Proseminar Paper

Sharing Economy & Platform Cooperativism

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Prof. Dr. Thomas Myrach

Advisor
Gabriel Abu-Tayeh

submitted by
Angelina Staub
of Menzingen, ZG
in the 06. Semester
Matriculation Number: 10-611-044

Address
Kirchbergstrasse 4
3400 Burgdorf
+41 79 744 22 92
angelina.staub@students.unibe.ch

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Chapter 1: Introduction

1 Introduction

1.1 Initial situation
Internet based sharing platforms and sharing economy are gaining more and more popularity. The best examples of these are Uber and Airbnb. Therefore, this paper is based on Uber and Airbnb and how they correlate with the sharing platforms and platform cooperativism model. Uber provides an e-commerce service for car hire. Uber is a 100% online sharing economical platform and allows its users to request a car through a smartphone app (Uber.com, 2016a). Airbnb is a marketplace for people to discover, list and book unique accommodations around the world (Airbnb.com, 2016b). These two platforms are regularly criticized because of their business model and their interaction with society.

1.2 Problem Statement
Due to the fact that such sharing economy platforms are a new phenomenon on the internet, no legal framework for these platforms has been created yet. This can have a negative impact for on society, because such platforms can act within minimal legal restrictions. This can end up in a monopolistic situation and the subsequent exploitation of society.

1.3 Purpose
This paper explains the basic concept of the sharing economy. In a second step this elaborated concept get adapted to Uber and Airbnb and outlines their role in the sharing economy. The paper closes off by clarifying the concept of platform cooperativism and how the shared economy should be managed unto a next level to evolve from a shared economy to a more social model, which profits not only the platforms, but rather society itself, by implementing the basic model of platform cooperativism.

This paper only covers the following three core aspects; “Job creation”, “wealth creation and society” as well as “illegality and moral standards”. Limited by the length of this paper, these three aspects could unfortunately not be covered in full detail.
2 Definition of «Sharing Economy»

“This paper uses the term “sharing economy” to describe this new economic activity. Other names for the same movement include “collaborative consumption,” “access-based consumption,” and “the mesh,” to name a few. (Miller, 2016) The sharing economy remains a rapidly evolving, elusive concept. As a reference point, this article will use the term sharing economy inclusively to mean an “economic model where people are creating and sharing goods, services, space and money with each other.” (Miller, 2016, p. 150)

Sharing economy is based on a hybrid market model of economic value exchange. Sharing Economy was first mentioned in its current definition in 2008 and represents the collaborative consumption made by the activities of sharing, exchanging and rental of resources without owning the goods (Lessig, 2008). Sharing Economy includes different kinds of category types which are used in the economy. It in itself gets divided into following subcategories: B2C (Business2Client) & C2C (Client2Client). Examples can be seen in the Figure 1. In the end, the whole Sharing Economy is based on a Peer-2-Peer framework. In our day and age these networks are coordinated through community-based online services (C2C...
The strategic layer of the Sharing Economy links the consumer via C2C models or via an intermediary platform (B2C). The interesting aspect of this model is that, in the Sharing Economy world, the producer provides goods or services to its consumer and vice versa. This situation mixes the existing relation between consumer and producer and blurs the current existing line between these two parties. (Puschmann & Alt, 2016)

Sharing Economy is a reaction to our consumer society. It allows to save resources via sharing. (Potcovaru, 2015). A central point of the sharing economy is the possibility for consumers to access and utilize resources and services which they normally would not have the ability to afford or do not want to own themselves. (Posen, 2015)

The value of sharing economy business models could be explained by creating a utility between a certain resource owner and a customer in need of that resource at the right time and against reasonable transaction costs. (Daunoriené, Drakšaitė, Snieška, & Valodkienė, 2015)

Belk (2007) describes the concept of sharing which embodies the property distribution process to others for a limited amount of time without getting legal rights to that property. “Sharing is an alternative to the private ownership that is emphasized in both marketplace exchange and gift giving. In sharing, two or more people may enjoy the benefits (or costs) that flow from possessing a thing” (Belk, 2007, p. 127).

The benefits of the sharing economy are: lasting use of resources, flexible working possibilities for users, user self-regulations, lower involved costs, which allows lower costs for the consumer and a more customized product for the users, caused by the direct relationship between platform and user. (Daunorienė et al., 2015) as cited in (Zervas, Proserpio, & Byers, 2015)
Because the sharing economy and technology improvement work hand in hand, they are essential to each other. Under these circumstances these two create an alliance, which steadily needs to be enhanced, so both profit and a successful future is guaranteed (Posen, 2015).

