IMPACT OF THE SHARING ECONOMY ON THE LABOR MARKET

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Abstract

Taking into account its size and diversity of forms of manifestation the sharing economy represents a flexible type of economic interactions that capitalize on the internet based platforms, large scale use of smartphones and availability of partially used resources. The paper analyzes the characteristics of the sharing economy as an economic mechanism as well as its current and future impact on the labor market. Starting from the fact that currently about 119 million people in North America are more or less involved in sharing economy activities and given that estimates indicate that by 2020 about 40% of the workforce in the same geographical area will be represent by contingent/temporary jobs the author estimate that in developed countries, especially in urban areas, sharing economy will be a sort of new normal in the labor market. The paper also stresses the complementary role of the sharing economy in relation to traditional economic activities.

Keywords: sharing economy, gig economy, contingent workforce, labor market,

JEL classification: E22, E26, J24, J62

The concept and characteristics of sharing economy

After the onset of the economic crisis in 2008/2009 a new type of economic interaction emerged and expanded substantially, initially on the Western coast of United States and then disseminated quite rapidly in many developed countries, particularly in urban areas. This new type of interaction has been called by very different names(collaborative consumption, access economy, peer-to-peer economy, on-demand economy), among which a frequent used one is that of ***"sharing economy"***.

The proof that this name has notoriety can be sustained by the fact that in 2015 Oxford Dictionaries online short listed it for "word of the year". The proposed definition of the concept has been the following: ***"An economic system in which assets or services are shared between private individuals, either for free or for a fee, typically by means of the internet (Oxford Dictionaries online, 2015).***

Therefore the sharing economy represents a type of economic activity in which individuals satisfy their needs by occasional collaboration or transactions instead of interacting with companies that provide on a regular basis goods or services. The needs that are satisfied in this way can be very diverse, from the use of toys to fashion clothes, from web or industrial design to transport services or accommodation, from

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crowdfunding to crowdsourcing. The key elements in the above descriptions are:

- the fact that the actors of this type of economic relations are ***individuals***;
- and the fact that these collaborations or transactions are ***occasional***.

It is exactly because of these two characteristics that the use of the "sharing economy" concept is very often replaced (particularly in the USA) by the concept of "gig economy" which is basically a freelance economy (WhatIs.com, 2016) using contingent (that is temporary) workers [2] (Intuit 2020 Report, 2010). For natives of American English a gig job is by definition occasional and temporary, which on the positive side is carrying promises of innovation and entrepreneurship but, on the negative side, implies risks related to the stability and work conditions of this type of jobs (Sundararajan, 2015). The emergence of these type of activities has had a substantial determination in the crisis period when a large number of people did not have a job or even if they had their income was not enough in relation to basic or existing needs. It is our perception that in the near future this trend towards using contingent/temporary workers will expand based on collaborative networks similar but not identical with crowdsourcing.

Anyway, besides the determination generated by the economic crisis, there are also determinants related to the consumption based society existing in developed countries as well as to the numerous interaction and interconnection possibilities offered by the internet, social networks and the large use of smartphones. According to some research the concept of economic interactions based on collaborative consumption dates from 1978 but what is new today is the scale of the socio-economic phenomenon as well as the intrinsic implication of technology represented by internet, social networks and mobile communication (Newcomer, E., 2015).

In this context the sharing economy represents a new economic model based on **"access to"** instead of **"ownership of"** material or human resources such as time, space, abilities or characteristics that satisfy certain needs. Within this economic model the types of interaction can be diverse: for profit, barter, cooperation or even non-profit. One of the main ideas on which this economic model relies is that people are willing to rent or to share on a temporary basis goods or services they own and which are not used at capacity. This willingness is directly proportional with the need of income sources those people are confronted with.

The mechanism of sharing economy

In order to understand the mechanism of the sharing economy one can start from a description of the interaction between the participants. In this context sharing economy allow people that own a car, a house, a bicycle, a digital camera or any other good they do not use full time to share it with other users for a fee, on an occasional basis.

An important component of the mechanism is represented by the fact that the internet based platform that allows the transactions has a review and rating system that is able to provide both parties with a satisfactory level of trust. At the same time this review and rating system penalizes quite severely the providers or clients that have an incorrect behavior to the extent that they are rejected from further transactions. And as these internet based platforms are open for interaction globally such rejection is also

[2] Emergent Research & Intuit, Inc.: Intuit 2020 Report, 2010, pag. 20

global in scope. At least in principle this strong feedback should determine both providers and clients to behave properly.

