The sharing economy: a controversial beginning

The sharing economy emerged from the wreckage of the 2008 financial collapse with multiple positive claims about its potential to change the world. Proponents of what was originally called “collaborative consumption” (Botsman, 2010) highlighted the ability of platforms and apps\(^1\) like Airbnb and Uber to use “underutilized” assets more efficiently, build social connection and trust through person-to-person economies, reduce environmental footprints and help ordinary people cope with difficult economic times (Cohen & Kietzmann, 2014; Sperling, 2015). These platforms were also credited with providing more value to consumers by cutting out the middleman and facilitating direct provider/consumer exchange. Supporters predicted the impending end of asset ownership as young people in particular shifted to an “access” society, with ride-sourcing apps like Uber and Lyft held up as examples of why people wouldn’t need cars. Even academics embraced the rhetoric, with one prominent researcher predicting that corporations have been rendered superfluous by these platforms and that employment as we know is ending (Sundararajan, 2016:2).

A second wave of claims focused on the benefits of being a provider in what also came to be known as the gig, or on-demand economy. The platforms began calling the providers who were offering rooms to rent, 

\(^1\) We use the terms sharing economy and collaborative consumption interchangeably. We also use the terms platform and app interchangeably. Companies that started with platforms, like Airbnb and TaskRabbit now also have apps. Others, like Uber were always app based.
rides, delivery services and other tasks “micro-entrepreneurs” and touted the idea that are their own bosses, work flexible hours, and control nearly everything about the platform experience.

Not surprisingly, this rosy picture has its detractors, and there has been considerable public controversy in the press (Schor, 2014). Critics have identified the absence of regulation and taxation in the sector, claiming that this advantage, rather than technological or organizational superiority, is the cause of its rapid growth (Baker, 2014; Hill, 2015). They have argued that the labor arrangements, in which providers are independent contractors, rather than employees, are exploitative and illegal (Eisenbrey & Mishel, 2016). Others are critical of the impact of Airbnb on urban neighborhoods (Slee, 2015). And many have taken aim at the idea that what is occurring on the for-profit platforms is “sharing,” rather than renting or selling. Meanwhile, Airbnb and Uber, the two large platforms in the sector, have been engaged in battles with the industries and residents they are “disrupting,” as protests, counter-protests and intense political struggles are occurring throughout the US and around the world.

For sociologists, the sharing economy raises important questions. While the body of literature about these entities is not yet large, it is not too soon to take stock of what our discipline and closely related ones are learning about sharing companies and organizations. In this brief review, we focus on the for-profit platforms, rather than the many small, frequently non-profit entities such as time banks, food swaps, repair collectives, makerspaces and other grassroots initiatives which are also rightly part of the sharing economy, as those deserve a review of their own.² With respect to the for-profits, the trajectory we see is a shift over time--from a situation akin to what proponents argue, to a world in which critics’ claims are increasingly accurate. But there is also a counter-move afoot, in which progressive forces attempt to create

² For research on non-profits, see (Albinsson & Perera, 2012); (J. B. Schor, Fitzmaurice, Attwood-Charles, Carfagna, & Poteat, 2016)
democratically owned and governed platforms that benefit users rather than corporate owners (Scholz, 2016).

We highlight three questions that have been addressed in the literature: consumer motives and experiences, the treatment of labor, and inequalities in the sharing economy. Due to space considerations we are unable to address a number of other questions, such as the regulation of sharing activities and the environmental impacts of these platforms. These are important areas, but they have received less attention from sociologists.