2.1 Platform and Practices
Sharing Economy requires a technical system, platforms and marketplaces, to distribute physical assets and services among individuals exchanging goods and services. This allows individuals to connect within or across communities. Sharing Economy established a new kind of business model. It established a new market where it is possible to generate profit through sharing. (Potcovaru, 2015)

These individual providers supply a platform for suppliers and consumers to exchange and merge their needs for services and goods. Through allocation of the framework to the community the platform providers generate a profit. For example, Airbnb.com takes a 3% service fee for providing its platform to the community. (Airbnb.com, 2016a)

2.2 Impediments
One of the biggest issues in the world of sharing economy is the moral responsibility of some individuals in connection to shared items. This lack of respect of other people’s good, which mostly end up damaging the shared item, creates an obstacle for many people to join a sharing platform.

To overcome this impediment sharing platforms guarantee, through a form of insurance, the rented item. Uber, for example, covers via a global insurance its drivers while driving for them (Uber.com, 2016b).
2.3 Job Creation
Sharing Economy can create jobs fast and easily, allowing increased job creation within the market. Such platforms can generate a steady additional income for individuals. This can only be achieved by the platform users not needing special qualifications. This also allows poorly educated people to have an income source or generate some extra income. Analyzing this situation, the sharing economy is very positive for society providing the opportunity for people to achieve a higher standard of living. Also the sharing economy generates a flexible work environment, allowing individuals with an unpredictable livelihood, for example single mothers, who would normally not qualify for a job in the general economy, to generate extra income.

Through my analysis, the indication is that the main prospects for job creation in the sharing economy are part time jobs or possibilities for generating extra income. This situation is positive for the community in aspects of wealth creation, but has the capability of potentially creating problems for society. Full time jobs also bring certain protection and security aspects with it, in the sharing economy this is secondary. Adding this factor to the mix, the costs would increase and in the sharing economy where low prices dominate the daily business, this matter has no place in this model.

2.4 Wealth creation & society
The Community can benefit from the generation of an extra income source through the use of sharing platforms. This allows users to earn money on resources which normally would not be capitalized. The sharing economy is a competitive business model and presents a challenge to conventional service providers such as, for example, hotels and taxi corporations. (Möhlmann, 2015) Such sharing economy platforms create hurdles for existing markets.
2.5 Illegality and moral standards

In addition to the common issues regarding the sharing economy, there also are legal problems which are caused by these platforms. In some cases, such sharing economy platforms act above the law or stretch the given laws to a maximum.

Trebor Scholz (2016, p. 7) mentions such a misconduct in his paper Platform Cooperativism as followed: “In the United States, illegality is a method of the “sharing economy” not a bug, and the Federal government, at least for now, is not intervening, leaving the field (and only hope) with the municipalization of regulation. The sharing economy has also been criticized for its “nullification of federal law,” a lack of dignity for workers, and the elimination of worker right stand democratic values like accountability and consent. Firms in the sharing economy failed to pay taxes, violated federal laws. Their modus operandi follow a pattern.”
Chapter 3: Sharing Economy – Uber and Airbnb

3 Sharing Economy - Uber and Airbnb

Up to this point only general points have been addressed by this paper. In the next part of this paper all previous general aspects will be defined in combination with Uber and Airbnb. This paper shall outline and clarify the general positive and negative aspects of the shared economy based on these corporations.

3.1 Uber

Uber was founded in San Francisco in 2009. It provides an e-commerce service for car hire. Uber is a 100% online sharing economical platform and allows its users to request a car through a smartphone app. (Uber.com, 2016a) It provides passengers with an alternative to taxi and livery services. It connects passengers with drivers in a convenient and efficient manner. (Posen, 2015)

3.2 Airbnb

Airbnb was founded in San Francisco in 2008. It is a marketplace for people to discover, list and book unique accommodations around the world. Airbnb is a 100% online sharing economical platform. (Airbnb.com, 2016b)
3.3 Job Creation
As outlined in chapter 2.3, the sharing economy also has a negative side in the job creation. With regards to job creation, there is one fundamental issue concerning the community. Sharing economies provide no full time jobs, they create individual entrepreneurs in the community who use the specific sharing platform. This analysis is based on an Uber driver. This can be challenging in geopolitical matters, like no provision for pensions, health insurance, unemployment insurance etc. In reference to this issue, should these individuals lose or not be able to perform their job they lose their basis of existence. In the common economy such a matter will or can be compensated through these obligatory security measures. In retrospect, the sharing economy has the potential of increasing poverty through their careless internal policy structures. For this example, sharing economy users should view this opportunity as any possibility for extra income. To resolve this issue, it would be wise to create an internal policy for divers, who use Uber as their main source of income, assisting them in becoming independent entrepreneurs. This would resolve the issue that Uber would need to employ all their drivers and secure the drivers at the same time, without incurring additional costs to the platform.

