sharing economy» was estimated at more than €500 billion per year across the EU-28.²

In many economic sectors, traditional businesses that hitherto could be characterised by «bilateral» relationships between *provider* and *consumer* tend to transmute into trilateral or multilateral relationships between platform providers, private service providers and individual consumers, with the «platform» being a website offering a set of services, i.e. accessible «remotely» via internet, see figure 1.

Consequently, the individual consumer relates both to a platform provider and to an individual, possibly unknown, service provider, but also the individual service provider will be situated vis-à-vis a platform provider and possibly unknown consumers.

WERNER, H./CARACCIOLO DI TORELLA, E., Gender Equal Access to Goods and Services Directive 2004/113/EC European Implementation Assessment, EPRS, January 2017 (http://www.europarl.europa.eu/RegData/etudes/STUD/2017/593787/EPRS_STU(2017)593787_EN.pdf). This study and this article are the sole responsibility of the author and any opinions expressed therein do not necessarily represent the official position of the European Parliament. All hyperlinks were checked on 19 January 2017.

GOUDIN, P., The Cost of Non-Europe in the Sharing Economy – Economic, Social and Legal Challenges and Opportunities, EPRS, January 2016 (http://www.europarl.europa.eu/RegData/etudes/STUD/2016/558777/EPRS_STU(2016)558777_EN.pdf).

Change of paradigm from the conventional business model



to the sharing economy business model:



Figure 1: Change of paradigm of consumer - provider relation (Source: EPRS)

3. Regulatory issues

Due to its economic and social relevance, the collaborative economy has raised regulatory issues at EU level as well as in EU Member States, for reasons of possible 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.^{3,4,5}

Whereas traditional business forms had time to develop, normally over decades, and checks and balances could evolve gradually, possibly involving syndicates, trade unions and/or legislators or a common understanding, the upcoming sharing business models are developing fast and hectically: the individual consumer is faced as a service taker with both the «powerful» and remote platform provider and with one or more individual service providers; the individual service provider is faced with the «powerful» and remote platform of which s/he is also a service taker, as well as with one or more individual consumers to whom s/he is providing an individual service.

The guidance provided in this Communication aims at supporting consumers, businesses and public authorities to engage confidently in the collaborative economy. It will also support Member States to consistently apply EU law across the single market. The Commission will continuously review developments in the European collaborative economy, collect statistical data and evidence and work with Member States and stakeholders also to exchange best practices. The Commission looks forward to engaging in a dialogue with the European Parliament, the Council and Member States to ensure the best possible environment for citizens and businesses in the collaborative economy.»

³ VALANT, J., A European agenda for the collaborative economy, EPRS, November 2016 (http://www.europarl.europa.eu/RegData/etudes/BRIE/2016/593510/EPRS_BRI(2016)593510_EN.pdf), in view of the upcoming report on «European agenda for the collaborative economy» of the EP Internal Market and Consumer Protection Committee (the evolution of which can be followed via http://www.europarl.europa.eu/oeil/popups/ficheprocedure.do?reference=2017/2003(INI)&l=en).

Further parliamentary studies on this subject are available via the following URL: http://www.europarl.europa.eu/thinktank/en/search.html?word=sharing+or+collaborative+economy.

⁵ EUROPEAN COMMISSION, A European agenda for the collaborative economy, Brussels, 2 June 2016 (http://ec.europa.eu/DocsRoom/documents/16881/attachments/2/translations/en/renditions/pdf). Its conclusions are as follows:

[«]In view of the significant benefits that new collaborative economy business models can bring, Europe should be open to embracing these new opportunities. The EU should proactively support the innovation, competitiveness and growth opportunities offered by modernisation of the economy. At the same time, it is important to ensure fair working conditions and adequate and sustainable consumer and social protection. For this to happen, citizens and businesses should be aware of the rules and obligations applying to them, as clarified in this Communication. Member States are encouraged to clarify their national situation in a similar way. The Commission stands ready to work with Member States and relevant authorities to support them in this process.

