

# **Scottish Expert Advisory Panel on the Collaborative Economy**

## **Evidence Paper**

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<b>1. Introduction</b>	<b>1</b>
<b>2. Peer to peer accommodation</b>	<b>6</b>
<b>3. Peer to peer transportation and logistics</b>	<b>17</b>
<b>4. Workers' rights</b>	<b>22</b>
<b>5. Collaborative finance</b>	<b>27</b>
<b>6. Participation of consumers and providers, and digital skills</b>	<b>31</b>
<b>7. Public and social value</b>	<b>35</b>
<b>8. Annex A – Key opportunities and challenges for the collaborative economy in Scotland</b>	<b>41</b>
<b>9. Annex B – Geography of Scotland and implications for the collaborative economy</b>	<b>43</b>
<b>10. Annex C – Good Practice Examples</b>	<b>45</b>

## 1. Introduction

This document sets out the evidence and analysis that informed the work of the Scottish Expert Advisory Panel on the Collaborative Economy over the course of its work in 2017. The panel's conclusions and recommendations are set out on the Scottish Government [website](#).

The Scottish Expert Advisory Panel on the Collaborative Economy was set up by the Scottish Government in April 2017. Its purpose was to:

- provide advice, expertise and experience for policy development on the collaborative economy; and
- make recommendations to Scottish Ministers on how Scotland can position itself to take advantage of the opportunities of the collaborative economy and overcome any regulatory, economic and social challenges.

## Background

The collaborative economy connects individuals or communities via online platforms, thereby enabling the sharing or provision of goods and services, assets and resources, without the need for ownership.

The collaborative economy has grown exponentially over recent years, producing a significant impact on several sectors of the global economy. For example, Uber is now the world's largest taxi company despite owning no taxis; similarly, Airbnb is the largest provider of short-term accommodation despite owning no real estate. This trend is likely not only to continue, but to accelerate over the coming years.

PwC<sup>1</sup> estimate that the five key collaborative economy sectors (peer to peer accommodation, peer to peer transportation, on-demand household services, on-demand professional service, and collaborative finance) generated revenues of around €4 billion and facilitated €28 billion of transactions across Europe in 2015. The pace of growth in these key sectors has accelerated significantly in the last few years, with platforms estimated to have more than doubled their revenues in Europe between 2013 and 2015. Although most collaborative economy platforms have originated in the US, hundreds of platforms have also been founded in Europe, with France and the UK having produced over 50 platforms each.

The collaborative economy in the UK has been growing rapidly, as evidenced by the formation of Sharing Economy UK (SEUK) in 2015<sup>2</sup>, a nationwide trade body representing a number of collaborative economy organisations in the UK and aiming to champion the sector and ensure good business practices are adopted.

Much of the growth in participation is down to the impact of digital innovation on the search and transaction costs involved in matching supply of and demand for specialised products and services. Increasing internet speed and mobile access

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<sup>1</sup> Robert Vaughn and Raphael Daverio, PwC UK, "[Assessing the size and presence of the collaborative economy in Europe](#)", April 2016

<sup>2</sup> SEUK was created following recommendations made in the independent "[Wosskow Review of the sharing economy](#)"

have expanded the number of potential participants into the collaborative economy, creating markets that would otherwise be unviable<sup>3</sup>.

A 2016 Eurobarometer opinion poll found that 52 per cent of EU citizens are aware of the services offered by the collaborative economy and 17 per cent have used these services at least once. Among them, UK citizens are particularly active: they are the most likely in the EU to make online purchases and are relatively computer-literate<sup>4</sup>.

In a 2014 survey, Nesta estimated that 25 per cent of the UK adult population are taking part in the collaborative economy<sup>5</sup>. Professor Diane Coyle estimated, based on a survey of SEUK members, that it is likely that more than a million people are participating as providers, equivalent to three per cent of the UK workforce<sup>6</sup>.

While a wide range of statistics are available on the impact of the collaborative economy at a UK, EU and worldwide level, as well as a large number of case studies focusing on individual cities and specific industries (e.g. peer to peer accommodation in Berlin, Amsterdam, Barcelona, etc.), the availability of Scottish specific data is more limited.

### **Building the knowledge base on the collaborative economy in Scotland**

Throughout 2017, a number of steps were taken to close the existing information gap and inform the work and recommendations of the panel. In February 2017, the Scottish Government commissioned YouGov to undertake a survey exploring Scottish consumers' views of, and experiences with, the collaborative economy<sup>7</sup> (some of the key findings of this survey are provided below).

In addition, a Key Considerations background paper was produced to highlight the prevailing global trends and potential lessons for the collaborative economy in Scotland<sup>8</sup>. Both the findings of the survey undertaken by YouGov and the Key Considerations report were provided to the panel ahead of their first meeting, held in May 2017.

The Scottish Government also issued a call for evidence, which was open between 24 April and 29 May, and returned 52 responses from a wider range of stakeholders, including businesses (11), business representative bodies (11), public sector organisations (14), other organisations (5), and individual respondents (11).

An analysis summarising these responses, produced by Craigforth, was provided to the panel ahead of their second meeting, and subsequently published in

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<sup>3</sup> Ofcom, "[Communications Market Report](#)", August 2015, and Ofcom, "[Adults' media use and attitudes](#)", April 2016

<sup>4</sup> Eurostat, "[E-commerce statistics for individuals](#)", December 2016

<sup>5</sup> Kathleen Stokes, Emma Clarence, Lauren Anderson, April Rinne, "[Making sense of the UK collaborative economy](#)", Nesta, September 2014

<sup>6</sup> Diane Coyle, "[The Sharing Economy in the UK](#)", Sharing Economy UK, January 2016

<sup>7</sup> Scottish Government, Consumer, Competition and Regulatory Policy Unit, "[Consumer experiences and views: Results from a Scottish Government survey on the collaborative economy](#)", April 2017

<sup>8</sup> Scottish Government, Consumer, Competition and Regulatory Policy Unit, "[Collaborative Economy – Key Considerations Background Paper](#)", April 2017

August 2017<sup>9</sup>. A brief summary drawn from this report of some of the key opportunities and challenges, benefits and barriers identified by respondents in relation to the collaborative economy in Scotland is provided in Annex A. This document also draws on the sectoral opportunities and challenges identified in the analysis and builds on these with the further evidence provided over the course of the panel's work. This included some of the respondents to the call for evidence who were invited, alongside other relevant stakeholders, to provide additional evidence to the panel, both through written submissions and presentations during the panel's monthly meetings, which were held between May and November 2017. Both the original responses to the call for evidence and the additional evidence submitted to the panel brought a significant contribution towards closing the existing information gap, and are available online<sup>10</sup>.

In addition, the Scottish Government, Scottish Enterprise and the Scottish Tourism Alliance commissioned Toposophy to produce a wide-ranging study, titled "The Collaborative Economy and Scottish Tourism". It involved the collection of evidence from a wide range of stakeholders, both inside and outside the tourism sector, with the aim of helping Scotland making the most of the opportunities and overcoming the challenges posed by the collaborative economy. Initial findings from the Toposophy study were shared with the panel, and the full report is due for publication in February 2018.

The panel also commissioned Involve to organise two public engagement workshops on the collaborative economy, which took place in Glasgow and Edinburgh in October 2017. These workshops involved 50 participants, who were selected to be broadly representative of the wider population, but ensuring that they had engaged in some way with the collaborative economy. The findings emerging from these workshops were then presented to the panel.

Key findings from the research undertaken by YouGov and the workshops organised by Involve are provided below, while a wide range of sector-specific and topic-specific statistics and comments, collected from the responses to the call for evidence and any other submissions to the panel, are provided within the relevant sections in the remainder of this report.

### **Scottish experience of the collaborative economy**

The YouGov survey found that 35 per cent of Scottish adults have used a collaborative platform, but the percentage is significantly higher among those aged between 18 and 34 (53 per cent) than among those over 55 (20 per cent). These figures appear to be broadly in line with findings from other surveys undertaken at a UK and EU-wide level.

The most common reasons among respondents for using collaborative economy platforms were found to be purchasing used/second hand goods online (46 per cent); contributing to an online fundraising project (38 per cent); receiving same-day/expedited delivery (24 per cent); using a 'ride-hailing' app (21 per cent); and using an online home sharing service (21 per cent).

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<sup>9</sup> Craighor, "[Scottish Expert Advisory Panel on the Collaborative Economy: Call for Evidence – Analysis of Responses](#)", August 2017

<sup>10</sup> Scottish Government, [Scottish Expert Advisory Panel on the Collaborative Economy](#)

The main benefits identified were that platforms are affordable/cheaper than alternatives (30 per cent); they offer an extra source of income (25 per cent); they are simple to use/convenient (23 per cent); and they allow people to make the most of under-used assets (23 per cent).

While the most common reasons for not using these platforms were linked to a preference for dealing with 'traditional' companies (33 per cent); unwillingness to borrow items from strangers (26 per cent) or share items with strangers (23 per cent); unwillingness to share personal information (25 per cent); and a lack of understanding of how to use these platforms (22 per cent).

Participants in the Involve workshops were asked to indicate when the provision of goods or services through collaborative economy platforms shifts, in their perception, from 'sharing' (i.e. making the best use of spare time and/or resources to supplement one's income) to professional trading or operating a business. The most common 'tipping points' were identified in relation to the amount of the required financial investment (identified by 72 per cent of respondents), the amount of time invested and the motivation for engaging in the activity (both 56 per cent); the amount of money being earned (46 per cent); the regularity of providing the service (44 per cent); and whether the goods or services are provided through more than one platform (32 per cent).

Overall, there was broad consensus among participants that fair working conditions should be ensured for those working within the collaborative economy (96 per cent agreed on this point) and that any regulatory response should be measured and not overly constraining, allowing for the flexibility for people to engage as occasional providers (76 per cent). Participants also referred to the need to ensure that consumers are protected and aware of their rights and responsibilities (50 per cent), that providers operating as a business are regulated, with regulation scaled to reflect the size of the business (46 per cent), and that no blanket policy is adopted to regulate the collaborative economy (42 per cent).

Annex B provides a brief overview of the geography of Scotland and its implications for the collaborative economy. The coexistence of large cities and remote rural areas would suggest the adoption of tailored and localised solutions, rather than a blanket approach.

Annex C provides a range of good practice collaborative economy examples.

The remainder of this evidence paper covers six key sector-specific or topic-specific areas of discussion addressed by the panel during the monthly meetings throughout 2017:

- Peer to peer accommodation (21 June);
- Peer to peer transportation and logistics (26 July);
- Workers' rights (26 July)
- Collaborative finance (31 August);
- Participation of consumers and providers, and digital skills (21 September); and
- Public and social value (26 October).

The paper aims to summarise the key points raised throughout both responses to the call for evidence and the subsequent submissions to the panel, and includes direct quotes and statistics provided by stakeholders in support of these points.

## 2. Peer to peer accommodation

The first evidence session of the Scottish Expert Advisory Panel on the Collaborative Economy in June 2017 focused on short-term rentals and peer to peer accommodation. Agenda and minutes of the meeting, as well as any submissions received, are available online<sup>11</sup>.