2. Definitions and controversies about sharing

The emergence of consumption sharing (lodging, rides, food) is best understood in the context of the sharing facilitated by the Internet in areas such as music, art, media and culture, open source coding, blogs, encyclopedias and so on. Yochai Benkler, a leading analyst of these forms of “social sharing,” has argued that digital networks and associated technology have made online sharing more efficient by reducing the capital costs of participation. Thus, what he calls collective production, is increasingly competitive with firms, markets, and bureaucracies as a way of organizing production (Benkler, 2006). While his work has mainly considered digitally-based sharing, he has also considered the case of carpooling (Benkler, 2004). In addition to recognizing the priming effect of digital sharing for collaborative consumers, Benkler’s analysis is insightful for understanding consumption sharing. A key aspect of Benkler’s definition is that social sharing is non-reciprocal. It is not best understood as a gift economy, and is not defined by whether there is a financial dimension to the transaction. For example, in the carpooling schemes he discusses, riders do often contribute cash for expenses. Rather, social sharing
takes place among large numbers of weakly connected people. They are participating in a collective practice and typically have multiple motives, including common good outcomes.

This context is useful in light of the heated debate over whether the “sharing economy” actually involves sharing. There have been widespread criticisms in the popular press of using this term to describe the for-profit platforms, with critics calling the platforms’ use of this highly positive term “sharewashing.” (Kalamar, 2013) Academic interventions have made a similar critique. Alexandrea Ravenelle claims that “Renting one's spare couch or unused car is nothing but rational capitalism” (2016). Russell Belk, in a series of influential and highly cited papers (Belk, 2007, 2010, 2014) has argued that by definition sharing cannot include the exchange of money and that sharing is diametrically opposed to commodity exchange (with gift exchange\(^3\) in between on a continuum). Despite Viviana Zelizer’s pathbreaking work on money (Zelizer, 1997), as well as other insightful analyses of the complexity of motives in both market and family (Folbre, 2001), Belk and others reproduce popular tropes, adopting what Zelizer has termed the “hostile worlds” perspective (Zelizer, 2005). However, as John (2013) and others have noted, sharing is a polysemic term that covers multiple practices. We have found that participants on some platforms do use the terminology of sharing to describe their activities, however, Ravenelle also finds that providers who lack substantial assets to “share,” such as Uber drivers and TaskRabbits, are likely to reject that usage (A. Ravenelle, 2016).

Leaving the question of terminology aside, what are the characteristics of this sector? A common definition has been difficult to develop because the sharing economy encompasses tremendous diversity, including for and non-profits, local and global entities, true asset sharing, and on-demand labor providers.

\(^3\) Belk argues strongly against reciprocity as a dimension of sharing. However, a study of German Couchsurfers (Geiger & Germelmann, 2015) finds that hosts mainly think of sharing in terms of reciprocity, not one-way sharing.
However, there are a number of features that characterize many entities in the sector, particularly the for-profits. The first is the central role of information technology for structuring transactions via the platform or app. The second is reliance on user-generated ratings and reputational data to reduce risk and increase user trust. The third is a peer-to-peer, or person-to-person structure (rather than business-to-person), although some companies (such as Zipcar) do own the assets being “shared.” Whether these should be included is a point of contention (Belk, 2014; Schor & Fitzmaurice, 2015). In addition, among for-profit labor oriented platforms common features include classifying providers as independent contractors (“1099 workers”), provider-determined schedules, and provider responsibility for providing tools and materials for doing the work.

3. Consumer experiences and motives

While there are multiple motivations for participants in the for-profit platforms of the sharing economy, after the earliest days, studies of users in a variety of countries have found that the dominant incentive has been financial (Balck, Cracau, & others, 2015; Möhlmann, 2015; Schor, 2015a; Stene & Holte, 2015). For the consumer, prices are low because platforms reduce what were previously considerable transactions costs in person-to-person economies (Horton & Zeckhauser, 2016; Sundararajan, 2016) and mitigate the risks associated with stranger exchange through their ratings and reputational systems, rather than costly branding. These markets also make available low cost/low quality options (eg., amateur providers, accommodation in downscale apartments). On the provider side, asset-based platforms such as Airbnb

4 The U.S. Commerce Department (Telles, 2016) has identified four key features of what is commonly meant by the sharing economy, and what they term “digital matching firms: the use of information technology on platforms or apps, user-based rating systems to create trust, flexible schedules for workers, workers relying on their own tools and materials. However, this definition is limited because it pertains only to the for-profits and mainly the labor service platforms.
offer the opportunity to make considerable sums of money (Schor, 2015a). Labor-based platforms (ridesourcing, delivery, errands) have been a new source of incremental income for many providers who already have jobs or other income-earning activities.