Platform providers set the rules alone, to their advantage, and according to their priorities. This means that provider's rules are designed so as to increase the platform owners' economic benefit and sustainability as well as their informational power over (and therefore also social entanglement with) both, the individual «service provider» and – in different forms – the individual consumer.

It must be underlined that the individual service providers are also service takers from the platform.⁶

4. Individual consumer and provider vis-à-vis the platform provider

Given this constellation, both, individual consumer and individual service provider may be found in weak or even vulnerable positions vis-à-vis the platform provider.

At stake are therefore, *a priori*, the following characteristics and aspects:

- possible absence of adequate rules in favour, or protecting interests of consumers on the one hand, as well as of individual service providers on the other;
- difficulty or impossibility for individual consumers to organise themselves with fellow consumers or to liaise with consumer protection organisations knowledgeable in the specific new business model;
- difficulty or impossibility for individual service providers to organise themselves with peers, and at the same time competitors, in syndicates, trade unions or other forms of appropriate defence of interests;
- a partial transparency and anonymity for individual service providers and of consumers, depending on the rules imposed by the platform provider,
- in contrast to platform providers endowed with considerable power, economically and «informationally»
 (i.e. as owner of the users' data);
- lack of rules for protection of individual service providers and consumers against overreach or harassment by fellow service providers or consumers;⁷
- a lack of social guarantees for individual service providers, and build-up of credits and rights for unavailability periods for service requests (e.g. absence of clients, sickness, unavailability, pregnancy, obligations for child care (however, in contrast, some of the collaborative business models may be in favour and supportive of the latter aspect);
- for public authorities, difficult or impossible taxation possibilities from the sharing/collaborative economy, in contrast to the established taxation of conventional businesses.

Furthermore, vulnerable people or people unaware of the risks, e.g. risks arising from the absent or insufficient data protection, may be more at risk of being lured into dependent relationships, which could eventually develop into forms of slavery, bondage and destitution.

It is not always clear at first sight whether this can qualify for «service» in the context of the Directive 2004/113/EC, and there are authors, who claim that collaborative platforms are only «digital marketplaces», not service providers, and that rules for service providers such as anti-discrimination rules are not applicable to platforms (SMORTO, G., The Case for Regulating the Sharing Economy, speech held at the Workshop on Collaborative Economy [http://www.europarl.europa.eu/RegData/etudes/STUD/2017/595338/IPOL_STU(2017)595338_EN.pdf] of 8 November 2016). In contrast, at the same workshop, Natali Helberger affirmed that the (individual) service providers use brokering services, marketing and hosting of the platforms and that consumer law should protect them in using these platform services (Helberger, N., Collaborative economy – new ways of providing services and new safeguards European Parliament Workshop Collaborative Economy), see also Organisation for Economic Cooperation and Development, Protecting Consumers in Peer Platform Markets: Exploring the Issues – Background report for Ministerial Panel 3.1, 25 May 2016 (http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DSTI/CP(2015) 4/FINAL&docLanguage=En). Caracciolo di Torella, E. (note 1, p. 1–8) writes that, although the Directive does not define «goods» or «services», its recital 11 states that they should be taken to be those within the meaning of the provisions of the Treaty establishing the European Community (EC), and the services need not necessarily be paid for by those for whom they are performed. In fact, only the latter interpretation is coherent with the general anti-discrimination rules in the Treaties and in the Charter of Fundamental Rights.

For example, vandalism or other disrespectful behaviour of persons in the rooms they rented via the Airbnb platform; or harassment by a user of a shared car.

5. Gender specific hazards

Following all these considerations, it appears that upcoming sharing and collaborative business may be associated not only with opportunities, but also with quite some risks for vulnerable people. Women, in the average, may be more vulnerable and exposed to some of the risks mentioned, than men.