### a. Background

Short-term rentals and holiday homes are not new. They have been available for many years. However, the move into renting out residential accommodation through the use of digital platforms is relatively new.

PwC<sup>12</sup> describe peer to peer accommodation as households sharing access to unused space in their home or renting out a holiday home to travellers. They estimate that peer to peer accommodation, which includes peer to peer rental platforms and vacation rental platforms, as well as home swapping platforms, is the largest sector of the collaborative economy in Europe by transaction value, facilitating €15.1 billion worth of transactions. There are a number of global platforms that enable this service, with Airbnb having most prominence to date.

Peer to peer accommodation has seen unprecedented growth over the past decade transforming the accommodation sector and quickly becoming one of the largest and most debated sectors within the collaborative economy. Generally, three types of short-term lets are included in the peer to peer accommodation sector:

- Privately owned houses or individual rooms;
- Privately owned holiday homes; and
- Commercial lettings.

A number of drivers have been identified to explain the growth of this sector over the last decade, including:

- Exploitation of digital technology, which has lowered transaction costs and allowed consumers to become contributors to the collaborative economy;
- Changing consumer behaviour, with a focus on value for money and a desire for more 'authentic' tourist experiences; and
- Targeted tourism strategies, such as Tourism Scotland 2020, which aims to grow visitor spend in Scotland by £1 billion (from £4.5 to £5.5 billion) between 2010 and 2020.

The responses to the calls for evidence highlighted that:

- There are, unsurprisingly, strong differences in points of view, particularly with regard to the extent to which government and regulation should intervene in this sector;

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<sup>11</sup> [Scottish Expert Advisory Panel on the Collaborative Economy: June 2017](#)

<sup>12</sup> PwC, "[Assessing the size and presence of the collaborative economy in Europe](#)", April 2016



- There is no one city in any one country that has found a magic bullet to solve these challenges or, indeed, fully exploit the opportunities; and
- The frequency with which the term 'level playing field' was cited in relation to the existence of regulatory differences between different kinds of short stay accommodations.

## b. Scottish specific data

VisitScotland data highlights the different situations across Scotland, with large cities like Glasgow and Edinburgh attracting large numbers of visitors throughout the entire year, and rural areas and islands (e.g. Highlands, Orkney, etc.) experiencing a marked difference between summer and winter.

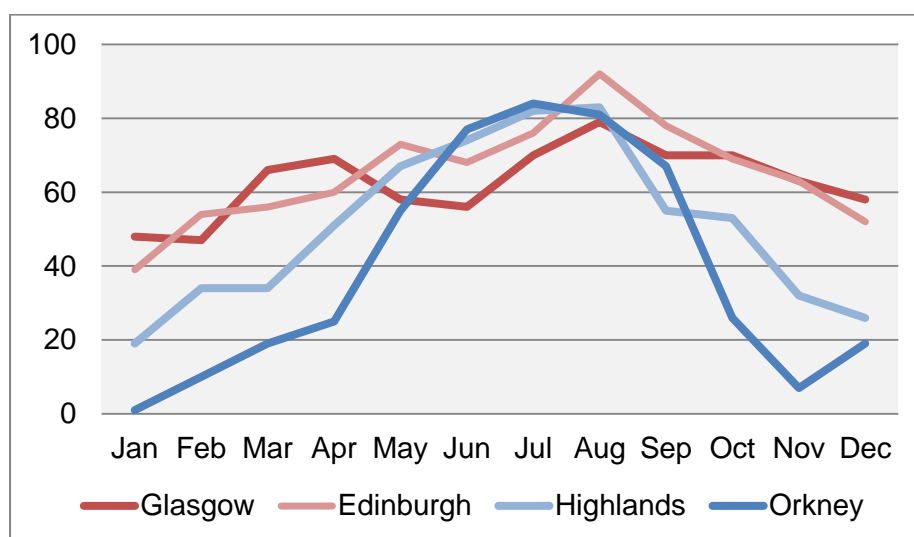
The following table and chart display the different occupancy rates of self-catering accommodations at different times of the year for these four selected areas.

Figure 1: Occupancy rates of self-catering accommodations in four selected areas during the May to October and November to April periods

Period	Glasgow	Edinburgh	Highlands	Orkney
May – October	67	76	69	65
November – April	59	54	33	14
Difference	9	22	36	52

Source: VisitScotland, *Tourism in Scotland's Regions 2015*, October 2016

Figure 2: Occupancy rates of self-catering accommodations in four selected in each month



Source: VisitScotland, *Tourism in Scotland's Regions 2015*, October 2016

In their evidence, Scottish Enterprise noted that “in some rural locations, there is a short visitor season and therefore a lower incentive for full time visitor accommodations to be developed” and “in more rural destinations, which may be seasonal in their nature and have less variety of visitor, trends can be harder to predict”.

A range of other statistics were provided by those who responded to the call for evidence or provided ad-hoc submissions to inform the work of the panel.

### Peer to peer accommodation

Airbnb's report "*Overview of the Airbnb community in Scotland*", published in March 2017 and covering the period between 1 March 2015 and 1 March 2016, provides useful insight into Airbnb's community of hosts and guests in Scotland, and Edinburgh in particular<sup>13</sup>.

#### Airbnb hosts

- 12,600 hosts – of which 5,400 (43%) in Edinburgh
- Median annual earnings: £3,600 (£3,900 in Edinburgh)
- Median nights hosted: 40
- 76% rented primary or secondary home
- 41% relied on Airbnb income to make ends meet
- Listings by type: 58% entire home, 41% private room, 1% shared room
- Total income earned by host community: £68 million

#### Airbnb guests

- 802,000 guests<sup>14</sup> – of which 411,000 (51%) in Edinburgh (where there was 90% growth on previous year), with more than 70,000 during Festival
- Average length of stay: 2.8 nights
- Average travel party size: 2.5 people
- 87% visited Scotland for vacation and leisure
- 30% said they would not have come or stayed as long without Airbnb
- 45% from UK, 27% from Rest of Europe, 16% from North America
- 47% of guest spending occurred in the neighbourhood where they stayed
- Estimated total spent by guests using Airbnb in Scotland: £293 million

In November 2017, Airbnb also submitted to the panel a position paper on "[\*The Collaborative Economy and Tourism in Scotland\*](#)", which included a range of other statistics covering the year between 1 July 2016 and 1 July 2017:

- The average age of a host in Scotland is 48, five years higher than the average in the UK;
- 29% of hosts are in full-time employment, 15% are retired, 32% are self-employed;
- 54% hosts across Scotland (and 53% in Edinburgh) host in their property for under 30 nights a year;
- In Edinburgh, 21% of listings are booked over 90 nights a year, and 9% over 180 nights;
- There are 21,900 active listings in Scotland, out of a total of 168,000 in the UK (13%);
- 59% are entire homes and 40% spare rooms;

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<sup>13</sup> Airbnb, "[\*Overview of the Airbnb Community in Scotland\*](#)", March 2017

<sup>14</sup> Based on the position paper submitted to the panel by Airbnb, this figure has now risen above one million a year.

- In the top five destinations (City of Edinburgh, Highlands, Glasgow City, Argyll & Bute, and Fife), 78% of hosts have one listings and 14% two listings;
- Across Scotland, 2% of hosts have five or more listings;
- The total economic activity generated by hosts and guests amounts to £499 million; and
- Guests spend an estimated £1.4 million per day in Scotland.

### Short-term lets

In their submission to the panel, the Scottish Bed and Breakfast Association (SBBA) compared the number of Airbnb hosts in Scotland (12,600) to the number of bed and breakfast accommodations listed on VisitScotland (2,100).

Figure 3: Number of self-catering properties in Scotland by Visit Scotland region

Visit Scotland region	Self-catering properties	%
The Highlands	3,982	25%
The Kingdom of Fife	2,356	15%
Edinburgh & The Lothians	2,045	13%
Argyll & The Isles	1,584	10%
Perthshire	1,568	10%
Scottish Borders	1,433	9%
Dumfries & Galloway	964	6%
Loch Lomond, Trossachs, Stirling & Forth Valley	746	5%
Greater Glasgow & Clyde Valley	394	2%
Outer Hebrides	293	2%
Ayrshire & Arran	268	2%
Aberdeen City & Shire	260	2%
Shetland	117	1%
Dundee & Angus	101	1%
Orkney	50	0%

Source: Frontline Consultants, *Economic impact assessment of short-term lettings on the Scottish economy*, June 2017, figures from Scottish Assessors Association

In June 2017, Frontline Consultants published the report “*Economic impact assessment of short-term lettings on the Scottish economy*”, which was commissioned by the Association of Scotland’s Self-Caterers (ASSC). This report provides a number of statistics in relation to short-term lets in Scotland, and the Edinburgh and Lothian area in particular. (*Frontline Consultants, Scottish impact figures are based on the 16,949 property figure in the Scottish Valuation Rolls database.*)

### Scotland

- 16,949 self-catering short-term let properties<sup>15</sup>
- 3.4 million visitor nights a year (of which 1.8 million non-Scottish)

<sup>15</sup> Figure used from the ASSC [submission](#) at the June 2017 meeting.

- Annual direct visitor spent: £723 million (£470 from non-Scottish)
- Direct FTE jobs supported: 15,271
- Direct GVA contribution: £206 million

### Edinburgh and Lothian

- 1,671 self-catering short-term let properties
- 424,785 visitor night a year (of which 396,217 non-Scottish)
- Annual direct visitor spent: £87.7 million (£81.8 from non-Scottish)
- Direct FTE jobs supported: 1,797
- Direct GVA contribution: £54.5 million

In their submissions, the ASSC indicated that 23% of all tourist visitors to Scotland stay in self-catering accommodation – from VisitScotland’s “*Scotland’s Visitor Survey 2015*” (March 2016).

In addition, the ASSC noted that “*having investigated two perceived problems of short-term letting, loss of residential amenity and party flats, Edinburgh City Council’s own study<sup>16</sup> in 2012 found that these problems happen far less frequently than anticipated, and subsequently came up with a solution to deal effectively with any problems using Antisocial Behaviour Notices (ASBNs) as enforcement*”.

The ASSC also highlighted that only three properties in Edinburgh have been closed down as a result of complaint since 2015, that only 10 new cases related to complaints against short-term lets were raised in 2015-16, down from 14 in 2014-15 and 19 in 2013-14<sup>17</sup>, and that more recent figures show that there were only 11 Short Stay Commercial Visitor Accommodation (SSCVA) enforcement cases pending consideration in March 2017<sup>18</sup>.

### Hotel accommodation

Scottish Enterprise (SE) and Scottish Tourism Alliance (STA) referred to research done by STR Global, which found that:

- In 2016, occupancy in traditional hotel accommodation in Edinburgh, Glasgow and Dundee increased (despite net hotel supply growing by 1-5%);
- In Edinburgh, occupancy increased in each of the previous four years; and
- During the summer months of 2016, hotel occupancy in Edinburgh was over 90%.

