

The new world of the sharing economy

The sharing economy was born a long time ago. Years ago, the student announcing review classes on their local bakery's bulletin board was already participating in the sharing economy. Today, although you can still see these types of adverts, digital platforms have replaced them as the main meeting point for service-providers and users, and they have become a business model in their own right.

By reducing transaction costs, digital platforms greatly expand the potential scope of the sharing economy. In certain sectors, such as housing, transportation or domestic services, its growth in recent years has been nothing short of spectacular.

Certainly, this expansion of the sharing economy generates new opportunities. For potential service-providers, it offers flexible working arrangements and new sources of income - as is the case for a person who decides to spend a few hours a week doing home deliveries, or for a family who rents out their son's room now that they have left home. For consumers, it offers new services, a greater diversity of supply and lower prices. For society as a whole, the sharing economy can contribute to a more efficient use of resources (for example, through car-sharing for long-distance journeys).

The rise of the sharing economy also highlights the need to clarify the regulatory framework under which the platforms and their participants must operate. This is necessary, first and foremost, to provide legal clarity, which is an essential ingredient needed for any economic activity to flourish. It should be clear, for example, under what conditions a person offering their services on a platform will be considered self-employed or an employee. This distinction is important because the labour rights enjoyed by these two types of workers are very different, as well as because it will implicitly define who is the provider of the service - the platform or the worker. There will always be grey areas, but good legislation should try to minimise them.

Proper regulation should also seek to avoid unfair competition. The collaborative economy should not be a loophole for regulatory arbitrage, nor for the submerged economy. There must be a level playing field for all competitors that offer equivalent services. At the same time, it is important to take proportionality into consideration. The requirements should not be the same for someone who rents out a property for a few days a year as they are for an entrepreneur whose main occupation involves managing the daily rentals of all the homes in an entire building throughout the year. The boundaries between one activity and the other must be clear and it would seem logical for the requirements applicable to the latter case to be the same as those that apply to an apartment hotel of the same scale. In the sphere of taxation, platforms can also help tax authorities and taxpayers to comply with their obligations.

In the sharing economy, as is often the case, the reality is one step ahead of the laws. In this situation, an effort should be made to at least prevent the laws from lagging too far behind.

We hope you enjoy reading the Dossier, the rest of the *Monthly Report* and, of course, a well-deserved holiday season.

Enric Fernández
Chief Economist
30 June 2018