The Sharing Economy: How Will It Impact Alberta Jobs?

From the Editor's Desk

Working nine to five for a single employer bears little resemblance to the way a substantial share of the workforce makes a living today. Millions of people assemble various income streams and work independently, rather than in structured payroll jobs. The McKinsey Global Institute estimates up to 162 million people in Europe and the United States, or 20 – 30 percent of the working-age population, engage in some form of independent work. The Sharing Economy will amplify the benefits and challenges that contractual, freelance work brings.

The Sharing Economy is a socio-economic ecosystem built around the sharing of human, physical and intellectual resources. You might think this is no different from running a bed-and-breakfast, owning a timeshare or participating in a car pool. But technology has reduced transaction costs, making sharing assets cheaper and easier than ever—and therefore possible on a much larger scale. Now websites such as Airbnb, RelayRides and SnapGoods match up owners and renters; smartphones with GPS let people see where the nearest rentable car is parked; social networks provide a way to check up on people and build trust; and online payment systems handle the billing. Some other common terms for the Sharing Economy include: peer-to-peer, pay-as-you use economy, collaborative economy, circular economy and gig economy.

It includes the shared creation, production, distribution, trade and consumption of goods and services by different people and organizations. It can encompass the following aspects:

- swapping, exchanging, collective purchasing, collaborative consumption, shared ownership, shared value, and co-operatives,
- co-creation, recycling, upcycling, re-distribution,
- trading used goods, renting, borrowing, lending, and subscription based models.

Advantages of the Sharing Economy

Cheaper Goods and Services

The Sharing Economy is built on the idea that sharing certain goods, services and skills is more efficient. For example, if you use a bandsaw or a hoist once a year, it is much cheaper to pay $20 to rent one from a neighbor than to spend thousands of dollars to buy one. The same goes for an occasional service such as an annual house cleaning or monthly shopping trip to the grocery store. By using something or someone only when necessary, you don't have to deal with the headaches or costs of ownership and employment, such as a car, health insurance, maintenance, and HR issues. In essence, the Sharing Economy cuts out the middle man, whether that's a traditional employer or a company you buy goods and services from.

Extra Income for Providers

On the other side of the transaction, an owner can unlock the potential value of an item such as a vehicle that would otherwise be sitting in the driveway or talent that would not be utilized in a day job, by sharing it when it is not in use. By giving rides or working in a talent marketplace, you can replace or supplement the income you would have earned in a traditional job. By renting out your house or possessions, you can earn passive income while you are doing other things.

New and Better Opportunities

The Sharing Economy offers access to things that might not be practical to own or obtain. For instance, many people simply cannot afford a car or convince a bank to extend a personal loan. Peer networks make it possible to access such things without asking participants to pay a lot or assume unacceptable amounts of risk.

Stronger Communities

Many Sharing Economy platforms, such as ridesharing apps and Airbnb, have built-in ratings and reviews that help keep providers and consumers honest. Co-working and task marketplaces are built on the idea of interpersonal collaboration and resource-sharing. Some platforms are using their influence and the shared resources of their participants to help those in need. For example, Airbnb has coordinated free accommodations for people affected by natural disasters, and TaskRabbit has experimented with organizing volunteers in crisis situations.

Disadvantages of the Sharing Economy

Privacy and Safety Concerns

The Sharing Economy requires people on both sides of the transaction to forfeit some privacy. For instance, when you rent out your house on Airbnb or VRBO, you basically invite strangers into your home. While you trust your renters to be respectful and lawabiding, you cannot be 100 percent sure that they will follow through. The same issue applies to ridesharing, selling or renting items in an online marketplace, and using a task platform to source in-person labour, like house cleaning and home repair.

By contrast, taxi services, traditional retail outlets, and cleaning and contracting services must be licensed and/or abide by consumer-protection regulations that don't necessarily apply to Sharing Economy providers.

No or Few Guarantees

When you share your resources with others – whether by renting out a house, car, or equipment, or participating in a talent marketplace – you assume the risk that you won't get paid or that the items you share will be damaged.

The Sharing Economy relies heavily on practices requiring service providers to work as independent contractors rather than directly hiring them as employees. By doing so, these corporations maximize net revenues by avoiding payroll deductions and costly employee benefits. For workers, this means that they do not receive employee benefits such as extended health care insurance, payroll deductions for employment insurance or Canada Pension Plan. These workers are also exempt from entitlements or protections that the Employment Standards Act and other labour legislations grant employees. The darker side of the Sharing Economy is that as opportunities grow for independent contractors, there will be reduced demand and income for workers in established businesses.