Similarly, in their report<sup>19</sup>, Indigo House quoted research from LJ Research, which found that:

- January 2017 was the 13<sup>th</sup> consecutive month of growth in hotel occupancy in Edinburgh (and forward bookings for each of next six months were above previous year level);

<sup>16</sup> The City of Edinburgh Council, “[Short-term Private Lets – Review Findings](#)”, 11 September 2012

<sup>17</sup> The City of Edinburgh Council – Planning Committee, “[Full meeting papers](#)”, 8 December 2016

<sup>18</sup> The City of Edinburgh Council – Corporate Policy and Strategy Committee, “[Short Stay Commercial Visitor Accommodation – referral from the Planning Committee](#)”, 28 March 2017.

<sup>19</sup> Indigo House, “[Supply and demand for short-term lets in Scotland](#)”, April 2017

- Occupancy growth was 2.4% in Edinburgh and 4.5% in Glasgow between December 2015 and December 2016/January 2017; and
- Continuous visitor surveys (sample of 1,000 visitors per city per year) show growth in the incidence of Airbnb in Edinburgh (4% in 2014, 6% in 2015, 9% in 2016) and Glasgow (1% in 2014, 3% in 2015, 5% in 2016).

### c. Opportunities and benefits

A number of benefits were identified in the evidence submissions in relation to short-term peer to peer accommodation, such as:

- Individuals and businesses deriving revenue from their assets – and making better use of what would otherwise be under-used assets;
- Generation of additional employment in the local economy (cleaners, laundry services, etc.); and
- Potential taxation revenue, both directly from collaborative platforms, and from accommodation providers.

Respondents to the call for evidence emphasised the significance of short-term rentals (including peer to peer accommodation) for Scottish tourism, and the importance of tourism for the Scottish economy more widely. They also highlighted the current scale of short-term rentals and peer to peer accommodation, and anticipated future growth.

**Increased accommodation supply.** Respondents highlighted the role of the collaborative economy in supporting an increase in supply of accommodation. This included suggestions that collaborative platforms have enabled the expansion of accommodation options in areas that had previously had limited provision, and/or where there was unmet demand due to existing provision being at capacity.

Opportunities identified in this area include:

- Extending the traditional tourism seasons with spin-off benefits for local businesses, helping them expand their service offerings (e.g. distilleries opening visitor centres); and
- Identifying and filling supply gaps in the market, taking pressure off hot-spots, and supporting local communities to develop year-long sustainable tourism strategies.

SE highlighted the importance of “*increasing capacity quickly during busy periods when existing provision is heavily occupied or cost prohibitive (e.g. Edinburgh in August)*”. Similarly, the ASSC noted that “*short-term rental is particularly significant in certain cities and during certain key events in the Scottish calendar, with hosts making their homes available to cover the additional accommodation required, whilst making some extra income*”.

**More flexible supply.** Respondents also referred to the flexibility of supply supported by collaborative platforms, and the extent to which accommodation capacity can be increased quickly during peak periods. This may improve

sustainability of accommodation supply, for example by enabling markets to be 'tested' for an initial period where full-time visitor accommodation options may be limited, and data held by collaborative platforms could enable accommodation providers to offer more targeted options, which may better fit with customer preferences. Opportunities include spreading capacity throughout the year and the country and facilitating 'testing' of innovative offerings.

SE noticed that *"in some rural locations there is a short visitor season and therefore lower incentive for full time visitor accommodation and facilities to be developed. The collaborative economy allows short-term accommodation and activities to be offered and the market to be tested for an initial period"*; *"The collaborative economy can be a good way to quickly test and address new opportunities"*. An example of this is the North Coast 500 touring route (NC 500), where Highland Council noted that *"the peer to peer accommodation market has helped satisfy the level of demand"*.

**More diverse supply.** Respondents suggested that the collaborative economy had helped to diversify the accommodation sector in Scotland and provide access to a broader range of accommodation types and price points, potentially attracting new visitor groups. They also noted that the collaborative economy provides new (and cost efficient) opportunities and routes to market to 'traditional' accommodation providers. Opportunities include:

- Fulfilling the growing demand for 'unique' and 'authentic' experiences. SE highlighted that *"sophisticated digital platforms, comprehensive marketing capabilities and high level of real time data insight allow providers to offer targeted and high quality customer experience – in line with the ambitions in the national and destination tourism strategies"*. Highland Council noted that the *"provision of accommodation in more quirky properties or in areas previously not commonly visited can give the visitor a richer and deeper experience"*.
- Benefiting both traditional and peer to peer accommodation providers. The ASSC noted that *"the new collaborative economy platforms offer traditional self-catering operators an alternative route to market and a wider audience, and are being widely adopted"*, and Perth and Kinross Council observed the coexistence of *"a mixture of pure Airbnb private accommodation and actual commercial self-catering providers who are utilising this as an opportunity to access the market"*.

**Other** benefits and opportunities identified by respondents are:

- Allowing individuals and organisations to supplement their income by renting out under-utilised properties, providing *"an economic boost to hard-pressed families, communities and businesses"*, as suggested by the ASSC. Airsorted indicated that their hosts *"use short-term property management services to supplement their income when they're working away (e.g. working on the North Sea oil fields) or to gain extra income from their pied a terre in town"*. The City of Edinburgh Council suggested that *"new streams of income in many cases will be spent in the local economy (multiplier effect)"* and highlighted it is important to *"ensure that residents can rent their properties on an occasional basis to provide themselves with an income and visitors with attractive value proposition; while not distorting the market by having an unfair advantage over regulated businesses"*.



- Potential to generate additional taxation revenue and employment opportunities in local communities (e.g. cleaning and laundry). The ASSC noted that *“an area can be reinvigorated as a result of short-term rentals with spending in local pubs, restaurants, cafes, and shops”*.
- Increased transparency thanks to *“peer to peer reputation systems that allow hosts and guests to review each other after a stay”*, as suggested by Airbnb.
- Opportunity to learn from global examples of both success and failure to develop a clear and effective regulatory framework (e.g. case studies on individual cities in the Key Considerations background paper).

#### d. Challenges and barriers

**Social impacts.** Some respondents mentioned the risk that growth of peer to peer accommodation has a negative impact on local communities, with a particular focus on Edinburgh. This included references to increasing pressure on housing markets and associated rising house prices and rents limiting access to housing for local communities. A specific issue in rural areas was also mentioned, where seasonal staff might experience difficulty accessing accommodation due to homes and properties being turned over to tourists rather than workers.

Other potential negative impacts which were mentioned are antisocial behaviour and noise nuisance, concerns around the security of premises, a loss of the sense of community as a smaller proportion of properties are occupied by permanent residents, and a loss of amenity for permanent residents, if local services focus on the needs of temporary visitors.

For example, the British Hospitality Association (BHA) suggested that *“the higher rents earned from short-term lettings reduce the availability of medium/longer term residential lettings”*, and the Scottish Tourism Alliance (STA) pointed to anecdotal evidence of *“shortage of accommodation for the seasonal workforce due to property owners who would normally provide seasonal rents switching to short-term let for visitors through sharing platforms”*.

However, other respondents suggested that most of these concerns are the result of misconceptions and anecdotal evidence, and are not supported by the evidence available. For example, the ASSC pointed to the fact that *“having investigated loss of residential amenity and party flats, Edinburgh City Council’s own study found that these problems happen far less frequently than anticipated, and came up with solutions to deal effectively with any problems using Antisocial Behaviour Notices as enforcement”*.

Striking the right balance between increasing tourist footfall and supporting sustainable local communities was highlighted, with SE noting the challenge of *“how to manage the visitor experience whilst also maintaining the ‘unique’ nature of Scottish destinations which are created by the people who live there”*.

**Misconceptions.** Some respondents felt there was a limited understanding of the role of the collaborative economy. This included reference to misconceptions around growth in peer to peer accommodation having led to shortages and increased the cost of residential housing, having a negative impact on hotel occupancy, concerns

around the safety of peer to peer accommodation, and suggestions that peer to peer accommodation is associated with antisocial behaviour or loss of residential amenity. Respondents referred to:

- Studies which have not found a link between growth in short-term lets and increasing house prices and/or housing shortages, and suggestions that multi-home ownership and inadequate affordable housing development are key drivers of housing market imbalances;
- Research in Edinburgh which suggests that antisocial behaviour and loss of residential amenity associated with short-term accommodation may have been overestimated, and that any issues arising have been dealt with effectively; and
- Research which suggests that there is little evidence of short-term lets having a negative impact on the hotel sector.

In relation to this last point, it was noted that Airbnb tends to attract the end of the market that is undifferentiated and adds limited value (one to three stars hotels), while luxury hotels have the firewall of customer service. It was argued that Airbnb is, to an extent, gaining market share at the expense of 'budget' hotels in the same way as, in the past, 'budget' hotels gained market share at the expense of higher-end hotels. This could be seen as a natural evolution of the accommodation market.

Referring more generally to the limited understanding of the collaborative economy and the opportunities it entails, some respondents thought there was a lack of 'vision', and the ASSC noted the lack of *"a holistic view as to where the collaborative economy sits alongside traditional models and the housing sector"*.

**Tax implications.** Some respondents raised concerns that the growth in peer to peer accommodation has not resulted in a commensurate increase in tax revenue. This included reference to collaborative platforms being domiciled outside the UK such that little corporation tax is paid; platforms generating relatively limited direct employment; and difficulties for tax authorities to enforce taxation legislation for peer to peer accommodation providers.

The SBBA identified four main drivers behind the potential loss of tax revenue:

- Hosts benefit from higher tax thresholds than bed and breakfasts and hotels (e.g. £7,500 tax-free allowance under the 'Rent a room' scheme);
- Some hosts do not declare their letting income, evading the tax due;
- Platforms are structured and managed so as not to pay tax in the UK; and
- VAT is only charged on the service fee component of the total accommodation cost.

In addition, some respondents were concerned about the different tax treatment of peer to peer accommodation providers as opposed to traditional provides, and about the lack of a 'level playing field'.

According to the European Commission, an estimated 85% of gross revenue from collaborative economy platforms (of which peer to peer accommodation is the largest sector) goes to providers. This amounted to £68 million between March 2015 and March 2016. Individuals use multiple platforms to promote and book their



accommodation and may earn income from multiple online and offline sources. As with any other income generating activity, on or off line, short-term accommodation rental providers are responsible for declaring their earnings to Her Majesty's Revenue and Customs (HMRC).

**Regulation and enforcement.** Concerns about the lack of a 'level playing field' were also raised in relation to the wider regulatory and legislative framework. Respondents referred to specific aspects of regulation where they had concerns around the extent to which the quality of peer to peer provision can be ensured, including consumer safety (fire, gas and food), environmental regulations, and insurance.

For example, the SBBA claimed that *"there is no consistency of enforcement of regulations between traditional businesses and hosts selling via peer to peer websites"*, that there is *"a near-total lack of enforcement of existing regulations on collaborative economy premises, whilst the regulations are enforced on traditional businesses of identical size and risk"* and that *"competition is unfairly distorted in favour of the collaborative economy"*.

Similarly, the BHA noted that *"the ability to enforce regulation is limited since data is not available from intermediary platforms"* as *"online home sharing platforms are intermediaries. They take no legal responsibility for the services offered on their platforms and do not provide local authorities with details of hosts and properties operating in their areas. The result is an invisible economy, in which some hosts are able to operate outside the law"*.

However, other respondents claimed that existing regulations apply equally to 'traditional' and peer to peer accommodation providers. These respondents made some reference to a need to simplify existing regulation, but suggested that a lack of proactive enforcement might be a more significant issue.