It appears therefore questionable that the documents of the European Commission's European agenda for the collaborative economy⁸ of 2 June 2016 do not address these aspects of vulnerability and particularly female vulnerability; given the Commission's commitment to gender mainstreaming in all policy areas, this question should have been addressed.

This discourse is not merely theoretical, as cases of harassment, violence and vandalism by individual users against individual service providers have been reported.

Therefore, and as argued in the research paper of Dr. Caracciolo di Torella, the principle of non-discrimination for access to and supply of goods and services should be applied to new emerging areas such as the collaborative economy. As explained above, analysis and open-mindedness are needed for identifying constellations and cause-effect relationships that may result in scenarios of indirect discrimination. But what is the legal nature of the relation of the individual provider with the «platform»? This could be of relevance to the type of anti-discrimination law to be applied:

6. Individual providers: also a «worker» or «self-employed»?

Looking again at the figure on change of paradigm from the «conventional» to the sharing business model, this time focusing on employees – the relationship between the «provider» and his employees are governed by a set of labour law, complemented by social security law, tax law etc. in the conventional model. Whereas in the «conventional» model the provider needs a sufficient number of employees for production of goods or provision of services, in relation to the demand from the consumers; in the sharing economy, the provider needs only a fraction of the number of direct employees, merely to run the platform, but a large number of remote «private» service providers to serve the consumers, see figure 2.

An important question to be analysed here: is the private service provider in a labour relation with the platform provider? With the consequence that labour law becomes applicable?

This would mean that the relationship between the private service provider and the platform provider – initially rather characterised by the private service provider using intermediary exchange services of the platform in view of contacting potential consumers – turns into a labour relationship with the platform.

The nature of relationship of the private service provider and the platform is blurred: it can range between:

- the platform being a mere marketplace,⁹
- and an «access to services relationship»
- to a labour relationship,

depending on the nature of the business; depending on the set of rules agreed with (or imposed by) the platform; depending on how the rules are applied, taking into account the algorithms and apps; and depending on the factual scenario on the ground. This has to be analysed and assessed on a case by case basis.

⁸ COM(2016) 356 final and annexes, see http://ec.europa.eu/growth/single-market/strategy/collaborative-economy_en.

⁹ Even a «mere» online marketplace is a provider of services (information services and brokering services).

Work force in change of paradigm from the conventional business model



to the sharing economy business model:



Figure 2: Change of paradigm of consumer - provider relation, considering work force (Source: EPRS)

7. Court cases

In this context it is therefore of great relevance to take note of a UK employment court ruling of 28 October 2016, 10 which after in-depth analysis of the UBER rules for drivers and the factual application of the rules on the ground, qualified UBER drivers not as self-employed but as workers, entitled to national minimum wage, holiday pay, pensions and other workers» rights. 11

Furthermore, on 29 November 2016, the European Court of Justice heard UBER in the case C-434/15 – *Asociación Profesional Elite Taxi*, a case referred to the ECJ in 2015 by a Spanish judge. The question at stake is whether UBER is a transport company or a digital service. ¹² The ECJ Advocate General is expected to give a non-binding opinion in the months to come, before the Court delivers a judgement. ¹³

Other requests for preliminary rulings (emanating from courts in France and Belgium), related to UBER, are pending at the European Court of Justice (C-526/15 and C-320/16).

The outcome of these UBER cases may impact on other platform providers, for other collaborative businesses, and on their users. But the legal nature of the relation of the individual service providers with the platform provider has to be assessed on a case by case basis, analysing:

- the rules the platform is imposing,
- the algorithms the platform is applying, ¹⁴
- the way the platform provider is applying its rules, and
- the factual scenarios on the ground.

¹⁰ Employment Tribunals, 2202550/2015 of 28 October 2016; this judgement is subject to appeal.

