Governing Smart Platforms: Policy Directions in the Collaborative Economy

Notes from the Smart Society policy event 9.30 – 16.00, December 5th, Scotland House, Rond-Point Schuman 6, Brussels.

Opening presentation

The program was opened by the presenting briefly the SmartSociety project, and its dual focus - technological and socio-ethical. The latter was the principal motivator of today's event.

The program was organized in such a way as to first discuss the diverse and numerous issues that the shared economy brings along (precarious work, empowering of platform owners instead of workers, opacity of algorithms) in the first part of the program, and the ways and directions in which to move to solve them, in the second part.

Morning session: Issues

The Landscape of the Collaborative Economy.
Helen Goulden, Nesta Innovation Lab, UK.

Helen gave an overview of the sharing economy's landscape, pointing out its dynamic nature, and the need to follow this dynamicity with appropriate policies.

The question that was raised was: Does the sharing/collaborative economy takes us to a better/fairer environment or does it makes inequality deeper? How does this affect employment?

Then, the defining traits of the collaborative economy were discussed:
digital, distributed networks, using underused/idle resources, trust, peer2peer, b2c, c2b, b2b, b2govenrment

Collaborative economy has experienced an extremely strong growth in the last 2 years: +77% in transactions in 2015, and +97% in revenues in 2015 in Europe.

But, as American economy recovered, average earnings and participation on collaborative platforms in the US has dropped. This is an indication that the 'gig economy' is not yet an equal player allowing to fully provide a regular monthly income, but rather as an additional source in times of economical hardship.

The collaborative economy has received a lot of attention in the press lately, but the dominant narrative usually describes commercial global platforms with local manifestations, characterized as disruptive (loved or hated), mostly originating from Silicon Valley.

Another point that was brought up was that cities/local communities can influence the landscape of the sharing economies (e.g., prohibit Uber). Different cities try different approaches (some embrace it and other reject it). Some cities also drive innovation in this sector, such as Barcelona with its many cooperatives and city-supported initiatives focusing on democratic participation, participatory budgeting.

Key challenges that were identified for the future include:

Regulation issues:

- Non-compliance with existing regulation
- Outdated
- Level-playing field (less regulation than for typical companies)
- Ambiguity (how can you fit new work, platform as employees, employers)
- Enforcement (monitoring and enforcement is difficult)

Trust and Reputation can mitigate some of these issues to a certain extent.

Inclusion issues:
It was observed that people with higher income are more likely to use the shared economy products, but ridesharing is more beneficial to those with lower income, but they are not engaging. Therefore, we miss out on the disruptive effect, since we are unable to reach to the overall population.

It was also pointed out that racial and gender bias have also been observed, e.g., 16% more rejections on Airbnb for guests with Afro American names.

Future of work issues:

Some facts:

- 18mil people in the UK used at some point the services of sharing economy platforms
- 5m people in the UK depend in some way on the gig economy
- To a quarter of them it's the main source of income, but mostly in the transportation sector.

Two major problems were pointed out:

- Currently, this type of work cannot be used as a primary source of income.
- There is no possibility of career advances (dead-end jobs)

These two issues create a circle in which simple tasks are offered, which allow only additional income, on which people cannot rely as primary jobs, are not willing to improve, and invest into them, they do not attract experts, since they cannot build careers, thus effectively preventing offering of more complex and profitable tasks and setting up a scheme of digital career path.

Finally, 47% of US jobs are described to be 'at risk of automation'. There is a fear that all such jobs will in the future become crowdsourcable, thus becoming dead end jobs.

Digital Footprint Project
Aileen Körfer, UNI Europa.

UNI Europa in cooperation with the Foundation of European Progressive Studies (FEPS) and the University of Hertfordshire has recently been performing studies on crowdsourcing in a number of European countries as part of a research project. The goal was to provide a full picture of the digital labour market in the EU.

They performed omnibus surveys to classify types and characteristics of crowd work (income, age, geographical distribution, frequency of work, etc.), and qualitative interviews to explore why people do crowd work. The results of this research are presented in the reports that are regularly (being) published on their website. Currently released are the surveys for the following countries: UK, Sweden, The Netherlands, Austria, Germany. The reports currently miss the specific data on working hours.

Some insights:

- 20-30% people tried to find work in the sharing economy
- Almost every other person managed to find such work
- The income from crowd work is modest (usually less than half of total income) and can only be used as a complementary source.

While UNI classified many different crowdsourcing types of work, they can be all further categorized into the following big categories:

- Work from home (desk/office work, IT work, creative work)
- Work out of home (running errands)
- Driving

For many participants, crowdworking was only a one-off experiment or curiosity, Please add: Crowd work is a rising trend. However, there is currently no legal framework, which might pose a threat to the economy in the near future.