Short-term accommodation providers have taken steps to address concerns regarding lack of or insufficient enforcement of legislation and regulations. For example:

- Airsorted voluntarily follows many principles set out in houses in multiple occupation (HMO) legislation, despite the fact that 95% of the properties it manages are exempt from HMO guidelines.
- The ASSC recommends that short-term/self-catering operators follow landlord regulations, and provides guidance sheets on regulations and legislation to its members.
- Airbnb sends an annual reminder to its hosts, *"notifying them of the need to declare their earnings if relevant, and pointing them to official sources of information"*. It has also *"run home safety workshops with hosts and local fire services"* and *"given out free smoke and carbon monoxide detectors to hosts"*.

In relation to insurance, the University of Edinburgh noted that *"there is a gap in terms of available insurance models for individuals renting out property/rooms short-term, leaving many (often unknowingly) uncovered"*. Airbnb indicated that it has *"pioneered bespoke insurance and guarantees for home sharing, providing all hosts*

*with \$1 million of automatic protection against property damage and a further \$1 million of protection from claims by third parties for damage or personal injury”.*

Perth and Kinross Council noted the challenge of achieving the right balance between *“a flourishing networked economy and the requirement for regulation to ensure good commercial practice”*.

**Other** challenges and barriers identified by respondents related to the need to:

- Ensure that Scotland maintains its reputation as a high-quality, value-for-money tourism destination. SE noted that *“quality of provision and relevance to tourism markets is difficult to manage and influence when providers are unregulated and/or unengaged”*.
- Differentiate between genuine peer to peer hosts and professional business. East Ayrshire Council noted how *“the collaborative economy has blurred the line between consumer and provider, the professional and non-professional provision of services”* and *“may involve business to business, business to consumer, consumer to business and consumer to consumer transactions”*. Airbnb highlighted that *“the European Commission urge member states to differentiate between individuals providing services on an occasional basis and providers acting in a professional capacity”*.
- Raise digital capacity and skill levels to exploit the opportunities arising from the digital technologies underpinning the collaborative economy, and accessibility issues in terms of digital connectivity and geographical constraints (especially in rural areas). The City of Edinburgh Council noted that *“some geographical areas still suffer from poor networks and more investment in key digital infrastructure including digital skills is needed if Scotland is to take full advantage. There is also the significant issue of complete digital exclusion for up to 14% of the adult population of Scotland”*.
- Identify tailored solutions that take into account local needs.
- Ensure that peer to peer platforms do not restrict the development of small businesses providing short-term accommodation, for example by ‘down-grading’ accommodation providers who wish to retain control over aspects of the letting process, e.g. by using their own cleaners, rather than those affiliated with the platform.
- Prevent hosts from discriminating against particular categories of guests, in breach of the Equality Act 2010.
- Ensure that finance is available to support the development of new opportunities in the sector.

### 3. Peer to peer transportation and logistics

The second evidence session of the Scottish Expert Advisory Panel on the Collaborative Economy in July 2017 focused on peer to peer transportation and logistics. Agenda and minutes of the meeting, as well as any submissions received, are available online<sup>20</sup>.

Workers' rights in the collaborative economy is an area that has attracted considerable attention recently, and gained further publicity with the launch of "The Taylor review of modern work practices"<sup>21</sup>. This area is the focus of the next section of this evidence paper, 'Workers' Rights'.

#### a. Background

PwC<sup>22</sup> describe peer to peer transportation as individuals sharing a ride, car or parking space with others. They estimate that peer to peer transportation is the largest collaborative economy sector in Europe by revenue, at €1.65 billion. It has been forecast that logistics will be the next industry to undergo digital disruption by streamlining the pick-up and delivery of shareable assets, lowering of transportation costs.

In its survey, YouGov found that two of the most common reasons for using collaborative economy platforms amongst Scottish users are:

- receiving same day/expedited delivery, e.g. through Nimber (24 per cent); and
- using a ride-hailing app, e.g. Uber (21 per cent).

#### b. Scottish specific data

Uber provided statistics in relation to their level of activity in Scotland:

- 500 to 1,000 drivers, evenly split between Glasgow and Edinburgh (where Uber's services are available);
- 48% of drivers using Uber for 30 or more hours, 27% for 40 or more hours;
- Average wage of around £15 per hour after Uber's service fee is deducted (but before accounting for other costs, e.g. fuel, maintenance, insurance);
- Over 90,000 people have used the service in Scotland since launch;
- 95% of trips with waiting time of less than ten minutes;
- Majority of trips in the evenings and on weekends.

Deliveroo also provided statistics in their submission to the panel:

- Every week, 750 people apply to ride with Deliveroo in Scotland;
- Riders across Scotland make, on average, over £8.50 per hour and work for around 15 hours per week;
- 60% of riders are under 25 years of age;
- Deliveroo work with over 450 restaurants in Scotland;

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<sup>20</sup> [Scottish Expert Advisory Panel on the Collaborative Economy: July 2017](#)

<sup>21</sup> Department for Business, Energy & Industrial Strategy, "[Good work: the Taylor review of modern working practices](#)", July 2017

<sup>22</sup> PwC, "[Assessing the size and presence of the collaborative economy in Europe](#)", April 2016

- Restaurants who use Deliveroo see their revenue boosted by up to 30%.

Based on Liftshare's estimates, *"each commuter regularly liftsharing is estimated to save 1 tonne of Co2 a year, or 10% of their total emissions"*.

In relation to bike sharing, Strathclyde Partnership for Transport (SPT) noted that *"around two-thirds of Scottish households do not have access to a bicycle for private use"* and that this issue has an equity dimension to it, as bike ownership stands at 17% among households with an income below £10,000 and 61% among those with an income above £49,000.

### **c. Opportunities and benefits**

Evidence submission to the panel highlighted the scale and growth rate of the peer to peer transportation and logistics sectors, and the extent to which these models have become mainstream and are widely accepted by consumers. These include:

- Private hire drivers using a range of eHailing platforms;
- Delivery and logistics services; and
- Vehicle-sharing services.

Respondents also noted the potential for the collaborative economy to significantly change how transportation services are designed, provided and paid for.

In relation to the private hire sector, they identified the following benefits and opportunities:

- Potential to extend employment opportunities for private hire drivers, providing them with more routes to reach customers, and to empower drivers through enabling them to work independently of booking offices. Uber indicated that their drivers *"have control over if, when and where to drive, as well as whether to buy, rent or lease a vehicle"* and *"are entirely free to work elsewhere at the same time, for example delivering parcels, or to use Uber while also working with another private hire operator"*.
- Potential for reduced private hire costs to the general public as a result of increased competition within the sector (although this might raise concerns about whether competition is fair).
- Potential to improve customer experience (and driver experience) by changing the way in which people book and pay for services.
- Increased transparency through rating systems. Uber noted out that *"before taking a trip request, a driver is shown a rider's rating and vice versa; and at the end of a trip, both rider and driver rate the experience"*.
- Potential to improve transport accessibility and other issues in rural areas. In particular, SPT highlighted *"limited public transport options, higher transport costs, longer journeys, lack of walking and cycling infrastructure, reduced accessibility, social exclusion, and car dependency"*.

Benefits and opportunities identified in relation to the delivery and logistics sector were:

- Benefits to rural communities and businesses: collaborative platforms may support goods delivery (e.g. food/drinks) and service provision (e.g. tourism) that would not otherwise be feasible.
- Creation of new (direct and indirect) employment opportunities. Deliveroo indicated that they “*have helped restaurants to secure new customers who not only order food at home via Deliveroo, but who will also eat in at their venue at a later date*”.
- Potential to increase use of transport assets across health and social care, non-emergency patient transport, community transport, demand-responsive transport services, and ‘socially necessary’ public transport.
- Potential benefits for the wider transport systems<sup>23</sup>.

Benefits and opportunities identified in relation to vehicle sharing were:

- Potential to improve sustainability of transport systems, and to reduce pressure within some systems, which could lessen the need to introduce demand-restraints such as workplace parking charges.
- Potential to improve efficiency of transport in rural areas. IPSE (the Association of Independent Professionals and the Self Employed) highlighted “*opportunities to those living, working and travelling within rural locations, particularly where public transport is limited or seasonal due to commercial viability*”.
- Potential to reduce the environmental impact of transportation, by reducing traffic congestion, emissions, on-street parking, and demand for car parks, and more generally by supporting more sustainable travel behaviours.
- Potential to expand social networks and potentially improve community cohesion.
- Potential to reduce the overall cost of car ownership, making car use or ownership accessible to those for whom it may be otherwise unsustainable.

#### **d. Challenges and barriers**

A number of points were raised in relation to the challenges and barriers to growth of transportation and logistics within the collaborative economy:

- Need for changing attitudes and behaviour across the Scottish population, specifically in relation to peer to peer car sharing models.

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<sup>23</sup> TripshareSEStran (a regional car share portal); SHARE North (focusing on shared mobility) and the ‘Green Deal’ initiative in the Flanders; Changing Habits for Urban Mobility Solutions (carpooling); the Social Car project (a single information source); SPTJourneyShare; NextBike; “Mobility as a Service” model in the West Midlands; and “Made Smart by Bramble” Subway Smartcard.

- Concerns that media attention and support has focused on commercially focused platforms, at the expense of 'pure' sharing economy models, and need to differentiate between the two.
- Concerns that current regulation and enforcement might not be appropriate for new business models, and that clarity is needed on how collaborative economy platforms are classified (e.g. technology companies or transport providers). In their submission, the Scottish Trades Union Congress (STUC) said that *"it is not acceptable that certain companies are handed a trading advantage or allowed to consider themselves exempt from employment rules simply by talking in terms of 'sharing labour' or 'facilitating trade' rather than offering goods and services in the traditional manner"*.
- Need to ensure appropriate protection for consumers. For example, the Scottish Taxi Federation indicated that *"the issue of part time (collaborative platform) drivers versus full time (traditional taxi) drivers is likely to affect the safety of passengers, particularly where remaining full time drivers feel compelled to work longer shifts to maintain a living wage"*.
- Need to ensure appropriate protections for drivers, specifically in relation to employment status, workers' rights, impact of rating systems, etc. (more on this in the next chapter of this evidence paper, 'Workers' Rights').
- Lack of community feeling among providers.
- Concerns regarding possible discrimination of both drivers and consumers. Close the Gap noted that *"users can make selections based on characteristics other than qualification for the task, including age, gender, race, or ethnicity"* and *"reviews are highly subjective and likely to be influenced by biases and discriminatory attitudes"*.
- Concerns that traditional operators may be subject to unfair competition if new business models are subject to a reduced regulatory and taxation burden (e.g. there are well-developed regulatory frameworks for the taxi sector, including the focus on consumer and driver protections, but limited regulations applying to private hire operators working within the collaborative economy).
- Lack of suitable insurance products.
- Lack of a consistent approach on the licensing of vehicles (where this is devolved to local authorities).
- Insufficient access to funding for collaborative platforms, and lack of support or promotion for peer to peer car sharing by local government.
- Need to balance the development of innovative transport models against protection of public transport networks and risk that these new models could be over-promoted at the expense of public transport options. SPT noted that competition between public transport and peer to peer providers might lead to 'overprovision', which in turn *"might bring about the closure of traditional transport services"*.

