What if Cities Could Create a Truly Inclusive Local Sharing Economy?

Solomon Greene and John McGinty

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This essay is part of a five-part series that explores how city leaders can promote local economies that are inclusive of all their residents. The framing brief, “Open Cities: From Economic Exclusion to Urban Inclusion,” defines economic exclusion and discusses city-level trends across high-income countries (Greene et al. 2016). The four “What if?” essays suggest bold and innovative solutions, and they are intended to spark debate on how cities might harness new technologies, rising momentum, and new approaches to governance in order to overcome economic exclusion.

What’s the Big Idea?

The sharing economy works best when it works for everyone. A system built around the sharing of resources, the sharing economy uses online peer-to-peer platforms to connect owners of goods and producers of services with consumers of those goods and services in real-time. It can lead to more efficient use of resources, drive down costs of expensive assets, supplement incomes, and enhance social interaction. The sharing of goods and services is not new—informal sharing has long been a feature of urban life, particularly among the poor, immigrants and minority groups. But new technologies have formalized sharing, facilitating its monetization and allowing for strangers to engage in commercial sharing of underused goods and services through new marketplaces. As the sharing economy continues to expand and disrupt traditional business models across a broad range of industries—from transportation to financial services, from housing to home care—it benefits could accrue to the excluded groups that face the most stubborn barriers to participation in local economies.
The sharing economy should naturally tend toward greater inclusion—the more people who participate in the sharing economy the better it functions, creating ever-thicker markets for shared goods and services. Unfortunately, to date, the sharing economy has not lived up to its inclusive potential. Rather, it is often criticized for excluding low-income and other vulnerable groups as both workers and consumers. For workers, the sharing economy can create side jobs and entrepreneurial opportunities that offer greater flexibility and supplement incomes. But evidence suggests that wages in certain sharing industries are lower than in comparable nonsharing economy work. And since most sharing-economy firms treat the people who work for them as contractors, workers are denied a broad range of protections and benefits they would receive as employees (Baker 2015).

As consumers, low-income and vulnerable communities should have the most to gain from the cost-savings associated with sharing expensive assets (such as cars and homes), since ownership is a more significant barrier to consumption when income or wealth is lower (Fraiberger and Sundararajan 2015). Low-income individuals are more likely—in theory at least—to switch from owning cars and bikes to sharing them, increasing transportation options and improving mobility. Yet in practice, low-income individuals are much less likely to use car- and bike-sharing programs (Kodransky and Lewenstein 2014). The sharing economy should also make it easier for a household to rent out an empty house or room to meet rising housing costs or weather economic shocks. However, home-sharing platforms can also drive up the costs of housing, particularly in hot housing markets, exacerbating affordability challenges for low-income families.

But what if cities could create local sharing economies that truly work for everyone? City leaders are uniquely positioned to empower a more inclusive sharing economy, as sharing services are expanding most rapidly in urban markets and the sectors in which sharing firms are most active tend to be regulated locally. To date, concerns about the negative impacts of the sharing economy have provoked many local policymakers to double down on regulations, litigation, and penalties, resulting in a series of high-profile (and often unproductive) local “sharing wars” (Rauch and Schleicher 2015). To advance their equity goals, however, city leaders would be better served by bringing together diverse stakeholders to jointly design local policies and incentives that harness the sharing economy to help level the playing field for excluded groups.

How Would This Work?

Cities could leverage the sharing economy to create new opportunities for the urban poor and promote new communities of trust and exchange across socioeconomic lines; however, for a number of reasons, we have seen little appetite to address inclusion in a robust way. Influential incumbent firms push for more stringent regulation of sharing-economy competitors, and equity advocates often oppose the expansion of sharing platforms because of the exclusionary risks mentioned above. Local governments may be wary of large sharing firms that do not fit traditional industry molds and shirk paying taxes or complying with local regulations meant to protect the health and safety of consumers. A lack of coordination between agencies and departments can cause local governments to react to isolated aspects of the sharing economy, playing regulatory “whack-a-mole” as new sharing applications surface.
As a result, most cities are not engaging the necessary stakeholders to start a forward-looking conversation about a more inclusive sharing economy or harness the benefits of sharing skills, assets, and resources to address economic exclusion.