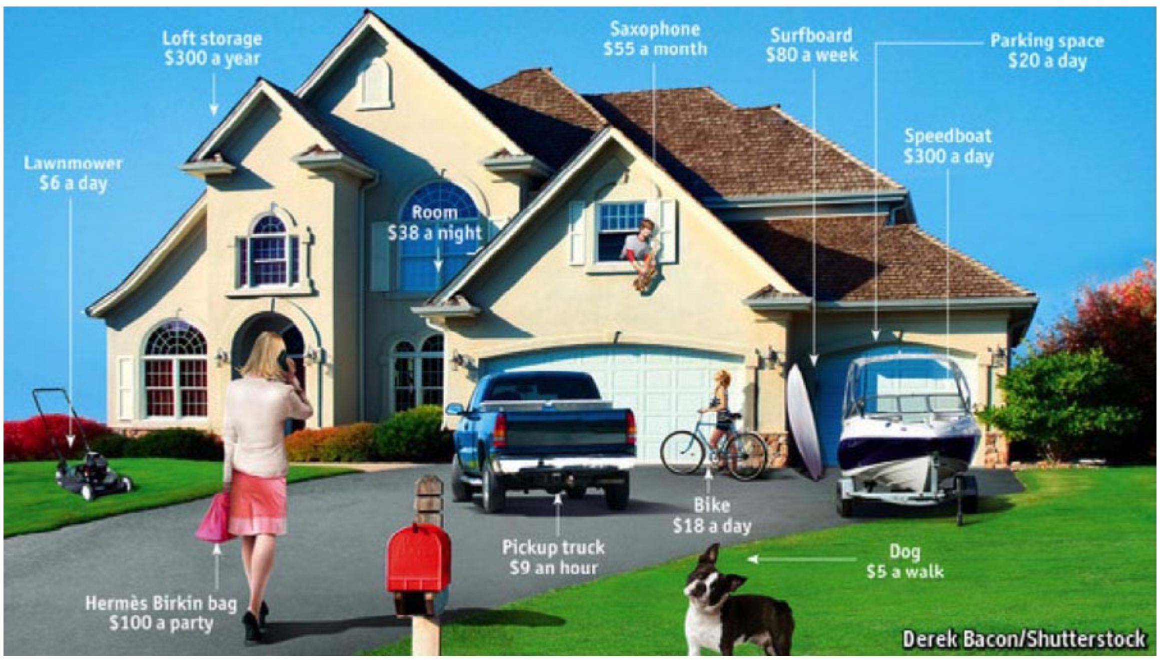
Cooperation with Others

Though its community-building power can be a benefit, the Sharing Economy requires close cooperation between people on each side of the transaction. This may lead to tradeoffs that constrain your independence or self-reliance. For example, when you use a co-working space, you agree to share resources that, in a standalone office suite, you would have had total control over. When you rent on a house or apartment sharing platform, you occupy a space that contains someone else's personal property, and may be subject to a homeowner's association's rules (or neighbors' scrutiny). In a hotel room, you don't have to behave as if you are a guest in someone's home.

Recognize that disruption is inevitable and on-going

The narrative of disruption that sharing has caused in the transportation marketplace is applicable to every business: anyone and everyone can be disrupted in this age of fast-flowing technology and the internet of things. Self-driving cars could be a significant setback to the current set of both car manufacturing companies and car-sharing companies. But more likely, companies will find ways to smartly adapt and reduce friction, embrace new models of operational efficiency—and design experiences that work for business, employees and consumers. The question is: who will do this best?

As a result of these shifts in cultural mores, a “new retail” is emerging under the umbrella of the Sharing Economy. Consider Yerdle, an app designed to enable people to give away their stuff in exchange for credits they can use to “buy” other people’s castoffs. The company has an ambitious goal in mind—reducing the things we buy by 25%. Or Poshmark, a fashion marketplace that lets people shop for items sold from others’ closets. There’s also Spinlister, a peer-to-peer marketplace for renting bikes, skis, surfboards and other sporting equipment; Kidizen, a mobile, peer-to-peer marketplace allowing parents to buy and sell their children’s clothing, toys, shoes; and Rocksbox, a subscription rental service for high-end jewelry. In every niche of retail, it seems a sharing alternative is popping up.



The Economist -The Rise of the Sharing Economy, March 9, 2013

Organizations need to assess the potential for consumers to band together in a peer network that can undermine their value proposition. These networks are most likely to emerge in categories where products and services are widely distributed, involve high fixed costs but low marginal costs and are often underutilized. The automotive and hospitality sectors were among the first to see peer networks, but this network effect is equally viable in industries that hold similar characteristics. High-end retail and utilities are susceptible to this model—in the communications sector, Fon already enables WiFi customers to share their connection with others in return for free access to other Fon hotspots around the world. If this potential for a network effect exists—and for those in the automotive, hospitality, retail, entertainment and tech industries, it very likely does—then companies need to decide whether to be a player or an enabler. Will your business create and facilitate the marketplace? Or will you be a provider that feeds into a system that's mediated by another entity?

Begin with tangible assets. On average, today's manufacturing facilities operate at 20% below capacity. Half of all desks in the average office go unused. A quarter of all trucks traveling in Canada and the United States are empty. All of these are instances where sharing platforms could move companies much closer to maximum efficiency. Marriott, for instance, has partnered with the online platform LiquidSpace to convert empty conference rooms into rentable work spaces. The result is not just a new revenue stream, but also a way to increase exposure to Marriott properties. Pharmaceutical giant Merck recently signed an agreement to share Medimmune's manufacturing facility, providing long-term utilization of excess capacity for Medimmune while giving Merck flexible access to manufacturing facilities as needed.

Conclusions

The opportunities ahead are not without challenges. Effectively competing in the Sharing Economy requires sharp insight into the consumer mindset and competitive marketplace, as well as clarity into internal operations. Liability and security are concerns to be mitigated. But companies that willingly tackle these challenges will be the ones poised to survive—and the potential ahead will be constrained only by the imagination of decision makers. Whether the model is consumer-to-consumer, business-to-consumer or business-to-business, as companies create and utilize these exchanges efficiently and creatively, they will find more ways to profit and help their businesses—and the community at large—grow and sustain success.

Recommended Further Reading

Anderson, Laura and Seong-gee Um. Behind the Bargains: How the Sharing Economy Impacts Health, Wellesley Institute, September 2015.

The Economist. The Rise of the Sharing Economy, March 9, 2013.

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