Users on both sides of the market also appreciate the convenience of these apps, as well as the fact that the financial transactions are completed “backstage,” i.e., via the platform and not directly person-to-person. Some research on Airbnb (Ikkala & Lampinen, 2015; Lampinen & Cheshire, 2016) suggests that settling the financial aspects prior to the guest’s arrival eases social interaction, and that the exchange of money reduces expectations of strong sociability, thereby facilitating more casual interactions.

The literature on experiences in the sharing economy is still small and oriented to a disparate set of questions. The most common is the question of whether these platforms enhance social connection and trust. For the most part, findings suggest that they do, although this conclusion must be considered tentative. Lodging services are the most studied platform in this regard. Studies of Couchsurfing, conducted before its transition to for-profit service, found that users did make new friends (Parigi, State, Dakhllallah, Corten, & Cook, 2013). However, longitudinal analysis suggested that over time the quality of these social connections declined as members became “disenchanted” with the platform and its ability to create new social ties (Parigi & State, 2014). In her work on Airbnb in the U.S. and Finland, Airi Lampinen and colleagues explore aspects of sociability on the platform, concluding that social interaction is an important part of users’ practice (Ikkala & Lampinen, 2015; Lampinen & Cheshire, 2016). Ravenelle (2016) finds that Airbnb users can be described as what Zelizer has termed a “circuit of commerce,” i.e., a particular type of social network which is neither a market nor a firm, but which has durable social connections. According to Schor’s (2015) 2013 data on providers on three platforms, sociability is an
important motive for at least half of all Airbnb hosts, and even for some TaskRabbits. She finds that the former socialize, eat, drink, tour a city and sometimes even develop durable friendship with their Airbnb guests. However, she also finds that some hosts and guests prefer not to socialize. Similarly Ravenelle (2016) also finds that some Airbnb hosts prefer it to Couchsurfing because the expectations for social interaction are lower. An important question about these findings is whether lodging platforms are becoming less social and more impersonal over time, as platforms are normalized and the ideological motives of many early users are replaced by financial motives.

One area of concern is whether the commodification of everyday practices will erode non-monetized sharing. To date, there is only anecdotal evidence of this effect. Ravenelle (2016) reports on a provider who now makes friends register through Airbnb when they stay with him, in order to ensure against any damage they may do to his possessions and apartment. Schor (2015) also has anecdotal evidence of a host who resents family visits because they reduce income from paid stays. At the same time, one host encouraged guests to use Couchsurfing rather than Airbnb, so they don’t have to pay.

4. Do sharing platforms exploit labor?

Many sharing economy critics agree with proponents that it represents a reimagined capitalism (Hill, 2015; A. Ravenelle, 2015b; Slee, 2015), but are skeptical about whether it is an improvement over earlier configurations from the point of view of labor. They argue that the latest iteration enables the erosion of worker protections under the guise of technological innovation. These critics point to the increasing prevalence of non-standard work arrangements as evidence the sharing economy is undermining the bargaining power of labor, ushering in a “share-the-crumbs economy” where workers scramble over each
other in the hopes of snagging scarce microwork (Hill, 2015:12). Under what Lobo (2014) has insightfully termed platform capitalism, workers have reclaimed the means of production only to discover they have little control over the relations of production—in this case, the structure of the network, a situation Scholz (2016) refers to as “crowd fleecing.” Because these relations are algorithmically determined and “black boxed” (F. Pasquale, 2015), it is difficult for workers, consumers, and regulators to understand how platforms operate, and therefore to hold them accountable for outcomes. It is too early to know which side of this debate will ultimately prevail. However, two conclusions do seem possible even in these early stages of the “sharing economy.” First, labor conditions are evolving, and will continue to evolve, as platforms respond to labor market pressures, as well as changing regulations and worker pressure. To date, we see some deterioration in conditions, as the supply of providers increases and pressures to make money intensify. Second, it is misleading to think about the platform economy as a whole. While some policies are common across platforms, i.e., treating workers as independent contractors, wages, earnings and conditions vary significantly across the sector. Our research shows that earnings are far different on Airbnb and TaskRabbit than delivery services Postmates and Favor. As in the conventional economy, the labor market is segmented, with considerable variation across tiers.

