What Does the Crisis Mean for the Sharing Economy?



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The global health crisis has rocked the sharing economy. Uber and Lyft drivers have seen their incomes plunge as people shelter in place. Airbnb bookings have tumbled, and its services have been banned in some cities and states. Gig workers at a number of companies are protesting a lack of basic protections like hand sanitizer, cleaning supplies and sick pay.

This crisis has brought to a head problems that have been lurking in the wings for years. As a professor who researches the sharing economy, I've found that the features that make it so successful – especially its flexible, decentralized,

independent workforce — create both unique opportunities and vulnerabilities. The stresses of our current situation have made these contradictions clearer than ever.

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Will this public health emergency push the sharing economy to evolve? Or will it throw the entire business model into question? The answer hinges on whether companies can adapt quickly and find ways to create a virtuous cycle of benefits for both workers and customers, as well as their bottom lines. Sharing economy giants like Uber and Airbnb have become so ubiquitous that their ability to survive will have serious implications for the economy as a whole.

The most innovative aspect of the sharing economy is a unique relationship between companies and their workers. Rather than hiring and managing a traditional workforce, these businesses create platforms for individuals to sell goods and services, from use of their cars and homes to their time and skills. An estimated one-third of U.S. workers are now engaged in "gig work," much of it through sharing economy marketplaces.

The sharing economy's flexibility and low barriers to entry have long appealed to workers who can decide when and how much to work, or who want to pick up side hustles to earn extra income. Now, we may see people who have been laid off flock to gig work in an attempt to make ends meet, such as the 250,000 new users who signed up to work for Instacart during the first week of April.

At the same time, the tenuous relationship between sharing economy companies and their workers is showing signs of strain. Some frustrated Instacart workers have simply quit or switched to competing services like Postmates, while others are striking for safer working conditions. Though companies like Uber and Lyft are offering sick pay, many workers report trouble collecting benefits or meeting eligibility

requirements.

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These challenges reveal how precarious sharing economy jobs can be for workers, most of whom are classified as independent contractors. This means they are not guaranteed a steady income and often lack basic benefits like paid sick leave, health insurance and access to unemployment assistance. In recent years, gig workers at Uber and other companies have fought to be recognized as employees to obtain greater protections.

These ongoing concerns about the lack of security afforded by sharing economy jobs have boiled over during these trying times, resulting in highly publicized strikes and demands that companies better protect their workers. Policymakers are also getting involved, as states like Michigan and Colorado explore ways to help gig workers access unemployment benefits.

A workforce of independent contractors poses challenges for companies too. Because these businesses are so decentralized, it is harder for them to control the behavior of workers and sellers across their platforms to ensure customers have a good experience. Airbnb, for example, has struggled in recent years to protect the safety of guests and hosts and faced backlash after a series of sexual assaults at its properties.

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The current crisis has made the underlying problems of decentralization clearer than ever. Although Grubhub, Postmates, and other food delivery services have announced precautions such as contactless delivery, restaurants and consumers have little guarantee that drivers are following proper protocols. In an attempt to discourage risky public health behavior, Airbnb issued guidelines for how hosts

represent their properties during the pandemic. Yet there are still listings encouraging people to “Quarantine in Paradise!” with friends or offering toilet paper as a perk.

This situation has laid bare some of the core contradictions of a sharing economy built on a decentralized, independent and often precarious workforce. Companies will have to adapt quickly to mount a cohesive response that satisfies customers and workers, both of whom are essential to their continued success. The flexibility built into the sharing economy model may be an asset for companies looking to innovate rapidly. Uber, for example, has encouraged struggling drivers to shift to its food delivery service Uber Eats.

In many cases, workers’ demands for better protections might closely align with the interests of customers who are also concerned about their health. Previous research my colleagues and I conducted found a virtuous cycle on sharing economy platforms like Airbnb where good behavior from sellers induces better behavior from buyers, and vice versa. If companies can find a way to harness positive feedback loops around worker and customer safety, they may be able to secure the trust of both groups.

This logic also applies to protecting workers financially. Some sharing economy companies quickly realized that if they didn’t offer some form of paid sick leave, they could be forcing workers into an impossible choice – “starvation or sickness ” – potentially putting customers at risk as a result. Particularly in competitive sectors like food delivery, visible failures to protect workers could concern customers and lead to (further) losses of revenue.

The government might also need to step in to ensure gig workers are protected. This crisis could be the tipping point that finally leads companies and policymakers to address the precarity of gig work by offering a better safety net including access to health and unemployment benefits, greater

income stability and paid leave.

The sharing economy’s ability to weather this storm will have broader impacts on the economy, given how thoroughly it has infiltrated our national and local markets and workforces. In a recent paper, my colleagues and I found that increased activity on home-sharing platforms like Airbnb boosted local restaurant revenue, often in areas outside traditional tourist districts. A downturn could have the opposite impact.

Local economies might also be affected as gig workers who’ve lost income shift gears. For example, some hosts are converting their now-empty Airbnb properties into long-term rentals, potentially reversing a trend we uncovered in our previous research on Airbnb’s impact on local rental housing markets.

To survive this pandemic, the sharing economy must address some of its underlying contradictions by ensuring the security of both workers and customers. Companies that are able to do so might even come out ahead if they can safely offer essential services like grocery delivery. However, if the sharing economy cannot deal with its fundamental vulnerabilities in a moment of crisis, it could spell the end of its meteoric rise as a business model.

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