City leaders could overcome these barriers by convening roundtables on an inclusive sharing economy that identify, develop, and implement local sharing strategies that work for the urban poor. Initially, philanthropy and local anchor institutions could convene these roundtables in partnership with city leaders and existing sharing firms. Over the long term, local governments might embed roundtables within a city agency (such as in an innovation and technology department) or establish an independent body that can help support an ongoing culture of inclusive sharing within the city. The structure and ownership of these roundtables may vary from place to place, depending on local leadership and available resources. Assessments placed on established sharing services doing business in the city or revenues from new sharing enterprises seeded through local business development investments can generate new resources to sustain the roundtables and implement their recommendations.

By bringing together a diverse group of policymakers, researchers, sharing firms, local businesses, advocates, labor unions, and community groups, cities could move past the "us against them" mentality that currently dominates policy discussions on the sharing economy at the local level. Roundtables could also help overcome many of the coordination problems associated with regulating the sharing economy and spark new thinking about creative inclusive-sharing applications. Most importantly, these roundtables could take a comprehensive view of the opportunities that the sharing economy presents for the urban poor as both workers and consumers. In this way, they could realize the sharing economy’s potential to both create better jobs and reduce the costs of essential assets and services.

Roundtables could drive a more inclusive local sharing economy through several steps, from analysis to goal setting to action. First, roundtables could map out the current sharing landscape, including formal and informal exchanges. In many urban neighborhoods, particularly low-income neighborhoods, residents already engage in informal ecosystems of sharing, including noncommercial borrowing, mutual insurance, and work supports that can help alleviate exclusion. When carefully designed, technology-enhanced sharing platforms could support and extend these practices rather than displace them. City agencies could also take stock of how sharing platforms might improve the delivery of essential services, like affordable transportation, and help leaders better respond to disasters, raise capital for public works, and promote small-business development.

Roundtables could also study gaps and barriers for participation in services large sharing firms already provide, answering some of the following questions: Do ride-sharing services like Uber and Lyft reach low-income neighborhoods or racially segregated areas that may be poorly served by public transit? Do rent-burdened low-income residents take advantage of home-sharing services like Airbnb to cover housing costs? Do “gigs” undertaken through TaskRabbit or Handy allow un- and underemployed residents to earn living wages or transition to full-time employment? Do crowd-funding platforms, like Kickstarter, and office-space–sharing services, like ShareDesk, reduce start-up costs for low-income and minority entrepreneurs? Leveraging both research and broad stakeholder engagement, inclusive-sharing roundtables could identify opportunities for the urban poor to benefit from existing sharing
platforms and pinpoint gaps where cities might support new peer-to-peer platforms and services that
are not currently being provided.

Based on the intelligence gathered, inclusive-sharing roundtables could then develop high-level
inclusion goals and measurable objectives to guide progress going forward. These roadmaps may look
different from place to place. For example, in cities with high levels of segregation, the focus may be on
using sharing services to improve mobility or support entrepreneurial opportunities in economically
distressed areas. In cities where unemployment is high or on the rise, the focus could be on using
existing and new sharing platforms to provide work supports and create pathways to quality jobs. In
cities with high housing costs and low vacancy rates, efforts could prioritize reducing housing-costs
bureaucracy and increasing residential stability; conversely, in cities with high vacancy rates, efforts might
focus on converting underused properties to shared, community-serving facilities. In most places, goals
are likely to address multiple dimensions of economic exclusion simultaneously; and, in all places, goals
should respond to local needs and be linked to other local equity planning efforts and priorities.