In its essence the economic mechanism of the sharing economy is based on **three components**:

– **The ownership of something** of interest that the owner is willing to share with other users, occasionally and for a limited period of time;

– **The possibility of the owner/provider to inform** on a local or even global scale by use of internet about his/her willingness to share the use of a product or service;

– **The availability of a reviewing mechanism** for both the person willing to share something (the provider) and the person interested to use the shared product (the user).

The analysis of the above mechanism highlights the fact that the sharing economy does not include companies or individuals that sell something or provide a service on a regular basis. Such companies or individuals belong to the traditional economic sectors.

Anyway, there is a certain mobility between the sharing economy and the traditional economic activities, particularly from the first to the second. One can easily imagine a situation in which an individual provides car transport services on an occasional basis using Uber or a similar platform. That person can have a totally different job (such as a salesperson, an architect or a software programmer) or can be without a job or having a part time job. The moment in which such an individual decides to provide car transport services as a full time activity he or she exits the sharing economy and enters the traditional type of economic activity.

These clarifications are important as a lot of people include in the sharing economy individual entrepreneurs that carry on activities on a permanent basis. The same lack of clarification determined certain authors to reject the idea that the sharing economy is a new type of economic activity or that it is not about sharing (Eckhardt, G., Bardhi, F., 2015) or to try to clarify themselves the scope and content of this concept (Pikell, J., 2016).

The economic potential of sharing economy

One of the fundamental premises of the sharing economy is that if people share information on the availability of goods and services, the value of these goods and services increases for companies, individuals and the whole community. The mentioned increase is a direct result of the increase in the use of the respective goods and services.

It was estimated that in the world there are assets evaluated at 5.35 trillion US $ (that is almost 7 % of global nominal GDP in 2014) that are under utilized, non-utilized or idle and which can be traded, exchanged or shared (Matofska, B., 2015, p.5). The introduction of these assets in the sharing economy can generate numerous ***multiplicatory effects*** because the increase in the time of usage is accompanied by an increase in the consumption of energy, spare parts, consumer goods, a.s.o. At the same time, the revenues obtained by the owners of the assets that put them to occasional use by means of the sharing economy will lead to an equivalent increase of consumption that means more sales for other goods and services, more jobs and finally an increase of GDP.

Based on the experience recorded internationally between 2009 and 2016 the economic potential of the sharing economy is so significant because it is characterized by a very high dynamics. The experience up to now indicate a very fast dissemination of sharing economy practices and this statement can be substantiated by a number of examples.

Before getting into the details about the examples some clarifications are necessary. In the sharing economy there are very often three categories of participants:

- The owners of assets that are offered on an occasional basis;
- The clients that buy temporary access to goods or services;
- The internet based platforms that connect the providers (owners) with the clients.

A key clarification is that when we read about major players in the sharing economy we read in fact about these ***facilitating platforms*** that make the transactions possible but that are not the actual providers of goods and services. This distinction is very important as these facilitators have a full time job and therefore they make the sharing economy possible but they are not part of it.

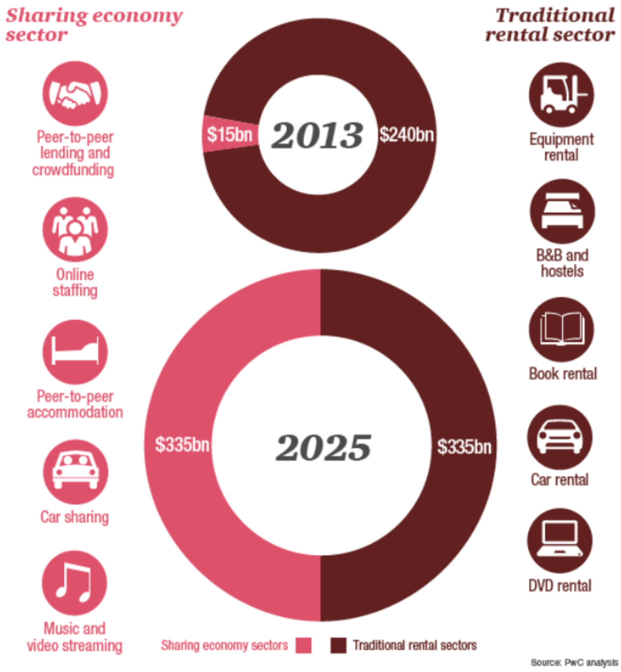
The first example has in view ***Uber company*** which is from many points of view the epitome of the sharing economy. The company has started in March 2009 as a taxi transport alternative in San Francisco Bay area and reached in 2015 a global presence (operating in 250 cities) and a market valuation (in May 2015) of about 50 billion US$, that is more than 80 % of companies listed in Standard & Poor's Top 500, many of which are 20 – 50 years old. Such a dynamic evolution meant that Uber doubled its revenue each 12 months.