OSBORNE, H., Uber loses right to classify UK drivers as self-employed, The Guardian, 28 October 2016 (https://www.theguardian.com/technology/2016/oct/28/uber-uk-tribunal-self-employed-status); see also McGoogan, C./Yeomans, J., Uber loses landmark tribunal decision over drivers' working rights, The Telegraph, 28 October 2016 (http://www.telegraph.co.uk/technology/2016/10/28/uber-awaits-major-tribunal-decision-over-drivers-working-rights/).

LÓPEZ ALONSO, E./MARTINEZ, S., Uber enfrenta a Europa, El periódico Economía, 29 November 2016 (http://www.elperiodico.com/es/noticias/economia/proteccionismo-economia-colaborativa-uber-los-tribunales-5659312).

Uber defends 'efficient' ride-sharing business in Europe's highest court, The Guardian, 29 November 2016 (https://www.theguardian.com/technology/2016/nov/29/uber-europe-court-case-pollution).

¹⁴ Mostly the platforms' software, in conjunction with the dedicated apps on the users' smartphones.

It is therefore possible that for some collaborative business, the individual service providers are indeed in a *labour relationship* with the platform provider, in other cases the individual service provider can be qualified as *self-employed*, and in yet other cases the individual service provider is neither a worker (in relation to the platform) nor self-employed, but *merely a service taker* (from the platform; as well as a service giver to the peer consumer). In some cases the lines between these natures of the individual service provider may be blurred, or all these three aspects may even be present simultaneously, and of relevance.¹⁵ For any one of these three qualifications (of the individual service provider), different sets of pieces of law would be applicable.

8. The type of gender equality law applicable

Concerning *gender equality issues* at EU level, in the first case (labour relationship) the Directive 2006/54/EU¹⁶ on the implementation of the principle of equal opportunities and equal treatment of men and women in matters of employment and occupation (recast) would be applicable; in the second case Directive 2010/41/EU¹⁷ on the application of the principle of equal treatment between men and women engaged in an activity in a *self-employed* capacity would apply; and in the third case Directive 2004/113/EC¹⁸ implementing the principle of equal treatment between men and women in the access to and supply of *goods and services* applies. In any case, this Directive remains of relevance for the consumers of any collaborative business.

9. EU added value of regulating the sharing economy at EU level

Regulating the sharing economy at EU level instead of individual Member State levels is of utmost importance for the following reasons:

- The nature of the sharing economy knows no borders, connecting demand and supply of remote individuals via platform marketplaces, irrespective of the nationality of the «peers»;
- regulating sharing economy sectors at communal, regional or Member State levels could result in inconsistent patchworks of legislation, detrimental both to the EU single market and to the prosperous development of any sharing economy business;
- a common approach at EU level has the potential of reaching a common set of rules allowing the sharing economy to develop progressively, under fair competition between the «platforms» and with traditional businesses, in particular SMEs; protecting consumer rights and assuring equal treatment and non-discrimination, and guaranteeing a common level of protection of equal rights of men and women;
- only a common approach at EU level will be capable of avoiding that individual Member States offer tax havens and other privileges to sharing economy providers, to the detriment of fellow Member States and to the sound common interests of EU citizens at large, in particular making sure that the «sharing economy», like any other business, contributes to financing infrastructure such as schools and childcare facilities.

¹⁵ Lawyers would then need to deliberate more in «both and» categories than in categories of «either or», i.e. adopting a more inclusive thinking.

¹⁶ OJ L 204, pp. 23–36 of 26 July 2006.

¹⁷ OJ L 180, pp. 1–6 of 15 July 2010.

¹⁸ OJ L 373, pp. 37–43 of 21 December 2004.

Tax avoidance by prominent platforms of the «gig» economy is reaching billions of euros. ^{19,20} However, tax haven functions are not the only tangible privileges offered by certain countries which practice a sort of Darwinism at the expense of other countries: leniency for «gig» platform positions in questions of consumer rights and data protection, anti-discrimination, labour rights and defence of fair competition. ²¹

The way forward therefore, also in the areas of shared economy, continues to be the community method,²² which alone allows the EU economy to grow as a whole, and simultaneously protect individuals' rights, particularly on equality and anti-discrimination.