Cities could then operationalize these goals through a broad range of strategies aimed at
supporting and empowering the urban poor as workers and entrepreneurs. Approaches may require
updating current laws and regulations to better address the externalities of existing sharing firms, but
many goals will require local governments to rethink how they support local innovation or execute basic
governance functions. Often, strategies will blend regulatory and nonregulatory approaches. For
example, cities can support the urban poor as workers in the sharing economy by providing flexible and
portable benefits for workers, allowing contract workers in sharing industries to unionize, requiring
sharing firms to supply new workers with information about their legal rights and obligations (Minifie
2016), and reclassifying contractors as employees subject to minimum wages and basic worker
protections. But they can also support new sharing enterprises by providing training, skills-building
programs, and seed capital, as well as by reducing licensing and permitting barriers (Gorenflo et al.
2013). With the right mix of regulations and incentives, the sharing economy can open doors to higher-
paying jobs and create new livelihoods for the urban poor.

To help the urban poor participate in the sharing economy as consumers, even more imaginative
approaches may be necessary. Though low-income individuals are increasingly turning to sharing
platforms to supplement their incomes through side jobs, they are less likely to participate as
consumers (Smith 2016). Existing research suggests many reasons for this. Low-income consumers may
lack Internet access or credit cards necessary to use existing sharing services; and, because they are still
relatively new, sharing firms are targeting wealthier consumers first, where the margins are greatest
(Rauch and Schleicher 2015).

Cities can help change this calculus. By supporting peer-to-peer lending platforms to help
individuals access more affordable loans and build credit, cities could help the urban poor achieve the
financial stability needed to participate as consumers in the sharing economy. The market for peer-to-
peer lending is growing fast in the United States and Europe, with recorded growth rates of about 250
percent. But, to date, these services have not helped overcome the credit constraints that many low-
income and minority households face (Dervojeda et al. 2013). Municipal ID’s that also serve as prepaid
debit cards (such as those offered in Oakland, California) could help ease participation, and cities could work with sharing providers to accept these cards on their platforms.9

To accelerate inclusion of underserved markets, cities could require that sharing firms expand their services into low-income neighborhoods or reduce prices for low-income consumers in exchange for government contracts or regulatory approvals.10 Cities could also launch their own equitable sharing services, such as Toronto’s Tool Libraries, which provide free access to power tools and 3-D printers for low-income households; or cities could donate space for shared community facilities, such as Vancouver’s Incubator Kitchen, which provides low-cost access to commercial kitchen space for community organizations (Cooper et al. 2015).

Finally, inclusive-sharing roundtables can help cities exploit new opportunities as technologies and applications evolve and the sharing economy expands to an ever-widening range of services and industries. To successfully leverage these opportunities, roundtables should revisit their plans periodically, document progress and challenges, and share lessons among cities experimenting with this approach.

Who Would It Help, and What Aspects of Exclusion Would It Address?

In this essay, we focus on the “urban poor” as the group that could benefit most directly from inclusive-sharing roundtables. The sharing economy has the potential to address multiple aspects of exclusion for lower-income individuals, including unemployment, poor job quality, vulnerability to economic shocks, fraying safety nets, segregation, and declining social capital. But it may be helpful here to break down these benefits by subgroups that are more likely to experience poverty or near poverty in cities across high-income countries. Groups that have difficulty entering traditional labor markets, such as immigrants, low-skill workers, and racial and ethnic minorities, would benefit from improved access to jobs and livelihoods in the sharing economy. Workers that require greater flexibility, such as family caregivers and single parents, would also benefit from improved access to sharing-economy work, especially when accompanied by improved labor standards and protections. Low-income households would benefit as consumers in a more inclusive-sharing economy as it could reduce expenditures on essential assets and services, such as cars, tools, financial products, and child care.