UNI did not observe any bias towards a specific gender in Europe (but here we talk just about crowdsourcing, not the entire landscape of sharing economy platforms).

The questions that were raised at the end:

- How will the trend develop?
- An appropriate legal framework is missing.
- What should be the roles of government, unions, and companies?

For more information, see: www.feps-europe.eu digital footprint project

Online Platforms
Prabhat Agarwal, EU Commission, DG Connect

The Commission has published its view on the Sharing Economy in June this year, addressing many of the issues mentioned by the previous speakers.

This was done in the context of the "Digital environment" pillar of the Digital Single Market Strategy. Within it, the DG Connect performs reviewing of the sharing economy and specific platforms.

What people see as the biggest advantages of the sharing economy in general: accessibility of information, price transparency, communication and interactions, new business opportunities, but interestingly, they still don't value the improved resource allocation, which is one of the principal characteristics and motivators of the sharing economy.

The biggest challenges observed by the Commission are: Dependence on the big platforms, Illegal contents and behaviour, Platform lock-in preventing data and reputation transfer, Lack of transparency of employed algorithms, Lack of transparency in management of private data, Lack of grievance mechanism (impossibility of complaining to real humans).

Only 4% sharing economy platforms originate from the EU, while 72% come from the USA and 22% from Asia. Why is this?

Regulations are outdated, but they are being constantly updated. However, they need to follow the pace of innovation. The EU prefers to update existing regulation, rather than output completely new one.

In some cases, guidelines are preferred to strict regulations. Some guidelines are already there, e.g.:

- Comparable digital services should follow similar rules
- Obligation to behave responsibly and maintain liability
- Trust is a must, tackle fraud, cross-border enforcement (e.g., use of government-issued identification, as opposed to Facebook/Google IDs)

Intersections between collaborative economy and political system
Mayo Fuster Morell, Internet Interdisciplinary Institute of the Open University of Catalonia.

Evolution of the Collaborative Economy led to what we categorize today as three types of platforms:

- Open Commons: (non-profit organisations, participative governance platforms, open data-open source platforms. Example: Wikipedia, Goteo)
- Unicorns: (centralized ownership, no community involved, closed technology, locked knowledge. Example: Uber, AirBnB)
- Platform cooperativism (new model, SMEs and cooperatives owning the platform, participative governance. Example: fairmondo (like Amazon but owned by cooperatives).

What followed was a discussion on which political systems might reinforce the diverse collaborative economy models, and conversely, how the collaborative platforms can enforce the political system. Two principles were described:

- Collaborative co-creation of public policies is a powerful mechanism allowing involvement of all stakeholders in making shaping political decisions and common governance models.
- Public commons/communitarian partnership

The City council of Barcelona successfully implements the above-described principles. Concrete examples were named:

- BarCola - a group Council,
- Procomuns.net - a framework of 120 recommendations on collaborative economy policies. Currently submitted to the European Commission to be considered for a future European policy framework
- www.decidim.barcelona - a participative democracy web portal operated by the City council

Apart from these official initiatives, there at the moment further 1340 documented non-governmental initiatives in the region of Barcelona, many of which based on cooperatives.

Panel discussion on *Issues*

Featuring the morning's speakers: ***Helen Goulden, Aileen Körfer, Prabhat Agarwal,*** **Mayo Fuster Morell**

Q: To what extend does the sharing economy has contributed to the "traditional economy" (e.g.,, how much does Google profit from using this work to e.g., train algorithms)?

- No concrete data
- But it does affect the traditional economy also indirectly: people invest a lot of time to find tasks to perform, time that could be productively spent elsewhere.

Q: Heterogeneity of local legal frameworks is a problem for the platform to be successful across EU. How can this be solved?

- What is successful needs to be decided by the community
- Barcelona is a good example, as they have a proactive approach. Many other cities do not have the capacity or know-how to do it. But what is the threshold when we start regulating top down? If there is a threat that we might be fragmented, the EU will want to harmonise this, if not via regulations then via harmonisation; minimal level of harmonisation.
- The harmonisation can help local communities to profit from shared economy. For example, in Estonia the Tallinn city government interfaces with Uber so taxes are directly deducted upon each ride. This is very interesting for the commission. Why could not all local communities interface and profit in this way?

Q: Cluster initiatives, such as La Comunificadora (Barcelona), are facilitating the creation of clusters. How exactly?

- They help establishing of either digital or neighborhood clusters, representing integral cooperatives, not necessarily providing a single service, but allowing them to exchange and share the

infrastructure/know-how/services (e.g., legal) that for each individual member would be too expensive to use/possess.