- Concerns around the potential for collaborative economy providers to develop a monopoly through use of artificially low pricing supported by investors' funds, which could ultimately lead to substantial price increases for consumers. The Royal Society of Arts (RSA) noted that *"there is competition in theory, and then there is the reality of market share and finance. It is going to be very difficult for any other platform to match the level of investment that Uber has"*.
- Limited access to high speed broadband and 3G/4G in remote rural areas.
- Potential to increase emissions if the growth of peer to peer transportation providers leads to a greater overall number of cars on the roads.

## 4. Workers' rights

The second evidence session of the Scottish Expert Advisory Panel on the Collaborative Economy in July 2017 also focused on the rights of individuals accessing work through collaborative economy platforms. Agenda and minutes of the meeting, as well as any submissions received, are available online<sup>24</sup>.

### a. Background

Over the last five years, the trend of using collaborative platforms to procure on-demand jobs has accelerated, and shows little sign of slowing down. This is often referred to as the 'gig economy' – so called because workers have multiple jobs or 'gigs' and often work within the collaborative economy but may also work outwith it.

Employment law, including the definition of employment status, is reserved to the UK Government. In October 2016, the UK Government commissioned Matthew Taylor, the Chief Executive of the Royal Society of Arts (RSA), to look at how employment practices need to change in order to keep pace with modern business models. The review has been examining the implications of new forms of work on workers' rights and responsibilities – as well as on employer freedoms and obligations.

The Taylor Review sets three key conditions:

- platform to prove that the average worker earns at least 120 per cent of the minimum wage;
- to give workers freedom about when to work; and
- to provide accurate real-time data about how much someone would earn at a particular time.

In the largest survey undertaken on Britain's gig economy, the RSA found that nearly 8 million people in Britain would consider some form of gig work in future; young people (aged 16 to 30) are particularly attracted to the idea of gig work – one in four expressed interest in working in the gig economy. Major sectors in the gig economy include transport and courier services, storage, property, finance and marketing.

PwC estimate that the gig economy will be worth £2 billion by 2020. The Taylor Review estimates that there are five million gig economy workers in the UK. The Chief Economist to the Bank of England has claimed that the emergence of the gig economy is in part responsible for wage growth sitting at only 2%<sup>25</sup>.

The issue of how the collaborative economy is changing the world of work has been the topic of much research, debate and exploration over the last year. A sub-set of the collaborative economy, the 'gig economy' describes the use of digital platforms for people to access casual work and is dominated by platforms offering lower-skilled labour, such as cleaning and driving.

The Scottish Government's Fair Work Framework may be a useful lens through which to view the gig economy, determining recommendations that genuinely tackle

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<sup>24</sup> [Scottish Expert Advisory Panel on the Collaborative Economy: July 2017](#)

<sup>25</sup> Speech by Andrew G Haldane, "[Work, Wages and Monetary Policy](#)", 20 June 2017



the challenges it poses today and understanding how its future growth in Scotland can be shaped.

Among the key principles introduced by the Fair Work Framework are:

- **Effective Voice.** The ability to speak, individually or collectively, and to be listened to, is closely linked to the development of respectful and reciprocal workplace relationships.
- **Opportunity.** Fair opportunity allows people to access and progress in work and employment and is a crucial dimension of fair work.
- **Security.** Security of employment, work and income are important foundations of a successful life. This can be achieved through building stability in to contractual arrangements, adopting at least the Living Wage, giving opportunities for hours of work that can align with family life and caring commitments.
- **Fulfilment.** Fair work is work in which people are respected and treated respectfully, whatever their role and status.

#### **b. Scottish specific data**

Respondents to the call for evidence provided a wide range of arguments in relation to workers' rights in the collaborative economy, but there still is a lack of relevant data and statistics on the gig economy in Scotland.

In their submission, Close the Gap noted that *“self-employment accounted for almost half of overall employment growth over the past decade and over 80% of the growth in the number of businesses in Scotland”* and that *“in Scotland, women accounted for 70% of the growth in the number of self-employed people”*.

Looking forward, research by the RSA found that *“21 per cent of people in Scotland would consider gig work in future”*.

#### **c. Opportunities and benefits**

Opportunities identified by respondents in relation to workers' rights focus primarily around the potential for collaborative platforms to create new employment opportunities and routes to market for workers, including:

- Potential for a greater diversity of more flexible employment that may suit those with parenting or caring responsibilities, those in rural areas, as well as disabled or disadvantaged individuals. This could ultimately lead to a more flexible labour market that becomes a key competitive advantage for Scotland. For example, Deliveroo claimed that their riders can *“choose when they ride, work with other companies – including competitors – at the same time as they are riding with Deliveroo, and decide how often they work”*.
- Potential to provide self-employed and small businesses access to new markets and to improve business start-up rates in Scotland.

- Higher levels of self-employment can have benefits both for the wellbeing of individuals and local economies. Government research shows that the majority of the self-employed are content<sup>26</sup>.
- Opportunities for promoting self-organisation, co-operatives and bargaining for workers. The Scottish Government could seek to strengthen the institutional framework and create new mechanisms to support worker participation and self-organisation.

#### d. Challenges and barriers

**Employment status.** The most common concerns are around the extent to which the classification of providers as self-employed accurately reflects their status, and the extent to which providers are subject to substantial control from collaborative platforms, while lacking the benefits associated with employment. Respondents suggested that there have been long-standing uncertainties around the employment status of the self-employed, including the lack of a statutory definition of self-employment. In 2016, an employment tribunal deliberated that providers contracted by Uber are workers, rather than self-employed.

Deliveroo recognised that the fact that their riders are classified as self-employed “*gives them full flexibility – but the quid pro quo is that they are not entitled to certain benefits*”.

A need for greater clarity around employment status (and associated rights and taxation) was identified for those working in the collaborative economy, to ensure equality of opportunity across the economy, to prevent providers from being exploited, and to provide certainty to collaborative economy businesses.

Close the Gap expressed concern that “*workers may find that flexibility is demanded of them by their platform, but there is no reciprocity*”. Similarly, STUC noted that “*exploitation dressed up as flexibility is incompatible with fair work principles*”.

Respondents also referred to potential risks for individuals’ health and wellbeing, for example as a result of the blurring of the distinction between work and leisure time. Close the Gap suggested that “*juggling a number of micro-jobs to make ends meet has a significant impact on mental and physical health*”.

The issue of self-employment status might also impact on the potential for the collaborative economy to support delivery of public services, as there are concerns that the flexibility and autonomy of self-employment might not be appropriate for the delivery of essential services.

IPSE has created a framework/matrix to determine whether an individual should be classified a self-employed or not, based on a predefined set of criteria:

- **Autonomy:** lack of mutuality of obligation, right of substitution, use of a substitute, and lack of exclusivity.
- **Control of process and working environment:** control of tasks (“what is done”), control of method (“how it is done”), and control of hours.

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<sup>26</sup> Department for Business, Innovation & Skills, “[Understanding self-employment](#)”, February 2016

- **Business risk:** pay per job/task, number of clients, entrepreneurial activity, and rate of pay.
- **Level of integration in client business:** representation and equipment and tools.

The tax implications of uncertainty regarding employment status are also relevant.

**Other working arrangements.** A number of other concerns were raised in relation to working arrangements in the collaborative economy, such as providers earning below the minimum wage after deduction of costs; a lack of control over charges levied by collaborative platforms; and providers facing substantial charges if they are unable to secure sick cover. Overall, Close the Gap referred to a “*transfer of risk from employer to employee*”.

The diversity of business models across the collaborative economy can lead to a range of different working arrangements, with individuals potentially using more than one employment status. The increasing number of individuals with multiple jobs may in itself impact on the protection of workers’ rights.

**Protection of contributors.** A range of concerns were raised in relation to insufficient protections for providers, including:

- Absence of limits on numbers of contractors and implications for providers’ ability to secure sufficient work;
- Lack of control over how much providers will be paid for a job/task, leading to individuals earning below the minimum wage and bearing sometimes substantial costs associated with the provision of services;
- Lack of control over charges levied by collaborative platforms;
- Potential for ratings systems to have an unfair influence on providers’ ability to earn;
- Providers facing substantial charges if they are unable to secure sick cover;
- Extensive use of zero hours contracts (and growing number of people in insecure work); and
- Use of agency workers as a permanent culture in some workplaces.

STUC noted that exploitative practices allow firms who employ these practices to reduce their costs below those of more responsible competitors, giving them a competitive advantage. This in turn is likely to put pressure on competitors to follow suit and also adopt these practices. STUC noted that “*the more these practices are used, the more they will be used, unless their growth is prevented either through regulation or collective bargain or a mixture of the two*”.

Uber indicated that they have taken steps to address some of the issues and concerns described above:

- They have partnered with IPSE and given drivers access to a range of benefits and protections, including illness and injury cover.
- They have partnered with online investment provider Moneyfarm to offer discounted ISAs and pension products.
- They will pay for drivers to complete one qualification on online learning platform FutureLearn.

- They are offering free and optional language courses for drivers.
- They have created a set of Community Guidelines, providing drivers with clear and simple expectations of behaviour.

**Job displacement.** Other potential issues involve the risk of job displacement, including due to increasing automation. There are concerns that increasing automation could further exacerbate what is seen by some as a race to the bottom for wages, terms and conditions.

**Other** concerns raised in relation to workers' rights in the collaborative economy were:

- potential for platforms to develop monopolies;
- lack of transparency of how platforms allocate work;
- insufficient resources to enforcement protection of workers' rights;
- growing proportion of those in insecure work doing so on an involuntary basis;
- negative impacts of uncertain work on workers' ability to access credit;
- lack of employee voice and representation – Close the Gap suggested that *“workers' indivisibility and isolation is a barrier to organising and bargaining”*;
- cost of appealing to an Employment Tribunal (over £1,200), as noted by STUC; and
- lack of investment in skills and training, and shortage of skilled workers across parts of the collaborative economy.

## 5. Collaborative finance

The third evidence session of the Scottish Expert Advisory Panel on the Collaborative Economy in August 2017 focused on collaborative finance, including fintech. Agenda and minutes of the meeting, as well as any submissions received, are available online<sup>27</sup>.

### a. Background

PwC<sup>28</sup> describe collaborative finance as “*individuals and businesses who invest, lend and borrow directly between each other, such as crowdfunding and peer to peer lending*”. In 2015, it was estimated that collaborative finance in Europe generated €250 million in revenue and was valued at €5,200 million. Collaborative finance is also known as crowdfunding, two descriptions of which, from Nesta and the Financial Conduct Authority (FCA), are provided below.

- *Crowdfunding is a way of financing projects, businesses and loans through small contributions from a large number of sources, rather than large amounts from a few. Contributions are made directly or through a light-touch platform rather than through banks, charities or stock exchanges.* Nesta
- *Crowdfunding is a way in which people and businesses (including start-ups) can try to raise money from the public to support a business, project, campaign or individual.* FCA

Crowdfunding usually takes place on a digital platform that allows businesses or individuals to raise money, and investors to provide that money. The business or individual seeking finance often explains their project in a pitch to attract loans or investment from as many people as possible. The FCA does not regulate all models of crowdfunding<sup>29</sup>. The models that are regulated are:

- Loan-based (also known as peer to peer lending), where consumers lend money in return for interest payments and a repayment of capital over time; and
- Equity-based, where consumers invest directly or indirectly in new or established businesses by buying investments such as shares or debentures.