Sharing firms would also benefit from a more inclusive-sharing economy. As cities rethink blunt regulatory strategies and encourage the expansion of services into new markets, firms stand to grow their base of workers and consumers. Collaboration with cities can create new revenue streams, boost the bottom line of companies, and improve sharing firms’ appeal as socially responsible alternatives to traditional industry players.

Lastly, municipal governments stand to benefit from new applications of sharing technologies that lower the cost of providing public services, such as affordable transit, or transforming idle capacities (like school facilities that are not used in the evenings) into productive assets. Some cities are already
experimenting with sharing platforms to reduce their costs of doing business, such as by sharing specialized equipment with other cities rather than purchasing them outright or by replacing city-owned car fleets with car-sharing services. These savings can be reallocated to infrastructure and human capital investments that allow cities to tackle aspects of economic exclusion.

Where Has It Been Tried, and What Have We Learned?

Some cities are experimenting with innovative uses of sharing platforms to address specific aspects of economic exclusion. Last year, Los Angeles introduced a pilot program to introduce electric-car–sharing fleets into disadvantaged communities. The Minneapolis bike-sharing program places kiosks in lower-income neighborhoods, engages in affirmative marketing to immigrant families, and provides subsidized memberships for low-income families (Cooper et al. 2015). New York City is using crowd funding to support resident-led community development projects in low-income neighborhoods, including playgrounds and public parks, community gardens, and street lighting. Seattle recently granted Uber and Lyft drivers collective bargaining rights. Though these pilots are encouraging, they tend to be developed and implemented in a piecemeal fashion, only addressing a single aspect of exclusion, and are disconnected from citywide inclusion plans and goals.

Several cities have organized working groups to study the impact of sharing firms on the local economy. For example, in 2012, San Francisco announced a Sharing Economy Working Group to “take a comprehensive look at the economic benefits, innovative companies and emerging policy issues around the growing ‘sharing economy.’” However, the San Francisco working group was quickly criticized for failing to meet in person or develop any actionable recommendations. More recently, the cities of West Hollywood and Denver have created sharing-economy task forces, but both remain focused on updating regulations with regard to only two areas of the sharing economy—ride sharing and short-term housing rentals. Beyond regulations, neither has yet considered the opportunities to proactively guide the sharing economy to realize inclusion goals (Cooper et al. 2015).

Seoul is perhaps the best example of a city going all-in on the sharing economy and is taking a comprehensive approach to support a sharing economy that works for everyone. In 2012, the mayor announced the Sharing City, Seoul initiative, which includes a number of new laws and investments designed to facilitate the spread of sharing-economy applications that help build community connections and trusting relationships among residents. Seoul’s approach differs from most other cities in that it blends regulations with support for new sharing enterprises. It has provided technical assistance and financial support to help launch local sharing start-ups, and it has promoted broad civic engagement through public hearings, workshops, education, and school-based “sharing clubs.” It has also placed an explicit emphasis on inclusion and social cohesion. The sharing enterprises that the Seoul government has helped seed include a home-sharing platform that match students struggling to find affordable housing with older residents who have a spare room and a clothes-sharing program for women and young job seekers who may not be able to afford business suits (Han 2016).
From Seoul, we have learned that it is possible to simultaneously regulate and create incentivizes for the sharing economy. Seoul also demonstrates that, with government support, it is possible to create “grassroots” sharing enterprises that directly advance inclusion goals. The City of Seoul has invested over $450,000 in dozens of sharing organizations since 2013. But some of these organizations struggle to compete with their global competitors (like Airbnb and Uber) or have not yet realized a profit or achieved scale. This suggests that empowering the urban poor through the sharing economy may be an iterative process with successes and failures along the way. But the one clear lesson from Seoul’s experience (especially when compared with San Francisco’s) is that a declaration of support for inclusive sharing is not enough—it must be accompanied by resources, political commitment, and integration into citywide plans and goals.

What Else Do We Need to Know or Do to Make This Idea Work?