The public debate around labor in the sharing economy has largely concerned standard economic variables such as wages, benefits and protections. An influential intervention was made by former Obama Administration economist Alan Krueger, in a paper written for the company, which argued that Uber drivers are well compensated. One reason is that everywhere but New York, they have higher occupancy rates than conventional cabs (Cramer & Krueger, 2015), a result attributable to Uber’s technology. Hall and Krueger (2015) found that UberX drivers, the group most comparable to ordinary cab drivers, earned between $16.89 and $18.31 per hour depending on hours driven. However, the paper was criticized
because it excluded the considerable expenses drivers are responsible for. A 2015 analysis of Uber’s data finds that in three of the largest U.S. markets, drivers make only $13.25 an hour on average after expenses (O’Donovan & Singer-Vine, 2016). These studies suggest that claims of superior compensation in the sector are not borne out in the case of the largest platform and that workers are not capturing efficiency gains.

Even more than wages, the classification of platform providers has been a point of controversy. Nearly all platforms designate providers as independent contractors, who lack benefits and the rights and protections guaranteed to standard employees (Bernhardt, 2014; Hill, 2015; Irwin, 2016; Tomassetti, 2016). This follows a larger trend in the economy. For example, a recent study by Katz and Krueger that finds that all net employment growth between 2005 and 2015 was in alternative i.e., non-standard work arrangements (Katz & Krueger, 2016:7) and that online intermediaries are now “employing” a full half percent of all workers. It seems likely that platforms’ choices in this regard are not mainly driven by requirements of their technology, but allow them to avoid costly employment. The weakness of labor in the post-recession era has made it possible for them to attract high-quality workers even under these conditions.

The challenges of the growing insecurity of labor have attracted increasing attention in the policy realm, as both academics and politicians have called for a third employment category (Harris & Krueger, 2015; Warren, 2016), with portable benefits and other features adapted to a mobile, part-time and more casualized workforce. These calls for action are especially important on account of predictions of continued growth in casual employment (Cannon & Summers, 2014; Harris & Krueger, 2015; Sundararajan, 2016).
Digital technologies and platforms are also transforming the structure and experience of work. The literature suggests a wide variety of experiences, although differences in researchers’ findings remain unresolved. For example, in 2013, Schor found that sharing economy providers were largely satisfied with their work and remuneration on three platforms (TaskRabbit, RelayRides and Airbnb) (Schor, 2013). By contrast, Ravenelle (2015b) found much more negativity among providers, who were critical of platforms and reported less satisfaction with working conditions and earnings. This may be partly due to the difference in research site, composition of the respective samples, and time frame (Schor, 2017).

Platform workers must also balance competing demands for openness with basic concerns for safety. Sharing economy participants are vulnerable on at least three fronts: physical risk, legal risk, and platform risk. Sharing economy workers open themselves to physical danger, inviting strangers into vehicles, or entering their homes. Ravenelle (2015b) found that in New York City many drivers and on-demand workers have been confronted with dangerous, illegal or unsafe tasks or situations. In a paper combining Boston and New York providers, Ravenelle, Ladegaard and Schor (2016) also found vulnerabilities, which seem to vary by race, with white providers being less likely to confront these situations. However, even privileged providers may encounter difficult situations. Airbnb hosts have had their homes badly damaged and their relations with neighbors ruined. One host in Schor’s study (Schor, 2015a) was sued by his condo board for a large sum of money. They are also in jeopardy from action by landlords or local governments. For providers who have entered these markets out of necessity, these situations can be traumatic.