The models the FCA does not regulate are:

- Donation-based, where people give money to enterprises or organisations they want to support; and
- Pre-payment or reward-based, where people give money in return for a reward, service or product (such as concert tickets, an innovative product, a computer game, etc.).

The collaborative finance market has not only seen huge growth in recent years, but it has relevance not just to businesses, including start-ups and SMEs, and communities, but also charitable institutions, foundations and the public sector.

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<sup>27</sup> [Scottish Expert Advisory Panel on the Collaborative Economy: August 2017](#)

<sup>28</sup> PwC, “[Assessing the size and presence of the collaborative economy in Europe](#)”, April 2016

<sup>29</sup> [FCA - Crowdfunding](#)

With traditional financial institutions becoming more risk averse, new ways to access capital have been emerging. Collaborative finance is a sector that is growing fast and has yet to reach its full potential.

Nesta's study of 94 crowdfunding and peer to peer lending platforms examined the growth, trends and dynamics within the UK alternative finance sector in 2015<sup>30</sup>. Nesta found that:

- Crowdfunding grew from £267 million in 2012 to £3.2 billion in 2015, of which £1.49 billion of loans to businesses, £909 million of loans to consumers, and £322 million of equity investments.
- The average size of peer to peer loans was £76,280, from an average of 347 lenders; the average size of equity crowdfunding projects was £523,978, from an average of 77 investors.
- The market is taking an increasing share of small business lending and start-up investment. In 2015, crowdfunding accounted for 12% of lending to small businesses and 16% of seed and venture-stage equity investment.
- The fastest growing models in 2015 were donation-based (up 507% since 2014 to £12 million) and equity-based crowdfunding (up 295% since 2014 to £332 million).
- The market saw increased involvement from institutional investors: 45% of all platforms reported some level of institutional involvement.
- Real estate is the single most popular sector: the combined debt and equity-based funding for real estate amounted to almost £700 million in 2015. Other popular sectors for peer to peer lending are manufacturing & engineering, transport & utilities, and finance & retail; for equity crowdfunding, technology, food & drink, internet & e-commerce, and media & publishing.

## **b. Scotland specific data**

In Scotland, crowdfunding raised just over £27 million between October 2014 and September 2015. Peer to peer lending to businesses was the largest sector valued at £20.5 million, with reward campaigns raising £2.6 million and equity campaigns raising £3.9 million. The proportion of the value of UK crowdfunding raised in Scotland has risen from below 1% in 2013 to 4%<sup>31</sup>. Scotland is today the fifth most popular area of the UK for receiving funding.

Since its launch in August 2015 the Crowdfund Angus portal<sup>32</sup> on which more information is provided in the next section) has supported 40 local projects and has raised over £159,488 to the period August 2017.

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<sup>30</sup> Nesta, "[Pushing boundaries: the 2015 UK alternative finance industry report](#)", February 2016

<sup>31</sup> Glasgow Chamber of Commerce, "[The Scottish Crowdfunding Report 2016](#)", June 2016

<sup>32</sup> <http://www.crowdfunder.co.uk/angus>

### c. Opportunities and benefits

In the evidence submission to the panel, a range of potential opportunities and benefits were identified in relation to collaborative financing:

- Scope for collaborative finance to expand the range of people engaged in the collaborative economy, for example enabling those in more rural and disconnected parts of Scotland to engage with a wider network of collaborators and customers, providing new funding opportunities for third sector and social enterprise development, and enabling individuals with minimal capital to develop new ideas.
- Potential to help addressing long-standing issues around the range of finance options available to smaller businesses.
- Opportunity to create a robust and inclusive collaborative economy that can benefit all stakeholders, enabling businesses and platforms to thrive, benefiting consumers, and addressing the needs and concerns of communities.
- Opportunity to exploit the digital expertise and entrepreneurial networks in Scotland to develop new approaches and ideas.
- Opportunity for local partnerships to use collaborative finance to provide funds to support community, business, sports and social enterprise, generating additional spin-off benefits such as community engagement, ownership and empowerment. Angus Council established a steering group between local community organisations, businesses and individuals, which engaged with Crowdfunder to create a bespoke crowdfunding platform, “*Crowdfund Angus*”. Since its launch in August 2015 the Crowdfund Angus portal<sup>33</sup> has supported 40 local projects and has raised over £159,488 to the period August 2017.
- Opportunity for local crowdfunding to plug decreasing local budgets, particularly when led and/or matched by local authorities. From April 2017, the Angus Council Community Grant scheme has been used to match funds raised through Crowdfund Angus.
- Opportunity to develop innovative collaborative finance solutions such as mutual sick pay funds, cash-pooling schemes and collective insurance schemes, enabling providers of collaborative economy services to self-organise and mitigate the risks associated with the collaborative economy.

### d. Challenges and barriers

The key challenges and barriers identified in relation to the growth of collaborative finance platforms were:

- Lack of or limited connectivity in some rural areas, limiting opportunities for rural communities to participate in collaborative finance projects.

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<sup>33</sup> <http://www.crowdfunder.co.uk/angus>

- Digital skills as a barrier to some demographic groups, e.g. deprived urban communities, and concerns that entrepreneurial support structures can be focused on specific demographics.
- Concerns about financial risks and failure to honour obligations.
- Concerns about consumers' limited understanding of the implications of investing or contracting with a collaborative finance platform.
- Potential for large scale fraud or consumer protection offences, facilitated by limited understanding of the legal implications of engaging with collaborative finance platforms.
- Research undertaken by the FCA identifies a range of potential issues in relation to collaborative finance: inadequate disclosure of risk and loan performance; due diligence standards; risk of firms testing the boundaries of the regulated crowdfunding perimeter to exploit arbitrage opportunities; risk of firms moving into unfamiliar markets to expand their market share; cross-platform investment (i.e. platforms allowing investment in loans formed on other platforms); and exposure to third-party risk.



## 6. Participation of consumers and providers, and digital skills

The fourth evidence session of the Scottish Expert Advisory Panel on the Collaborative Economy in September 2017 focused on participation of consumers and providers in the collaborative economy, and digital skills. Agenda and minutes of the meeting, as well as any submissions received, are available online<sup>34</sup>.

### a. Background

It is important that all consumers are able to access and contribute to the opportunities offered by the collaborative economy and should be suitably empowered and protected when they decide to do so. It is also important to recognise the potential for a broader business base to seize these opportunities too, which requires supporting digital innovation and transformation both within existing and emerging businesses.

The lines between consumers and business are changing. Traditionally, businesses produced goods and services that were then purchased by consumers. The collaborative economy is changing this interaction, with people now acting as providers as well as consumers, across a variety of platforms. Trust has been described as the cornerstone of the collaborative economy<sup>35</sup> and facilitating trust is critical to its operation.

The collaborative economy offers significant opportunities to grow the Scottish economy. However, to realise these opportunities, there is a need to ensure that Scotland's existing business base is effectively supported to compete and participate, and to ensure that the right conditions are created to allow emerging business models to be developed.

The panel recognised that Scotland needs to develop digital skills to enable its business base to transform and compete in the evolving market place and prepare its current and future workforce for the digital workplace by ensuring they can access courses to gain or update the skills required.

This chapter builds on the previous ones, as issues around participation cut across tourism, transport, finance, and other sectors of the collaborative economy. Some of the relevant opportunities and challenges have therefore already been covered in previous chapters.

### b. Scotland specific data

YouGov found that 35 per cent of Scottish adults had used a collaborative economy platform. It also found that most Scottish consumers have had good experiences when using collaborative economy platforms, with 64 per cent of those them reporting the level of service received as good or very good. However, it found that if Scottish users of these platforms were to have an issue with poor service, just 43 per cent would know how to make an official complaint.

Moving to digital skills, the ICT and digital technology sector in Scotland employs 91,000 people and requires 12,800 new entrants each year to meet both

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<sup>34</sup> [Scottish Expert Advisory Panel on the Collaborative Economy: September 2017](#)

<sup>35</sup> Rachel Botsman, "[The currency of the new economy is trust](#)", TED Talks, June 2015

replacement and growth demand. To achieve this target, the Scottish Government launched the “Business Excellence Partnership”, which to date has invested £8.7 million in initiatives such as DigitalBoost (a national programme of workshops, one-to-one support and online advice) and #hellodigital (a state-of-the-art centre in Inverness showcasing digital technology to SMEs). In addition, £9.5 million has been made available through Skills Development Scotland to support a programme to tackle shortages in digital skills in Scotland, including the launch of CodeClan, Scotland’s first Industry-led digital skills academy.

In recent years, there has been an increase in the number of students undertaking computing and digital technology related qualifications. However a significant gender gap remains at all levels of qualification<sup>36</sup>, and there is a demographic divide in digital skills, with those in social housing, those with incomes below £20,000, and those over 60 consistently being less confident in performing a variety of online activities<sup>37</sup>.

Overall, 26 per cent of businesses in Scotland currently undertake activities to develop employees’ digital skills, with a further 18 per cent planning to do so in the future<sup>38</sup>.

### **c. Opportunities and benefits**

The changing role of consumers was highlighted in relation to opportunities for the collaborative economy in a range of evidence submissions to the panel. Key points included:

- Extent to which the collaborative economy offers individuals the opportunity to become service providers, for example by enabling them to generate income from under-used assets such as homes and cars.
- Opportunity for individuals to become more active participants in the provision of public services, and in democratic processes or social movements. For example, individuals supporting maintenance or running of public assets, and public sector services making use of under-used assets.
- Diversity and flexibility of opportunities available to provide and be provided with goods or services, enabling individuals to balance these opportunities with other work or caring commitments, and to become providers with minimal capital outlay.
- Ease of access. Citizens Advice Scotland (CAS) noted that “*consumers are able to access the goods and services that they want, often on terms that best suit their needs*”.
- Improvements in digital connectivity providing individual in rural areas with access to platforms to sell their goods or services.

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<sup>36</sup> [SQA – Statistics and information](#)

<sup>37</sup> Scottish Government, “[Scotland’s People Annual Report: Results from the 2015 Scottish Household Survey](#)”, September 2016

<sup>38</sup> Scottish Government, “[Digital Economy Business Survey 2014](#)”, March 2015

- Potential to grow entrepreneurial activity and business start-up, including opportunities to start businesses while still in regular employment and to translate a casual use of collaborative platforms into full-time business activity.