Another significant example is **Airbnb** which operates in the business of accommodation services. The company was founded in August 2008 in San Francisco, present in 2015 in over 34,000 cities from 190 countries and was valued in June 2015 at 25 billion US $.

In order to understand the size of these operations enough is to say that Airbnb had in 2015 more than 425,000 guests per night (155 million annually), that is 22 % more than Hilton chain of hotels.

An in depth survey on the potential of the sharing economy that was carried out by PriceWaterhouseCoopers pointed out that between by 2025 the most important activities included in the sharing economy will generate at the global level the same revenue as the similar activities belonging to the traditional sector (PriceWaterhouseCoopers, 2014). This evolution is reflected in Figure 1.

Figure 1. The growth potential of sharing economy in comparison with traditional activities



Source: PriceWaterhouseCoopers, The Sharing Economy: How Will it Disrupt Your Business ?, August 2014, p.4

The data mentioned in Figure 1 points out to the fact that the share of the sharing economy in the total volume of transactions from the activities considered is going to increase from 5.88% in 2013 to 50 % in 2025, that is a 8.5 times increase in 12 years. Regarding the mentioned figures one can add that they can be considered as conservative because in fact the number and types of activities included in the sharing economy are considerably greater.

Another interesting observation related to the economic potential of the sharing economy is that on a logical basis one can consider that this type of economy is not affected by the slow growth of the world economy, on the contrary it may thrive as traditional type of economic activities remain to be characterized by a slow growth. Such a logical deduction is based on the fact that the sharing economy is at the same time complementary to traditional economic activities, represents a flexible quick solution for shortage of revenues periods and make use of existing assets.

Impact of the sharing economy on the labor market

In the vast majority of cases the references to the sharing economy have in view either descriptive aspects or the market value of the biggest operators of platforms (such as Uber or Airbnb). In the present paper we are trying to evaluate the impact of the sharing economy on the labor market by taking into account the number of participants in some of the major markets. The data available is partial and incomplete but in our opinion it is enough for determining the size of the impact (significant, average or insignificant) as well as the current trends.

According to a study made in 2015 by Princeton University, Uber had more than 160,000 active U.S. drivers in December 2014 (Hall, J. and Krueger, A., 2015). That figure nearly multiplied by 2 the supply of short-term transportation, even without counting the drivers of other companies similar to Uber such as Lyft or Sidecar. Even more interesting, in September 2015 the number of active drivers in the US was of 327,000 that is more than double the figure for December 2014 (Carson, 2015).

Similarly with car transport, for the hotel industry, Airbnb that facilitates accommodation services includes over a million properties in nearly 200 countries, surpassing the capacity of major hoteliers like Hilton Worldwide, which had in 2014 about 215,000 rooms in 74 countries (PriceWaterhouseCoopers, 2015). As the sharing economy refers to occasional activities one can consider that over a million people rented temporarily they properties.

At a smaller scale TaskRabbit, a platform that put in contact people willing to do tasks for those that do not have time or the possibility to do them by themselves counted by mid 2015 a number of 30,000 providers of occasional services in 19 U.S. cities.

A more comprehensive image of the overall participation to the sharing economy in the US is given by the fact that in 2015 about 7 % of the population acted as providers and 19 % of the total adult population participated in sharing economy transactions.