Some examples of undesired effects in the housing sector are quoted in the annex below, underlining the possible massive effects sharing economy platforms can have on the affordability of accommodation, notably for vulnerable people, a large section of which are single parents (mostly women), hence the link to gender equality. This does not exclude very positive effects of these platforms. However, it would be naive to expect that contentious issues would be equitably solved by platform self-policing alone.²³ Attention is therefore drawn to the fact that self-regulation, although not a magic formula for solving complicated and contentious issues, may play a role in a «better regulation approach». The European Commission better regulation agenda provides for this possibility and formulates principles of good practice in self- and co-regulation, including:²⁴

- Participants: as many potential useful actors should be represented as possible;
- Openness: actions should be prepared openly and involve all interested parties;
- Good faith: Different capabilities of participants should be taken into account, activities outside the
 action's scope should be coherent with the aim of the action and participants are expected to commit
 real effort to success
- Objectives: Must be set out clearly and unambiguously and include targets as well as indicators for evaluation purposes
- Legal compliance Actions must be designed in compliance with applicable law and fundamental rights as enshrined in EU and national law.

10. Annex: Examples of undesired indirect effects in the housing sector

The massive rise in renting rooms to tourists via sharing platforms appears to have considerably curbed the availability of housing space in several cities, with the particular effect of reduction of availability of low cost

KOCIENIEWSKI, D., The Sharing Economy Doesn't Share the Wealth, Bloomberg Businessweek, 6 April 2016 (https://www.bloomberg.com/news/articles/2016-04-06/the-sharing-economy-doesn-t-share-the-wealth).

According to TOPPING, A./KASSAM, A./DAVIES, L., Angry cab drivers gridlock Europe in protest at 'unregulated' taxi app, The Guardian, 11 June 2014, «Taxi associations claim Uber routes its payments through headquarters in the Netherlands to minimise its corporation tax payments in France, the UK and Germany – in a similar manner to Apple and Starbucks, which have found themselves in the firing line for the practice.» (https://www.theguardian.com/uk-news/2014/jun/11/cab-drivers-europe-protest-taxi-app-uber-london-madrid).

In this context it is interesting to observe the positions Member States are taking regarding the ECJ case C-434/15 (Asociación Profesional Elite Taxi), here reported by The Guardian in an article from 29 November 2016 (note 13) from the ECJ hearing of the same date: «Lawyers for Spain, Ireland and France also argued that Uber should be treated as a transport company. The Netherlands – where Uber has its European headquarters – as well as Estonia and the European Free Trade Association (EFTA), however, said the company merely provided a connecting service between the passenger and a driver.»

Explained e.g. in European Commission, Explanatory note on the «Community method», Press release MEMO/02/102 of 22 May 2002 (http://europa.eu/rapid/press-release MEMO-02-102 en.htm).

WOOLF, N., Airbnb regulation deal with London and Amsterdam marks dramatic policy shift, The Guardian, 3 December 2016 (https://www.theguardian.com/technology/2016/dec/03/airbnb-regulation-london-amsterdam-housing) quotes an activist: «It's a little bit like having the fox watch the chicken coop».

²⁴ European Commission, The Principles for Better Self- and co- Regulation (https://ec.europa.eu/digital-single-market/best-practice-principles-better-self-and-co-regulation).

housing which would be of importance for vulnerable people like one parent families, which are mostly led by women. This is in addition to the negative effects on the hotel industry and to falling tax income.