#### d. Challenges and barriers

The key challenges and barriers identified in relation to participation in the collaborative economy were:

- Issue of regulation of individuals entering the collaborative economy as providers. Citizens Advice noted that *“the regulatory framework for consumer protection was not designed with a digital, collaborative economy in mind. It is likely that this framework will need updating, without creating burdens that could inhibit the collaborative economy’s development”*. The same issue was raised by the Society of Chief Officers of Trading Standards in Scotland (SCOTSS).
- Challenges around the blurred distinction between consumers and providers (this is covered in the chapter “Workers’ rights”).
- Potential lack of awareness and understanding of the existing legal and regulatory framework by individuals and small businesses entering existing markets through collaborative platforms, and need for clearer guidance and definitions to inform providers and support the enforcement of regulations. Citizens Advice noted that *“there are different sets of protection that cover business-to-consumer and consumer-to-consumer transactions that most consumers are not aware of”*. For example, *“less than 40 per cent of consumers know that they have fewer rights when buying from private individuals”*. An additional problem highlighted by the Federation of Small Businesses (FSB) is that *“in relation to enforcement, the shortage of frontline regulatory staff has been broadly ignored for many years”*.
- Increased risks for consumers in the collaborative economy, with CAS listing a number of reasons for this: numerous small providers who might not be aware of regulations; lack of information regarding these providers; increased difficulty for consumers to enforce their rights; and increased potential for fraud. For example, as noted by SCOTSS, *“counterfeit goods once offered at market stalls are now sold via social media”*.
- Limited knowledge of opportunities for individuals to engage with the collaborative economy, as both consumers and providers.
- Need to encourage collaborative platforms to provide alternative dispute resolution (ADR) mechanisms, and ensure that *“platforms use greater consistency in branding and scheme structures, and that consumers have free access to ADR scheme”*, as suggested by Citizens Advice. Where available, 25 per cent of UK consumers use these schemes when things go wrong. However, SCOTSS noted that *“ADRs have not enjoyed the success or provided the protection and benefits that consumers anticipated”*.
- Shortage of digital skills, exacerbated by insufficient investment from employers. In a survey of 1,250 citizens advice bureau clients, CAS found that 18% never

used the internet and 64% would need support to complete a form or apply for a job online.

- Inadequate broadband and digital infrastructure, especially for individual and small businesses in rural settings. FSB pointed to the Office of Communications' (Ofcom) data showing that *"currently Scotland lags England on every measure of digital connectivity – with a particular pronounced problem associated with mobile coverage in rural Scotland"*.
- Need to build trust among consumers using collaborative economy platforms. As noted by SEUK, *"A common challenge in the sharing economy is building trust. That is why SEUK launched the TrustSeal in July 2016 which is an independently awarded kitemark, given to sharing economy companies that can show they uphold good practice principles"*.

## 7. Public and social value

The fifth and last evidence session of the Scottish Expert Advisory Panel on the Collaborative Economy in October 2017 focused on the wider implications of the collaborative economy and, in particular, public and social value. Agenda and minutes of the meeting, as well as any submissions received, are available [online](#).

### a. Background

The commercial sector has been highly successful in exploiting the power of digital technologies to enable people to participate in the collaborative economy. There has been significant investment in new marketplaces to share homes and cars, enabling people to make and save money.

Meanwhile, where there has been debate around the social – rather than economic – value of the collaborative economy, this has largely focused on how these commercial platforms impact on issues such as workers' rights, affordable housing or tax collection. However, it would appear that very little attention has been given to how peer to peer platforms could be harnessed to deliver public benefits.

In November 2016, a survey of UK adults found that while just nine per cent of Brits had used a 'sharing economy' platform for 'a good cause' in the previous year, nearly a quarter (22 per cent) would be interested in using one for this purpose in the future<sup>39</sup>. This shows that there is an appetite for digital platforms that do something different from booking a ride or a bed for the night.

There are some inspiring examples, such as GoodSAM, a service that automatically alerts nearby first-aid responders when the emergency services are called to a cardiac incident. GoodSAM saves lives by shortening the time before life-saving treatment can be administered, and there is potential for expanding this service to cover other kinds of emergency.

There has also been a rise in the number of collaborative platforms focusing on the provision of care. This is a crucial issue in a time of an ageing population, when families often live far away from ageing relatives and there has been a reduction in state provision of care as well as a scarcity of quality in-home care workers. A pioneer in this space is TrustonTap, a platform that bypasses the traditional care agency model and connects self-employed care workers with people in need of care in Oxfordshire.

ShareSomewhere applies the 'Airbnb' model to sharing under-used community spaces. This initiative is hosted by Youth United, a network of the UK's largest and most established voluntary and volunteering youth organisations. The group are developing a platform that makes it easy for voluntary and community groups to hire out low-cost and under-used spaces on a one-off basis. It is running pilots across Manchester and Cheshire and is planning to expand UK-wide.

Transport is another area where commercial collaborative platforms, such as Uber and Lyft, have introduced a wave of disruption. LiftShare, however, looks at this area from a different angle and is testing how a variety of community transport services in

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<sup>39</sup> Nesta, "[Younger generation adopting 'sharing economy' platforms for social benefit, not just profit](#)", 31 October 2016

the Norwich area can collaborate, working together to fill empty car seats, serve more routes, and also contribute to alleviate the social isolation felt by some vulnerable people.

There are also a range of niche platforms supporting more specific needs. Hearts Milk Bank has developed an app for their existing breast-milk donation service, to simplify and expand the donation of safe, screened breast-milk to premature and sick babies in UK hospitals. This is an example of an existing, much needed service that can be expanded and delivered more efficiently through a digital platform.

The above are just a small sample of the examples available, as there is no shortage of creative thinking around alternative ways to approach social challenges. Scotland has a rich and proud tradition of collaboration at community level, although it has not yet realised the potential of new technologies in supporting this.

Over many decades, enterprising communities in Scotland have helped to pioneer new models of social and economic co-operation. These have enabled local people to come together to co-operate, pool and collaboratively consume resources, and in doing so make life better for each other.

This innovation has taken many forms, from early action through rural community co-operatives, housing co-operatives and credit unions in the 1970s, through to Local Exchange and Trading Systems (LETS) Time-banks, community food co-operatives, toy libraries, community transport initiatives, shared care schemes, community co-operatives, and co-working spaces.

The principles and potential of co-operation at the community level run deep, and have been accelerated by provisions made in the Community Empowerment (Scotland) Act 2015 and activity funded through the Scottish Government under its responsibilities and programmes for Community Empowerment, Regeneration, the Third Sector and Equalities. This has given rise to an extensive ecosystem of support for community-led enterprise and community co-operative activity. By way of illustration:

- There are firmly rooted community sector networks. The Scottish Community Alliance<sup>40</sup> comprises 18 independent, national community networks connecting and supporting over 2,000 local groups and movements working towards shared goals in social housing, community transport, community energy, voluntary arts, community woodlands, development trusts, community food and growing activity, and the management of community resources.
- There is a publicly funded network of support for the voluntary sector. Nationally the lead body is the Scottish Council for Voluntary Organisations (SCVO). There is also a network of 32 local Third Sector Interface organisations, which provide a source of local representation and support to voluntary organisations, volunteer centres, and social enterprises. This network is supported by Voluntary Action Scotland.
- There is a well-developed ecosystem of support for social enterprises. This includes support from three national representative bodies – Social Enterprise

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<sup>40</sup> [The Scottish Community Alliance](#)



Scotland, Social Firms Scotland and Senscot (which itself supports 24 local and thematic Social Enterprise Networks across Scotland). The sector also enjoys support from a national social enterprise start-up agency (Firstport), a national leadership and learning academy (Social Enterprise Academy) as well as a long-standing national programme of specialist business support (Just Enterprise).

- There is also excellent support available for employee-ownership, collaborative business models and a growing number of community co-operatives. Principally this support rests with Co-operative Development Scotland.

This supportive ecosystem is fuelled by responsive forms of finance from a network of social investment intermediaries (e.g. Social Investment Scotland), specialist and mainstream lenders, and enterprising grant-making foundations. Scotland is generally recognised to be a model of good practice in relation to the availability and deployment of social finance.

Despite strong roots, inspiration from proven online models, and the availability of investment and support, there has been relatively limited experimentation in the collaborative economy. There are of course exceptions, with notable activity from the ALLIANCE (ALISS platform), Community Enterprise (various platforms), and Community Shares Scotland.

### Scotland's Social Enterprise Strategy 2016-26

Social Investment Scotland (SIS) defines social enterprises as “*organisations that trade for the common good, address social needs, strengthen communities, improve people's life choices, and protect the environment*”.

The Scottish Government has been involved in supporting social enterprise activity for over a decade. More recently, the Scottish Government, alongside sector leaders, developed a ten-year strategy, entitled ‘Scotland's Social Enterprise Strategy 2016-26’, which set policy objectives that would support the social enterprise sector in Scotland.

The framework identified key policy areas, such as business support, innovation and sector collaboration, incubation and acceleration, and leadership development. Commitments were also made in the area of social finance, unlocking and supporting new ways for social enterprises to access sustainable financing to scale their businesses. Moreover, social finance also targeted support for organisations who provide means to affordable credit for those otherwise excluded or disadvantaged from traditional means of credit.

The Scottish Government also developed a strategy targeting international development. Chiefly, its main role is to incubate social enterprises who might wish to expand into global markets, and provide scaling support who want to either, increase their volume of export, diversify their markets, or a combination of both.

The latest document published by the Scottish Government in this space, in early 2017, was the [Social Enterprise Action Plan](#). This is the first of three action plans to be delivered by 2026. This document identified 92 actions required to achieve the policy goals of the Strategy. This include a specific action to bring forward new approaches to support peer to peer connections between social enterprises using

collaborative technologies and ensure that more social enterprises benefit from digital business support.

### **b. Scotland specific data**

A sector-wide census of social enterprises in Scotland, conducted in 2015 and again in 2017, found that:

- There are 5,600 social enterprises in Scotland, of which 3,692 are urban and 1,908 rural, up from 5,000 in 2015;
- Collectively, and including credit unions and housing associations, they contribute over £2 billion to the economy;
- They employ 80,000 full-time-equivalent people;
- 7% trade internationally;
- 64% have a woman as their most senior official; and
- 72% pay their employees at least the Living Wage.

SIS is Scotland's largest, and one of the UK's largest, Responsible Finance Provider, who lends money to charities, community organisations and social enterprise. Since 2001, it has made almost 300 social investments for a total amount of £60 million, an average of £200,000 per investment. It is estimated that over one million people in Scotland have benefitted from the activities of SIS.

### **c. Opportunities and benefits**

The evidence submissions to the panel highlighted a range of opportunities and benefits in relation to the creation and provision of public and social value through the collaborative economy:

- Opportunity to employ public assets and resources more effectively, putting the idle capacity of vehicles, land, equipment, and buildings into collective use (where these are used infrequently, the costs of purchase or maintenance are high, and outright ownership is not essential), and pooling or exchanging resources such as staff skills, time, money, and services (where these are relatively easy to share or distribute).
- Opportunity to build on existing networks and co-operation to unlock resources, drive down costs, and stimulate innovation while keeping money circulating within the community.
- Support in the provision of transport for health and social care, non-emergency patient transport and community transport. Various networks and projects are already in place to support asset sharing in relation to transport, and the collaborative economy provides an opportunity to build on this work, improving both access to employment and services in rural areas where public transport is limited.
- Opportunity to enable individuals and communities to play a stronger role in the design, development and provision of public services, and management of public assets, dispersing power and helping develop fairer practices.