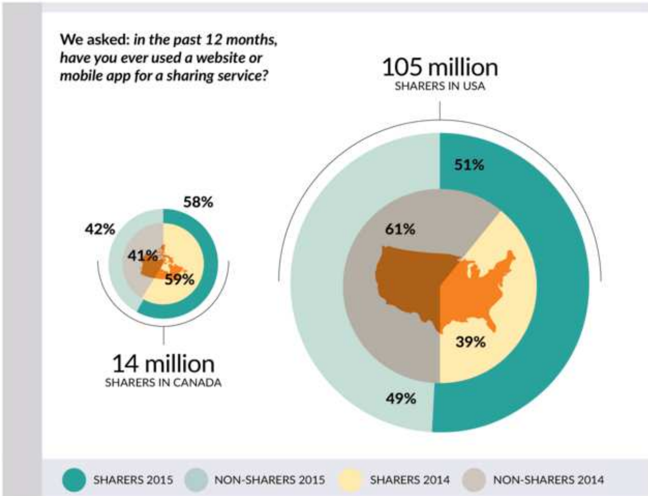
A survey carried out in the US provided proof that the participation to sharing economy transactions has been popular with internet users. The percentage of internet users that participated in a sharing economy transaction as providers or users increased from 39 % in 2014 to 51 % in 2015 (Vision Critical, 2015).

If one considers North America as a whole the data about participation to the sharing economy is quite impressive as in 2015 about 119 million people accessed sharing economy services by means of an internet based platform.

Anyway the activities that can be classified as belonging to the sharing economy are not limited to North America, even if they are more studied there. A survey carried out in 2015 by consulting company Deloitte in Switzerland found that 55 % of respondents were willing to participate in the sharing economy in the next 12 months (Deloitte, 2015).

At the level of the European Union a very comprehensive study has been published in early 2015 assessing both the potential of sharing economy and the various limits that prevent its capitalization (Goudin, P. 2016).

Figure 2. About 119 million people in North America have participated in the sharing economy in 2015



Source: Owyang, J. & Samuel A.: The New Rules of the Collaborative Economy, Crowd Companies, 2015, p.14

Conclusions

The sharing economy which was made possible by a combination of technologies (among which the internet, social networks and internet based platforms as well as the large use of smartphones) emerged as a major socio-economic phenomenon around 2008/2009 and is growing much faster than other economic sectors. According to some studies between 2013 and 2025 at a global level the revenues generated by activities belonging to the sharing economy will increase by about 8.5 times.

The possibility to share reviews and ratings for both providers of goods and services and clients significantly boosted the attraction of these new type of activities as it provided the much needed confidence necessary for the economic transaction. The fact that these reviews and ratings are available world wide contributed further to this confidence between participants.

This high growth rate can be explained partially by the consequences of the economic crisis that left many people without a job or with insufficient revenues but this explanation can be complemented with the existence of a large pool of assets which are under utilized or not utilized.

Based on the existing international data and empirical evidence young people are particularly attracted by this type of economic activity because it provides a flexible response to market needs and allows flexible, part-time jobs. At the same time, such activities allow for building experience for future more permanent jobs.

The current impact of the sharing economy on the labor market can be described at the same time as ***significant and flexible***. It is ***significant*** because in 2015 in North America about 120 million people participated as providers or clients in the sharing market. By 2020 about 40 % of the US workforce may be represented by contingent/temporary ones (Emergent Research and Intuit, Inc., 2010). We can expect a figure of at least 50 % of North American level in Western Europe and the rise of a new middle class in developing countries, particularly in Asia-Pacific area (estimated at 3 billion till 2030) may bring even more people to the sharing economy. It is ***flexible*** because it refers to people with very different professional backgrounds and refers at the same time to occasional activities that can complement full or part time jobs or may represent a life line during hard times of unemployment.

While we appreciate that the sharing economy will not replace business as usual we consider that it will be an important complement to it. New platforms, new methods of payment and certain clarifications regarding safety rules, insurance aspects or taxation will definitely help the sharing economy to overpass the inherent difficulties of the beginning and to consolidate as an important and permanent option in the labor market of the 21st century.

At the same time the impact of the sharing economy on the labor market can be amplified by the fact that humankind as a whole is more and more aware that the linear growth of consumption is unsustainable and if we want to improve our living standard without depleting all resources in a very short time we have to identify new ways for obtaining more benefits with the same amount or even less resources. In this context the sharing economy is not a panacea but it may significantly contribute to a progress in the level of well being without a proportional increase in the consumption of resources.

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