To determine whether and under what circumstances cities could create an inclusive-sharing economy, we need to know more about the underlying barriers that prevent the urban poor from reaping the benefits of sharing platforms. Some of these barriers may be practical. For example, inconsistent access to the Internet and lower rates of smartphone ownership are likely to impede access to online sharing services for lower-income individuals. Seoul has been successful in supporting local sharing enterprises in part because over 97 percent of South Koreans already have broadband access. By contrast, in the United States, only 75 percent of the population has broadband access and only 47 percent of households with incomes under $20,000 have broadband access (Tomer and Kane 2015). Overcoming the “digital divide” for low-income communities in many cities will be critical to success.

Other barriers may be harder to identify or address, such as cultural biases. Early research suggests that prejudice can cause marginalized groups to underperform on peer-to-peer platforms. For example, a recent study found that fictional guests with "distinctively African American names" are much less likely to be accepted by Airbnb hosts than identical guests with “distinctively white names” (Edelman, Luca, and Svirsky 2016). Star-rating systems—upon which many sharing firms rely—can also amplify implicit bias and lead to higher rejection rates for Uber drivers and passengers that are racial or ethnic minorities (Rosenblat 2015). Other research suggests that low-income individuals and minority groups may be hesitant to participate in the sharing economy out of distrust of online financial transactions, privacy concerns, or a preference for balanced reciprocity and bartering over commercial “sharing” (Dillahunt and Malone 2015).

Better understanding these barriers must be the first step toward building a more inclusive local sharing economy. Some of these barriers are likely to be common across cities and could benefit from research that is based on the platform rather than the place (e.g., digital discrimination). Other barriers, such as levels of broadband access or access to credit cards, may vary significantly across urban contexts and would benefit from more localized analysis. Unfortunately, little research has directly examined barriers to participation for the urban poor at either the local or global scale. As a result, we
must largely rely on speculation. To fill existing knowledge gaps, inclusive-sharing roundtables should push for both more comparative and localized research and incorporate the best available evidence about participation barriers into their plans and actions.

In the end, harnessing the sharing economy to promote economic inclusion in cities cannot rely solely on either regulatory or technological fixes. Underlying inequalities in access to technology and credit, discrimination and distrust, and a host of other deep-rooted factors likely drive the imbalances we currently see in the sharing economy. As a result, inclusive-sharing roundtables should not limit themselves to designing new “pro-poor applications” of sharing services; they should also commit to understanding and eliminating the structural barriers that prevent the sharing economy from working well for everyone.

Notes

1. When we refer to the sharing economy we mean an economic system based on the sharing of underused assets or services, for free or for a fee, directly from individuals. This economy can be supported by online peer-to-peer platforms that bypass traditional middlemen. There are several terms that are often used interchangeably to refer to peer-to-peer–based sharing of goods and services, including “collaborative consumption,” “peer economy,” and “on-demand economy.” See Rachel Botsman, “Defining The Sharing Economy: What Is Collaborative Consumption—And What Isn’t?” Co.Exist (blog) Fast Company, May 27, 2015, http://www.fastcoexist.com/3046119/defining-the-sharing-economy-what-is-collaborative-consumption-and-what-isnt.


24. “Despite new coverage, few formal publications identify sharing economy success factors for populations that primarily consist of individuals who are un(der)employed, financially constrained, or from disadvantaged neighborhoods” (Dillahunt and Malone 2015).

References


About the Authors

Solomon Greene is a senior fellow in the Center on International Development and Governance and the Metropolitan Housing and Communities Policy Center at the Urban Institute. His research focuses on how land use law, housing policy and regional planning can reduce racial and economic segregation and how cities can use data and technology to promote more inclusive development.

John McGinty is a research associate with the Policy Advisory Group in the Executive Office of Research at the Urban Institute. He predominantly works on issues surrounding housing and economic development in US cities. Prior to Urban, McGinty was a management consultant in the Bay Area where he advised a variety of leading Internet and technology companies on business strategy and pricing excellence.

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