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5 A growing body of literature on digital labor examines how communication technologies have reorganized work, by spreading tasks across the global factory (Fuchs, 2014; Gill & Pratt, 2008; Scholz, 2013), and creating new forms of digital production (Gray, Suri, Ali, & Kulkarni, 2016; Irani, 2015). At the same time, they note the ways in which digital laborers do form community and the complexities of microwork.
Another dimension of labor is control over conditions of work and employment. Given the absence of standard employment protections and labor unions, platforms have the right to make and enforce rules around participation. They are routinely exercising this power. Platforms can unilaterally deactivate accounts, shutting workers out of markets with virtually no recourse. A prominent example of platform power was the 2014 TaskRabbit “pivot,” a change in the way the platform operated and tasks were allocated which made many providers very unhappy (Schor, 2015b). Couriers on Postmates and Favor report intensifying competition in the more lucrative ridesharing market, leading them to enter the on-demand delivery sector. Uber is also now requiring its drivers to accept Uberpool customers, which reduces their wages (Attwood-Charles, 2016).

With now nearly a decade to study, it seems that labor conditions are becoming less favorable for providers, as one might expect. Intense platform competition in some sectors, price wars, and pressures to increase transaction volume threaten to drive down wages and erode labor conditions (Calvey, 2016).

Our research finds that labor conditions in the sharing economy vary significantly based on the platform, how long the sector has been active in a locale, and the skills and assets of providers. The discourse treats the sharing economy as a single entity, but there is actually great diversity in experiences, remuneration and conditions for providers (Cansoy & Schor, 2016; Schor, 2015a, 2015b). An Airbnb host with an in-demand property may command high rental prices and feel little pressure to accept lodging requests, while couriers on Postmates may wait for several hours for a $5 delivery. Despite the sharing economy’s formal openness, there are barriers to entry that slot workers into tiers depending upon assets and skills. In our research across multiple platforms, we find that education level, race, and social class vary, as do earnings and labor conditions. Perhaps not surprisingly, there has been increasing resistance from sharing economy
workers and regulators with a growing number of strikes, protests, and regulatory battles (Cannon & Summers, 2014; Davies, 2016; Edelman & Geradin, 2015; Gershman, 2016; Interian, 2016; Wang, 2016). Activists and organizers have also launched campaigns directed at Airbnb, addressing racial discrimination and public housing issues (Glusac, 2016; Wong, 2016).

5. Does the sharing economy increase Inequality?

The impact of sharing platforms on social inequalities has been an area of considerable concern. The first wave of users were highly educated young people (Cansoy & Schor, 2016; Schor, 2017; Smith, 2016). There is also anecdotal evidence that users are disproportionately white, however, few studies have identified the race of users. As the platforms have expanded, they have become more diverse. A study of Airbnb in London found that over time listings became more common in neighborhoods that were poorer and less highly educated, although these offerings did not attract many guests (Quattrone, Proserpio, Quercia, Capra, & Musolesi, 2016). However, there is evidence that expansion alone will not eliminate race, class and gender discrimination and inequity in the sharing economy.