In the case of Airbnb there is no possibility of job creation. This form of platform can only be used to generate an extra income.

3.4 Wealth creation & society
In the case of Uber and Airbnb the community can benefit from generating an extra source of income through the use of these platforms. This allows for earning money on goods or services which normally would not be capitalized. This extra income helps the community in creating a higher standard of living. Through the sharing economy society also has access to more making opportunities. Uber and Airbnb use current existing resources, of the general society to capitalize them. In the case of Uber, there is also a possibility, for poorly educated people to generate a steady income that can either lift them out of poverty or give them a chance to create an independent liveli-
hood. In the case of Airbnb, the existing resources, like a spare room, can be transformed into extra income.

Analyzing these two aspects either the wealth creation or the benefits to society, in the form of independence, results in a freer and independent community, moving away from governmental dependence.

The monopoly of wealth creation lies in the platform. They can dictate the circumstances on how wealth gets created and who can generate how much. This has two major problems, not only can there be the risk of monopoly creation, there is also the possibility that labor can be exploited. Simultaneously, this dictation not only effects labor, but might affect many other resources such as physical resources, in the world of sharing economy, risking these resources to be undervalued. This can be seen in the Airbnb model, were accommodations get rented out to the public at an undervalued price.

Society has the problem that the greed factor or social disadvantage, can cause manipulation by the platforms, so that in the end only they profit and not their end users. In the case of Airbnb, the users renting out their accommodations only focus on the fast and easy money and do not understand that their accommodation is possibly rented out on an undervalued price basis. The same applies to Uber and its drivers.

As mentioned in sector 2.4 there are not only internal issues created by the sharing economy, there are also external influences, which negatively influence society. For example; Airbnb is a direct competitor to the traditional hotel market and Uber is competing with the taxi corporations. With the negative factor that they do not adhere to the same legal framework as traditional markets do and in the end can offer cheaper prices to their consumers. This in the end forces the traditional markets to lose competitiveness and revenue, which can end up in the final step of closing down and loss of jobs.
3.5 Illegality and Moral standards

Through the analyzation one main point stood out, that some platforms in the sharing economy act above the law and think they do not have to honor the law of the countries. This applies for Uber and for Airbnb. Trebor Scholz (2016, p. 7) mentions such a misbehavior in his paper Platform Cooperativism as follows: “Companies like Uber violate various laws – anti-discrimination laws, for instance – to then point to a growing and keen consumer base, demanding legal changes. Airbnb spent over $8 million to lobby in San Francisco when residents voted on regulation their operations. Uber spends more money on lobbyists than even Walmart. Significantly, both Uber and Airbnb are using their apps as political platforms that can be used to activate their clients to oppose any regulatory efforts against them.

When you learn that Uber drivers in Los Angeles are making below minimum wage; when you understand that much (if not most) of Airbnb’s revenue in New York City comes from hosts who rent out entire apartments for less than thirty days; when you are told that startups are sailing around the definition of employment by restructuring work in such a way that the people who are working for them are categorized as independent contractors instead of employees; then you will understand why the government and/or municipalities have to act against this “nullification of federal law. In 2015, a Princeton study showed that Uber drivers in 20 cities are netting about $17.50 an hour, which, according to drivers, comes out to anywhere between $10 and $13 an hour after subtracting the cost of gasoline, insurance, auto payments, and auto maintenance. Los Angeles approved a $15-an-hour minimum wage, which puts Uber in violation of this law. Now, anyone with basic awareness of the Fair Labor Standards Act of 1938 would say that such payments must be illegally low; they do not meet minimum-wage standards.”
4 Platform Cooperativism

Platform cooperativism is an effort to put back the power in the hands of the people (Sullivan, 2015). Platform cooperativism is basically sharing economy 2.0. The enhancement is that through the development from sharing economy to platform cooperativism a legal framework and an understanding of social needs and a transfer of power to the people are included. This has a positive aspect including no risk of monopoly creation or any kind of market manipulation by the platform.

4.1 The Concept

According to Trebor Scholz (2016, p. 14) the platform cooperativism has three parts and he defines them as followed:

- First, it is about cloning the technological heart of Uber, Task Rabbit, Airbnb, or UpWork. It embraces the technology but wants to put it to work with a different ownership model, adhering to democratic values, so as to crack the broken system of the sharing economy/on-demand economy that only benefits the few. It is in this sense that platform cooperativism is about structural change, a change of ownership.