The dimensions of such effects induced several municipalities to take vigorous legal or administrative action or to negotiate with Airbnb and similar platforms restrictive rules:

- Barcelona municipality intends to impose penalties of €600'000 against Airbnb and Homeaway for placing flats unlawfully, i.e. without licence and without paying the associated fees, after a first penalty of €30'000 imposed in December 2015 proved fruitless;²⁵ as reasons for this step were indicated, inter alia, «houses and flats got unaffordable for most local people» and «the fundamental right for accommodation is violated», as the mayor of Barcelona claimed.²⁶
- Amsterdam municipality agreed with Airbnb to limit the renting of flats to a maximum of 60 days per year, whereas London agreed a «more lenient» deal: up to 90 days.²⁷ Critics claim that Airbnb is one of the sources of the rising cost of accommodation.²⁸ On the other hand it should be considered that Airbnb and similar platforms can enable tenants to paying off their mortgage or rent, and to raise their standard of living. However, as a recent ruling of the UK Upper Tribunal (Lands Chamber) shows,²⁹ tenants must be attentive to avoid conflict with their leasing obligations.
- In Berlin where rents rose 56% between 2009 and 2014, and in an attempt to keep housing affordable for local people, the municipality passed a law in 2014 with a two year transition period, which limits owners to renting rooms, but not entire flats or houses, via platforms like Airbnb, Wimdu and 9Flats; offenders can face fines of up to €100'000.³⁰ Representatives of the municipality see this law as protection for citizens against rising rental fees and against expulsion from their accommodation, and homelessness; Wimdu filed a suit against this law at a Berlin administrative court which however confirmed the law.³¹

11. Further references

As mentioned in note 4, further parliamentary studies on related subjects are available. One of them addresses various aspects of the situation of workers in the collaborative economy.³²

²⁵ Barcelona geht gegen Airbnb vor, n-tv, 24 November 2016 (http://www.n-tv.de/wirtschaft/Barcelona-geht-gegen-Airbnb-vor-article19177971.html).

N-tv, 24 November 2016 (note 25); Blanchar, C., Airbnb: «Barcelona es la única ciudad del mundo que nos ha multado», El País, 24 November 2016 (http://ccaa.elpais.com/ccaa/2016/11/24/catalunya/1479976225_934881.html); Barcelona multa a Airbnb y Homeway con 600'000 euros por seguir anunciando pisos sin licencia, La Vanguardia, 24 November 2016 (http://www.lavanguardia.com/local/barcelona/20161124/412132887490/barcelona-multa-airbnb-homeway-pisos-sin-licencia. html).

²⁷ Woolf (note 23).

Airbnb begrenzt Vermietungsdauer in Amsterdam auf 60 Tage, Reuters, 1 December 2016 (http://de.reuters.com/article/niederlande-airbnb-idDEKBN13Q4HR).

Upper Tribunal (Lands Chamber), [2016] UKUT 0303 (LC) of 6 September 2016; commented e.g. by PRICE, R., A major court ruling could be trouble for thousands of Brits renting their homes on Airbnb, UK Business Insider, 23 September 2016 (http://uk.businessinsider.com/uk-property-court-ruling-rent-home-airbnb-leasehold-contract-2016-9?r=DE&IR=T) and by Ferguson, D., Beware the pitfalls that could ground your Airbnb rental plans, The Guardian, 9 October 2016 (https://www.theguardian.com/money/2016/oct/09/beware-pitfalls-airbnb-rental-plansbreaching-leases-mortgages).

³⁰ Berlin's government legislates against Airbnb, The Guardian, 1 May 2016 (https://www.theguardian.com/technology/2016/may/01/berlin-authorities-taking-stand-against-airbnb-rental-boom).

³¹ Gericht bestätigt Ferienwohnungsverbot in Berlin, Der Spiegel, 8 June 2016 (http://www.spiegel.de/reise/aktuell/berlin-klage-gegen-ferienwohnungsverbot-abgeschmettert-a-1096411.html).

SCHMID-DRÜNER, M., The situation of workers in the collaborative economy, in-depth analysis, European Parliament, October 2016, PE 587.316 (http://www.europarl.europa.eu/RegData/etudes/IDAN/2016/587316/IPOL_IDA(2016)587316_EN.pdf).