Two working papers by Harvard Business School researchers have found racial discrimination on both sides of the Airbnb market. The first, which studied prices, found that black hosts received nightly rates that were 12% lower than non-black hosts, and that black hosts suffered a higher penalty for undesirable locations. The second, an audit study, found that guests with typically African-American names were 16% more likely to be rejected by hosts (Edelman, Luca, & Svirsky, 2016). When this study was publicized, African-Americans began recounting their rejection stories on the web and the company was forced to address this question publicly. However, unlike with commercial hotels, there are no laws preventing
racial discrimination when people rent out their own homes or even small (A. Ravenelle, 2015a). A study of TaskRabbit in Chicago finds that providers are less likely to accept tasks in low socioeconomic neighborhoods such as the South Side, because they perceive them as high crime areas, and that consumers, if they can get providers, have to pay more (Thebault-Spieker, Terveen, & Hecht, 2015). Cansoy and Schor (2016) find that non-whites receive lower ratings on Airbnb.

Qualitative research has also uncovered evidence of various types of discrimination. Ravenelle (A. Ravenelle, 2015a) describes a range of screening tactics that hosts use to decide whether to accept guests. In our interviews, we have also found this type of screening, with preferences for high education, homeownership, European origin, age, race, and other characteristics. Often the stated motive is to avoid neighbors or landlords discovering that the host is renting on Airbnb, which leads people to search for guests who are like them (and will seem to be friends, not paying guests). For the most part, these studies found that hosts do not discuss race with interviewers, however, we know from the research just discussed that racial discrimination is occurring. Ravenelle did find one host who had a “no blacks” rule, because her building is all white. In our research, we also had one host who recounted that others in his building complained about his African-American guests.

Schor (2017) argues that the sharing economy is increasing income inequality among the bottom 80% of the income distribution, for two reasons. First, many providers have full-time jobs, and the platforms provide a previously unavailable way of increasing incomes. The work that people are taking on appears to be new, not a substitute for other income-earning opportunities. Second, most providers are highly educated, and they are taking on tasks that have traditionally been done by workers of low educational attainment, such as cleaning, driving, and other manual labors. This finding contrasts with the simulations
of Fraiberger and Sundarajan (2015) who argue that low income households will disproportionately benefit from asset-renting schemes such as car-sharing. To date we can only say that this has not been the case, as the user base of the sharing economy is disproportionately highly educated.

**Progressive possibilities for the sharing economy?**

The sharing economy began with a rhetoric of cooperation and mutuality. Fitzmaurice et al. (2016) finds that many participants expressed sharing values, seeing their participation in these markets as an attempt to create personalized, more humane markets, in opposition to the global corporate economy. However, retaining these ideals in the face of changes in the sharing economy seems to be increasingly difficult. As we have argued, conditions for workers seem to be deteriorating. Instead of spreading efficiency gains and spreading equitably, platform capitalism is offering sub-standard work and increasing inequality within the bottom eighty percent (Schor, 2017). The biggest sharing economy players, Airbnb and Uber, may be on their way to becoming monopolies. Popular critical accounts that speculate on the trajectory of the sharing economy point to a neoliberal dystopia that, ironically, resembles serfdom (Hill, 2015; Slee, 2015).

Yet there are counter-movements afoot. While workers at the top of the platform economy hierarchy remain fairly satisfied, a significant and growing portion are performing low-wage, precarious work (Attwood-Charles, 2016; A. Ravenelle, 2015b). Drivers are attempting to unionize in some locations, and other providers are communicating and organizing via social media and other channels. Another development is what some have called platform cooperativism--in which workers own and operate the platforms (Scholz, 2016). Scholz argues that platform cooperatives can enhance labor conditions and
potentially improve services. Activism directed toward platform cooperativism has increased significantly in the last two years. Although actually existing platform cooperatives are few, there are a number in formation around the country. However, as Pasquale (2013) argues, there are coercive pressures once a platform has dominated a market. To counter these forces, platform cooperatives likely need to unionize workers while organizing politically for regulations to curb monopoly (Ahsan, 2015). Sharing platforms could have a role in urban governance, enabling collective decision making and civic engagement (McLaren & Agyeman, 2015). Municipal level efforts at regulating the sharing economy are currently stronger outside the U.S. but there are signs of increased activity in recent months. We await the second decade of the sharing economy to see how these debates and conflicts play out.
Bibliography