- The role of the local councils/regulators in this case is to play the intermediary that brings cluster partners into contact, as it is not likely that the partners will know of each other is a highly diversified and heterogeneous environment. La Comunificadora is a service of the Barcelona city council doing exactly this.

  As an interesting piece of information, the Commission informs the participants that a number of regional funds will be made available in the coming months for coordination between regions:
  - Very strong innovation focus
  - Partners to include: local regulators, local citizens, local entrepreneurs
  - The idea is not to "dictate" innovation centrally from Brussels, but incentivize the regions to produce innovation in a bottom up fashion.

Afternoon session: Initiatives

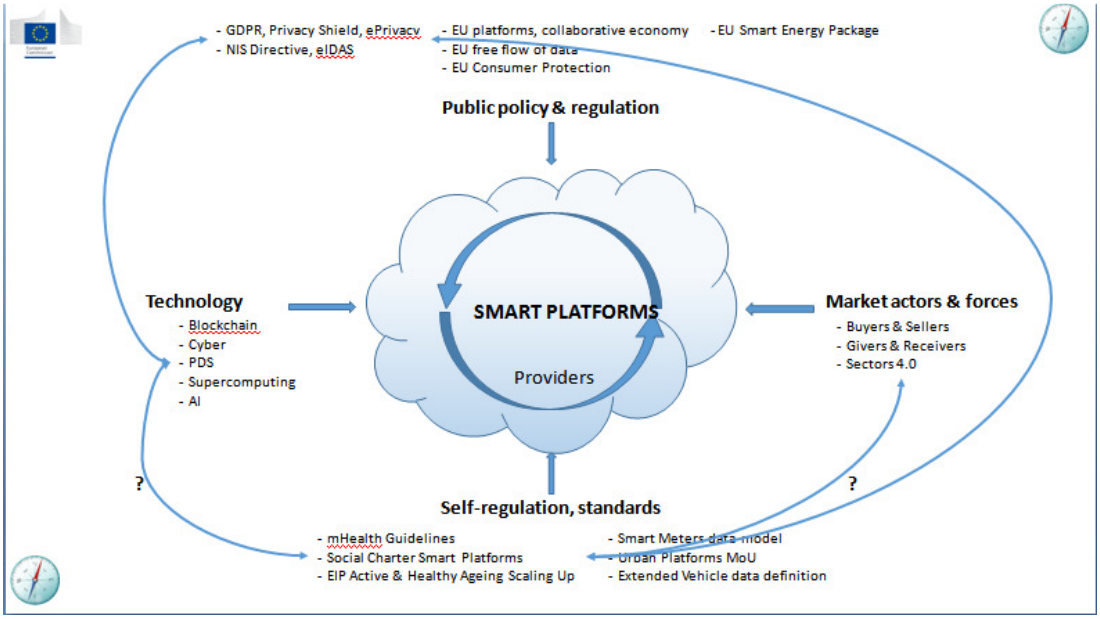
Governing Smart Platforms

Paul Timmers, DG Connect, Digital Society, Trust and Cybersecurity - EU Commission.

Paul gave an introduction to the so called "Smart Platforms" that are in charge of providing several of the services that we are accustomed to use in our modern life.

The regulation and guidance of these Smart Platfoms is currently a hot topic, mainly because of the proven influence their currently have. Discussions centre in approaches like demanding using government-trusted IDs to identify the users of these platforms and; general access and management of the huge amount of relevant data these platforms produce (e.g. Smart Energy, Smart Cities, Smart Cars).

The talk lead to the following slide that summarized that main related factors related to the operation and evolution of Smart Platforms.



It is important to keep this global view of the important related components as when doing so many issues can be solved differently. For example, in some places technology can replace regulation (blockchain)

Finally to summarize the progress in the understanding and regulation of Smart Platforms a table of Initiatives (laws, regulation projects) and the matching Objectives (positive and desirable outcomes) that they promote was shown offering a comprehensive and unified view.

Of special note was that Democracy was supported only by very few initiatives (transparency of algorithms that choose news feeds that go to later influence the citizens of a country).

Personal data platforms and lightweight trust-building solutions
Lucie Burgess, UK Digital Catapult, Oxford.

After a short introduction to the UK Digital Catapult, Lucie defined Personal Data Platform as systems that specialise in collecting, integrating and managing the personal information of their users; additionally, in some cases, these platforms would act as a broker and a protector of the user's personal information when interacting with other platforms.

The personal data regulation is constantly evolving (Drata Protection Act -> Cookie Law -> GDPR) to catch up with the requirements of modern platforms. Current problems include the limitations of the Consent-based sharing of information (Terms of service are unmanageably complex and long so no one reads them, this allows platform owners to get away with requesting much more data and permissions than what they really need).

This has led, as shown in the following slide, to a decrease of trust in companies handling private data.