- Second, platform cooperativism is about solidarity, which is sorely missing in this economy driven by a distributed, and sometimes anonymous workforce. Platforms can be owned and operated by inventive unions, cities, and various other forms of co-operatives, everything form multi-stakeholder and worker-owned co-ops to producer-owned platform co-operatives.

- And third, platform cooperativism is built on the reframing of concepts like innovation and efficiency with an eye on benefiting all, not just sucking up profits for the few. I am proposing ten principles of platform cooperativism that are sensible to the critical problems facing the digital economy right now. Platform capitalism is amazingly ineffective in watching out for people.
Platform cooperativism is defined as technological, cultural, political, and social changes. It doesn’t stand for a form of utopia, platform cooperativism is an emerging economy. (Scholz, 2016)

As outlined before Trebor Scholz (2016, p. 18) proposes ten principles of the platform cooperativism that are sensible to the critical problems facing the digital economy right now. These ten principles are the following:

- Ownership
- Decent Pay and Income Security
- Transparency & Data Portability
- Appreciation and Acknowledgement
- Co-determined Work
- A Protective Legal Framework
- Portable Worker Protections and Benefits
- Protection Against Arbitrary Behavior
- Rejection of Excessive Workplace Surveillance
- The Right to Log Off

Unfortunately, it is not possible to outline every single principle. This would go beyond the required extent of this paper. For this reason, only some principles will be outlined.
4.2 Job creation

Currently the job creation lies in the hand of the platforms. In this case they hold the single voting power of the framework for job creation. By contracting external entrepreneurs as Uber does, as mentioned before, they can bypass legal labor frameworks, drawn up by the government. With the concept of implementation of the philosophy of the platform cooperativism this issue could be resolved and create a fairer and securer place for people working for such platforms. (Scholz, 2016)

4.3 Wealth creation & society

As outlined in sector 3.4 there are some negative aspects, to society, in the creation of wealth through these platforms. Platform cooperativism implements a framework to this issue, in the form that neither labor nor resources get utilized at undervalue. This framework would result in the increase of prices, but the benefit would be that the labor and resources, of the end user, would be fair and accurately evaluated. By adding these legal frameworks, not only the end users would be protected, it would also help the traditional markets, whom are bound by the legal framework, creating fair competition and bringing stability to the markets and to the linked job situations. In addition, the fact that through platform cooperativism, not only a few individuals earn the platform’s profit, but instead all profit from it, allowing a fairer and more generous work environment. This increases the wealth of society.
As of 2015 Airbnb had extended its listing to over a million in 34,000 cities and in 190 different countries. Airbnb had in comparison in 2013 a revenue of $250 million and had a market valuation of $10 billion. In other words, the largest hotel chains had fewer rooms, much slower growth rates, and much lower valuations compared to their revenues than Airbnb as outlined in the table above. (Miller, 2016, p. 161)

### 4.4 Illegality and Moral standards

As mentioned before, platform cooperativism brings the shared economy to a next technical evolutionary level. In the sharing economy world some platforms believe they can act above the law of capitalism and disconnect themselves from any kind of law or regulations. The sharing economy 2.0 alias platform cooperativism gives this ground idea of flexibility a legal framework and focuses on the moral standards for society. Through this governance the power gets transferred back to the people.
5 Summary and outlook

5.1 Summary
The sharing economy has good basic ideas, but in view of its lack of transparency and lawlessness, can create issues for society. It is important that these platforms work together with the individual governments in solving these issues. It would be wise for these platforms to issue separate polices for every country in which they do business. This would allow the platform to work under national laws. As a consequence, this could mean that such platforms could not offer such low prices to its consumers. Regulations come mostly at a cost.

As stated by Trebor Scholz (2016, p. 26), “Right now, platform capitalism is getting defined top-down by decisions being made in Silicon Valley, executed by black box algorithms. What we need is a new story about sharing, aggregation openness, and cooperation; one that we can believe in.”

5.2 Outlook
A study would be needed covering the question on how prices would be effected if Uber and Airbnb would adopt local legal frameworks. Simultaneously, an analysis should be conducted into customer reaction towards such a price development.

As a next step, following the implementation of the platform cooperativism into the real world, city-owned platforms would need to be further promoted. For example, Muni-bnb would be a city owned Airbnb adaption, that would distribute its profits to city focused projects. (Arthur, 2015). A study would be needed to find out if society would accept such a concept and if it would be equally successful as their sharing economy counterparts.
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Staub Angelina