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The rise of collaborative economy in the Philippines

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A different trend of consumption is emerging among the young and the urban. Despite the various labels attached to it, such as crowd-based capitalism, access-based consumption, and on-demand economy (Miller 2016; Sundararajan 2017), sharing remains its key principle. Currently, it covers a wide variety of sectors, including accommodation, transportation, and finance, among others. Dozens of firms are also emerging, utilizing this new business model that allows peer-to-peer economic exchange. But what exactly is a collaborative economy?

This *Economic Issue of the Day* introduces us to the concept of collaborative economy as a new business phenomenon in the Philippines. It also explores the regulatory issues and concerns that come with its rise in the country.

Less owning, more sharing

Collaborative economy roughly started in 2008, after the world experienced a financial crisis that forced people to rethink their spending habits (Selloni 2017). It is an economic model that allows people to lend and rent personal and usually underutilized assets, such as cars, motorcycles, and apartments, for a specific period of time. It shifts the focus of consumption from owning to sharing, boosting our access to resources otherwise considered unaffordable. In an era where everything is a click away, collaborative economy suggests access no longer requires ownership.

Given its wide scope and swift emergence and development, a single, overarching definition of collaborative economy may be hard to achieve (Petropoulos 2017). However, we can characterize it as an economic system that is largely market based and has high-impact capital, given its ability to open opportunities to virtually any goods and services (Sundararajan 2016). It also favors crowd-based networks over centralized institutions, wherein goods and services are from individuals and not from corporations. It also blurs the line between personal and professional properties, wherein one's goods are now shared with other people (Sundararajan 2016).

Actors, sectors

Currently, the collaborative economy has three main actors, namely, the service providers, the users, and the intermediaries (Petropoulos 2017). The service providers are private individuals or professional workers who are lending their assets to the users. Meanwhile, intermediaries are the ones connecting and facilitating the payments between the providers and the users via online platforms. They match the service providers and the users depending on their underlying preferences and characteristics. For instance, when it comes to transportation, intermediaries will usually refer user to a service provider closest to his/her location to ensure efficient service.

Petropoulos (2017) also identified the four sectors where collaborative economy has been thriving thus far, which include accommodation, transportation, online labor markets, and finance. Though his findings are in the European context, we can also witness the emergence of collaborative economy in these sectors in the Philippines through the intervention of Philippine-based startup firms. One of the reasons behind the boom of collaborative economy in the country is the willingness of Filipinos to participate in it, as reflected in the 2014 Neilsen consumer survey. The said survey ranked the Philippines fourth among 60 countries in terms of willingness to participate in the collaborative economy.

For transportation, Filipinos living in Metro Manila can rely on *Angkas*, an online motorcycle booking service, aside from Grab and Uber. *Tripid*, a wordplay of trip and Filipino word *tipid* or cheap, also offers carpooling services to allow Filipinos traveling the same routes to share rides and cut transportation costs. For product and service sharing, one can visit *Magpalitan.com*, which allows the swapping, exchange, and trading of products and services online. For accommodation, *flyspaces.com* allows you to pick workspaces in Metro Manila and Cebu without hassle. The said website targets to assist the micro, small, and medium enterprises, which are expanding in key urban areas. The services these Filipino startup firms offer reflect the magnitude of opportunities that collaborative economy presents to the Filipino entrepreneurs.

Issues in collaborative economy

Like its definition, regulation of the collaborative economy may also be an arduous undertaking. In fact, the Philippine government is currently facing a troublesome situation as in the case of the European Union, wherein the current laws are dedicated to the ownership-based economy, and not the sharing economy (Weston et al. 2015).

When it comes to employment, for instance, it remains unclear whether service providers and intermediaries should have an employment relationship. Currently, service providers, such as those working under Angkas, enjoy flexibility of work hours. Their service is also usually not exclusive to a specific intermediary. Despite these perks, they should have sufficient protection to ensure their safety and livelihood, especially that many of them are involved in driving. However, this protection may actually incur additional costs that service providers may also pass on to the users.

Tax evasion is also an issue in collaborative economy. The Economic Society of the University of Waterloo in Canada, for instance, noted that Canadians are not reporting their income generated from the collaborative economy (Bhatt 2017). According to Hadzhieva (2016), taxation of online activities becomes problematic due to its lack of paper trail, involvement of liabilities in multiple countries, and the government's lack of capacity to manage tax.

In order to use the service that intermediaries provide, users and providers also have to supply certain information that can be considered private. The intermediaries may exploit the opportunity to collect these sensitive information and monitor the activities and behaviors of their users. According to Petropoulos (2017), this extensive data collection raises challenging regulatory issues that government needs to address.

On social media, users have also shared stories concerning poor service and lack of accountability of the service providers. This is primarily because service providers, such as the property owners of Airbnb, are not subjected to thorough screening. Airbnb, through its website, recognizes this limitation and blames it on the failure of the governments to provide comprehensive public records. In this case, it urges its users not only to rely on background checks but also exercise one's judgment about whom to interact with. It also encourages its users to follow sensible safety tips, such as informing one's friends and family regarding travel plans.

Where do we go from here

Given these intricacies in regulation, the collaborative economy requires a "differentiated regulatory response" (Miller 2016, p. 151). However, this is not to brush away existing regulations to accommodate the collaborative economy. The Philippine government should, instead, reimagine its regulation mechanisms, making sure that the industries emerging from the collaborative economy are "daylighted and brought into legitimized transactional world" (Miller 2016, p. 154). Failure to recognize the markets under collaborative economy as legitimate entities may actually force service providers to work underground, "where it is more difficult to understand the nature of the economic activity" (Miller 2016, p. 154).

One thing is for sure: collaborative economy is here to stay. As such, the Philippine government must analyze the policy environment on collaborative economy around the world to assess its social and economic impacts. The end goal, of course, is to lay down a set of clear and evidence-based policies and framework to maximize the fruits of this emerging economy for the benefit of the Filipino people. ✽

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