One of the possible solutions proposed to increase the transparency of the process of requesting and using personal data is the use of "Personal Data Receipts" (PDR), as it is currently being used for the visiting system of the Digital Catapult UK.

Other approach being tested (with the collaboration of the UK standarization agency) for communicating better to the user what is the data being required and what use will the platform holder give it is the use of "Food Labels for Privacy" PAS4891.

The main objective is to improve the readability of the Terms of service for the data based platforms (currently represented in the mentioned problematic ways). To do so the data needs of the platform get labelled so that it is clear what is going to be done with each piece of requested data and only then (when it is easily understandable) it asks for your consent.

An example on how this parsing and clarification of personal data requirements is currently being considered is presented in the slide below (this is however WiP so it cannot be freely used and distributed).

A Social Charter for Smart Platforms.
Mark Hartswood, Oxford University / Smart Society.

Mark outlined the genesis of the Social Charter created within the Smart Society project to serve as a governance framework for 'Smart Platforms' – i.e. digital platforms that mediate sharing and collaboration where users contribute services and resources to the platform.

The charter was developed from research conducted from within the Smart Society project, and was motivated by the ongoing problems reported for the sharing economy in terms of working conditions, safety, privacy, fairness, lack of participation and so on.

Taking a rights-based approach in developing the charter was justified by the pervasiveness of platforms and the difficulty of people conducting everyday activities without involving platforms in some way. Since platform use is becoming less and less discretionary, then it is entirely reasonable to advocate that ordinary people should have rights in relation to the platform, which should offset the profit motive and other powerful interests that are frequently embedded within platforms.

The Charter stands of three pillars, namely: (1) Respect for Human Agency – digital technologies, such as algorithms should not be hidden or used in a manipulative way and that people need to be given the resources to respond to algorithms. (2) Supporting a diversity of interests in the platform - platforms frequently represent excessively polarised interests, usually in ways that are heavily biased towards platform owners. This section of the charter explains how a wider array of interests should be more evenly embedded within the platform. (3) Equitable distribution of value – control over the value of the platform should not be placed within only a small number of hands, and redistributive mechanisms

should be considered to prevent disproportionate accumulations of value by a small number of stakeholders.

Finally, Mark discussed a number of mechanisms through which the principles of the charter can be implemented.

Panel discussion on *Initiatives*

Question on User agreements and policies

It would be very important to prevent platforms from using the user agreement (i.e. acceptance of their privacy and data usage policies) as an "all or nothing" proposition. Ideally, each user should be the keeper of its own data but it is tough to reconcile this with the wish users have to consume services for free. Good progress is being done in this respect as the GDPR says that companies cannot bundle their privacy policy with their service anymore; likewise the FCC says that access providers cannot ask all personal data or browsing data anymore.

Q: The user empowerment implies that the individual is in the centre. Nevertheless, even if the terms are understandable will people read them? Will they really have a choice?

Terms of use and privacy configurations are currently a complex issue, people do not understand them. The issue of privacy is further confounded by cultural and regional difference in values. There is also the tacit assumption that sharing personal data is a “necessary evil” for getting the service (but it is not really like that).

Maybe the issue is better framed in terms of a community and community options. Thus like-minded individuals naturally form communities that help parse and curate the privacy rules that apply to their information and can, together, have a better chance at managing the complexity of the different possible privacy configurations. These privacy curating collectives could be formed and combined at different levels (e.g. family, work, country, etc).

Q: How do we overcome the "Race to the bottom" in pricing for online/platform services? Users expect to get everything for free.

One audience member thinks that we will move away from the Web2.0 business models which treat the human as merchandise (our personal data). If we are able to move away from these problems and generate value for the platform holders in other ways (though we do not how this would happen yet) many of the privacy-related problems would be easier to solve. Maybe once privacy is valorized the "race to the bottom" can’t continue? (i.e I would use the free platform that demands the fewer personal data commitments or is more transparent).

Would a certification (like we have for physical products sold in the EU) work to help reigning in the user agreements? One panellist believes that we should leverage more technology instead of looking to certify it.

Q: Collaborative systems are distributed, which is friendlier for privacy. Why don't we promote more distributed systems without a centralized provider?

The main issue is how to make money out of distributed systems, we don't have an answer yet on how to generate value on 'free to use' platforms. Decentralizing is not enough, we need new business models that are not based in data and/or that are specific of collaborative systems to justify their existence.

Q: What are the next steps for the Social Charter

It was suggested that the charter should be put up in a social platform and send around for comments. Participants remarked that we are not alone in this effort so we need to talk and sit together with other people towards larger goals. According to them finding someone to "adopt" the Social Charter, push it forward and keep it alive would be one of the key priorities that we should focus.