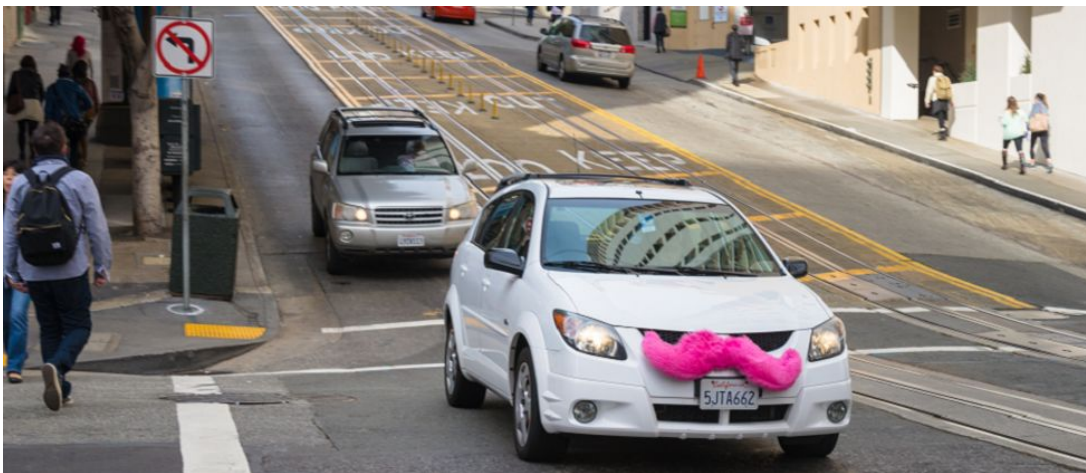


**BUSINESS MODELS**

## A New World of Sharing

by Michael Pollack



*The sharing economy has disrupted the traditional means of communication in society. However, with new companies like AirBnb and Uber on the rise, sharing has the potential to have impacts far beyond communication. Read more about the new world of sharing.*

✔ **INSIGHT** | NOTE 30 May 2017

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The rise of the internet has had many profound and long-lasting effects on the way that our society operates today, but one of the most notable examples is the way the internet has altered interpersonal communication. The internet has allowed people to communicate more quickly, more effectively, and on a much larger scale than has ever been achievable before. This shift in communication had a massive and unintended effect— it suddenly took away attention from the large-scale corporations and media outlets that had long been the

primary source of economic interaction and information circulation in our society. Gradually, each individual gained more control over these aspects of our world, as ease of communication with others allowed for larger scale trade deals and exchange of news that had hitherto been only attainable by professionals. As a result, a new major industry became the facilitation of this communication and interaction among individuals, giving rise to what has come to be known as the Sharing Economy.

## The Introduction of the Sharing Economy

Companies such as AirBnB and RelayRides allow for people with extra resources, such as an empty room in their house or a car that goes largely unused, to rent directly to someone else. Previously, this direct process was only feasible through personal connections or possibly a newspaper advertisement. Ride-sharing companies like Uber, and Lyft allow individuals with a car and some extra time to give others a ride in exchange for a fee, an activity that had previously required either a large commitment to a taxi license or the solidification of a regular carpooling community. In all, these companies help individuals share their own resources with others. The idea is that the people who use these services as vendors (e.g. renting out an apartment on AirBnB or ride-sharing using Lyft) are doing so simply to facilitate their own economic activities in the same way that a company might use the US Postal Service to facilitate the delivery of their product to their customer. The vendors, in effect, are intermediary independent contractors running their own small businesses with the help of a larger corporation's network.

## Negative Effects – Who is responsible?

In theory, this is simply a continuation of economic activity that has always been present: Bread and Breakfasts are no new concept and there have always been people willing to give others a ride for a few bucks. What complicates this situation, however, is the scale at which it has come to operate. AirBnB has vendors who own multiple apartments, often purchased with the specific intention of being rented out, and a growing number of Uber and Lyft drivers come to rely on the service as their main source of income. As these

services expand and become more dominant in the transportation and tourism industries, there emerges a question as to how responsible these services themselves are for the activities of the independent contractors they facilitate.

In the case of AirBnB, vendors who own multiple apartments have come to represent a tangible threat to the housing systems of many major cities. The short-term stays of AirBnB residents are often far more lucrative than the prolonged leases of tenants, meaning there is a good deal of incentive for landlords to push out their incumbent residents in order to transform their apartments into short-term rental spaces. As global population continues to rise and cities become more and more strained to house their residents, this resultant housing scarcity presents major issues. Ultimately, there is a lot of space wasted, with each full unit listed on AirBnB in San Francisco being used for only 30 days a year on average, while the same apartment could house a family for the full 365 days.

## Employees or Small Business Owners?

At the same time, companies like Uber and Lyft provide compelling alternatives to traditional employment. The flexibility offered to potential vendors is attractive, leading many to simply work as full time Uber or Lyft drivers. Because these individuals are technically independent contractors, however, they are exempt from most legal protections granted to employees of a corporation. Because of this, there has been a lack of clarity regarding whether or not the contractors are actually employees of these service companies. In California, this led to a legal argument which ultimately decided, at least in the state, that the relationship that Uber has with its drivers is ultimately a relationship between employer and employee. With this in mind, the entire ride-sharing system seems to be at risk. If Uber drivers are employees, then the conception that they are providing their own sharing service or running their own business would no longer be valid.

With these examples, we come to recognize a pressing issue in the commercialization of the Sharing Economy. If these companies exist merely to facilitate trade in between independent contractors and their clients, how responsible are these companies for the potentially damaging activities done by their contractors or for their contractors'?

wellbeing? The rise of companies like Uber and AirBnB is exposing a new ethical gray area in terms of corporate responsibility. As we move forward, we will see whether such a business model is feasible, or whether it will become necessary for these contractors to be fully considered employees of these collaborative businesses.

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