- Opportunity to support more cross-sector working in the provision of services, including the provision of social care services, and to enable sharing of assets by third and social enterprise organisations.
- Potential to support broad societal benefits. Co-operatives UK noted that *“the growth in the collaborative economy creates opportunities for citizens, communities and businesses to build a genuinely inclusive economy, where power, opportunity and wealth are shared more broadly, and to address some of the key challenges of our time: inequalities in opportunity, income wealth and economic power; environmental crises; pockets of long-term economic decline and persistent deprivation; fragmented communities; and socio-political disillusionment and discontent”*.
- Potential to enable those on low and middle incomes to use assets that they may not be in a position to purchase outright.
- Opportunity for greater collaborative working to build social capital across Scotland’s communities, enabling them to play a stronger role in shaping public service provision and economic strategy.
- Opportunity to use the collaborative economy to facilitate data sharing, supporting innovative ways to create social value. Cooperatives UK suggested that, *“as a more digital government generates a huge amount of very valuable data”*, there is an opportunity to *“release it open source and thus increase the opportunities for citizens and businesses to use it collaboratively for shared economic and social advantage”*.
- Opportunity to learn from the success of commercial platforms to develop *“public collaborative platforms that build upon the technological advances made by other popular apps”*, as suggested by Dr Dominic Chalmers, from the University of Strathclyde.

A number of examples of collaborative platforms providing public and social value were provided to the panel:

- [Edinburgh Tool Library](#) provides shared access to expensive tools and equipment;
- [Ascus Art & Science](#) hosts an open-access lab in Edinburgh, which enables community members to use valuable lab equipment;
- [Edventure Frome](#), in Somerset, allows the redistribution of excess food;
- [Live Better With Cancer](#) helps people with cancer across the UK to identify products that can help them easing symptoms and side effects;
- [everyLIFE](#), also operating UK-wide, provides intelligent care management by eliminating paperwork and reducing the risk of medicine mismanagement through real time delivery and analysis of digital care notes; and
- [Peerby](#) and [Shareyourmeal](#) are international platforms that enable neighbours to, respectively, borrow things from each other and share home-made meals.

#### **d. Challenges and barriers**

A number of potential challenges and barriers to growth were identified in relation to using the collaborative economy to create social value and support public services:

- Potential need of financial subsidies to ensure that schemes are sustainable, where these schemes are effectively filling gaps in public service provision. Social enterprises (and the wider community and voluntary sector) are becoming increasingly stretched and financially fragile<sup>41</sup>.
- Need for sufficient and appropriate access to finance. In particular, as noted by SIS, *“via appropriate and patient capital that supports growth and scale, be that patient debt or mission aligned equity”*.
- Need to ensure that any regulation of profit-making parts of the collaborative economy does not disadvantage pure ‘sharing’ economy organisations that provide social value.
- Need to ensure that collaborative organisations providing social value can scale up without losing their social focus.
- Potential for collaborative platforms supporting public services – such as enhancing or extending public transport provision, and improving connectivity of rural or disadvantaged communities – to end up competing directly with existing public transport providers, with a risk of undermining or reducing investment in essential public services.
- Potential need to adapt existing public procurement processes to support new business models associated with the collaborative economy. ShareNL noted that *“platforms that are creating a lot of social value are not yet matching too well to governments, whilst in many cases they are fulfilling goals set by governments”*.
- Potential incompatibility between the flexibility and autonomy of self-employment and the delivery of essential public services.
- Challenge of matching supply of and demand for the services provided by social platforms. Dr Dominic Chalmers, from the University of Strathclyde, noted that *“in order for any of these platforms to scale, a degree of streamlining and sophistication in demand management is required”*.

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<sup>41</sup> Community Enterprise in Scotland, [“Social Enterprise in Scotland Census 2017”](#)

## Annex A – Key opportunities and challenges for the collaborative economy in Scotland

Respondents to the call for evidence raised a range of points in relation to the opportunities available for the collaborative economy in Scotland, and any potential regulatory, economic and social challenges and barriers to its growth.

They also provided a wide range of views on how to protect contributors to the collaborative economy (consumers, providers and businesses), how to balance regulation with competition and innovation, and the role that the Scottish Government should play in relation to the collaborative economy.

An analysis summarising these responses, produced by Craigforth<sup>42</sup>, was presented to the panel. This section provides a brief summary drawn from that report of some of the main points raised by respondents to the call for evidence in relation to the collaborative economy in general. Sector-specific and issue-specific opportunities and challenges are addressed more in detail within the relevant sections of the evidence paper.

### Opportunities

- Scale and speed of recent and expected future growth in the collaborative economy.
- Role in increasing competition and choice, through an increasing range and diversification of both service providers (enabling more providers, including consumers themselves, to compete in the market) and products/services provided.
- Potential to drive innovation from both new entrants and established market participants.
- Role in expanding the number, diversity and flexibility of employment opportunities available.
- Potential to deliver social value and other benefits to communities across Scotland (and rural communities in particular), enabling better use of assets such as accommodation and vehicles, generating additional income for both individuals and communities, reducing environmental impacts, and improving sustainability.

### Challenges

- Extent to which existing regulations should apply to the collaborative economy, and extent to which they are fit for this purpose.
- Concerns regarding the potential for unfair competition between the collaborative economy and traditional providers, and extent to which a level playing field can be guaranteed to all providers.

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<sup>42</sup> Craigforth, "[Scottish Expert Advisory Panel on the Collaborative Economy: Call for Evidence – Analysis of Responses](#)", August 2017

- Concerns around workers' rights and need for greater clarity regarding employment status and associated tax implications.
- Concerns around perceived negative impacts on local communities, particularly in relation to recent growth in short-term rentals and peer to peer accommodation.

#### Protection of contributors

- Concerns regarding a perceived lack of protection for some providers of collaborative services (particularly in relation to peer to peer transport).
- Concerns around a lack of agreed guidelines, codes of practice or other protections.
- Concerns that new entrants might not be aware of the regulations to which they are expected to comply.

#### Balancing regulation with competition and innovation

- A shared view that existing legislation and regulations are generally adequate.
- Concerns regarding the extent to which these regulations are actually being enforced, and need for better information on providers using the collaborative economy to support improved enforcement.
- Potential for unfair competition to arise from discrepancies in regulation and taxation between the collaborative economy and traditional providers.
- Specific concerns around workers' rights and the implementation of tax regulations.

#### Potential barriers to growth

- Lack of awareness and understanding of the collaborative economy.
- Potential for misconceptions (for example, regarding lack of level playing field and negative impacts on communities) to undermine consumer confidence.
- Limited connectivity and access to finance.

## Annex B - Geography of Scotland and implication for the collaborative economy

The geography of Scotland is strongly polarised between relatively few densely populated urban areas, and vast rural areas that are barely inhabited. One third of the population live in four large cities, each home to over 125,000 people, which are clustered in the Central Belt (Glasgow and Edinburgh) and the southern part of the East Coast (Dundee and Aberdeen); another third of the population live in either small towns (less than 10,000 people) or rural areas (less than 3,000).

Overall, urban areas and towns (of any size) account for only 2 per cent of the surface of Scotland, but are home to 82 per cent of its population. Of the remaining 18 per cent living in rural areas, one third face a drive time of over half an hour to reach the closest settlement with a population of at least 10,000.

Figure 4: Distribution of population and land across Scotland

Areas	Population	Surface
Large urban areas	35%	0.7%
Other urban areas	35%	1.0%
Accessible small towns	9%	0.3%
Remote small towns	2%	0.1%
Very remote small towns	1%	0.1%
Urban areas and towns	82%	2.1%
Accessible rural areas	12%	27.5%
Remote rural areas	3%	28.4%
Very remote rural areas	3%	42.0%
Rural areas	18%	97.9%

Source: Scottish Government, *Urban/Rural Classification*, November 2014

Due to the coexistence of large cities and vast rural areas, empowering communities across Scotland to embrace the opportunities and overcome the challenges posed by the collaborative economy is likely to require tailored and localised solutions, rather than a blanket approach, as these opportunities and challenges will be very different in different parts of the country.

The following table provides some additional information on the Scottish population and households, both on a Scotland-wide level and for a small selection of local authorities at the two ends of the urban-rural divide: the two largest cities (Glasgow and Edinburgh), the largest rural area (Highland), and one island (Orkney).

These areas are characterised by very different levels of population density, home and car ownership, connectivity, as well as differences in the predominant house type and size, and this needs to be taken into account when assessing the impact of peer to peer accommodation, transportation, and other sectors of the collaborative economy.

Figure 5: Population and household statistics in Scotland

Local Authority	Scotland	Glasgow	Edinburgh	Highland	Orkney
Population ('000)	5,295	593	477	232	21
Density (per hectare)	0.7	34.0	18.1	0.1	0.2
Households ('000)	2,434	291	231	107	10
Owner occupied	61%	45%	58%	68%	72%
Social rent	23%	36%	14%	19%	17%
Private rent	14%	18%	27%	12%	10%
House	65%	32%	37%	90%	95%
Flat	35%	68%	63%	10%	5%
1 bedroom	4%	20%	20%	8%	12%
2 bedrooms	32%	47%	37%	30%	28%
3 bedrooms	43%	25%	28%	39%	37%
4+ bedrooms	21%	8%	15%	23%	23%
Car access	70%	51%	60%	70%	80%
Internet access	80%	73%	89%	80%	83%

*Source: 2011 Census (December 2012) for population and density, 2015 Scottish Household Survey (September 2016) for household statistics*

## ANNEX C – GOOD PRACTICE EXAMPLES

### Angus Council

Angus Council and Crowdfunder is an innovative partnership to help Angus community organisations, businesses, individuals and social enterprises ideas happen. Since its launch in August 2015 the Crowdfund Angus portal<sup>43</sup> has supported 40 local projects and has raised over £159,488 to the period August 2017.

Angus Council uses crowdfunding as a complementary service to the Angus Council Community Grant Scheme and also to national funders for communities and businesses to lever in the funding they require to deliver projects that matter.

Based on the projects funded to date, the benefits to Angus amount to more than money by showing validation and support of projects that will benefit a whole community. These range from lifesaving community defibrillators throughout Angus to youth sporting teams, community gardens and many more.

One of the many Crowdfund Angus success stories is the Bon Scott Statue and the impact of visitor numbers to Kirriemuir. Statistics provided by DD8 Music from the statue's google maps page since launched in April 2016 shows a total of 38,835 unique visitors from 131 countries to Kirriemuir. The Bon Scott Statue is also number one in the top eighteen tourist attractions to visit in Kirriemuir and the surrounding area.

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<sup>43</sup> <http://www.crowdfunder.co.uk/angus>

## North Coast 500 (NC500)

NC500 is the brand new touring route that aims to bring together the best of the Scottish Highlands. Dubbed Scotland's own Route 66 the new scenic route is a chance to experience all that is great about the Scottish Highlands.

The NC500 route begins in Inverness and ends at Britain's most northerly village, John O'Groats, completing the loop back in Inverness.

NC500's additional impact in terms of visitor numbers to the North Highlands between 2015 and 2016 is in the region of 5 per cent to 15 per cent. Taking the 10 per cent midpoint, it is estimated that an additional 29,000 visitors have been attracted to and an additional £9 million visitor spend generated for the North Highlands in Year 1, 2016. This level of impact is significant given that the North Highlands has struggled historically to attract large volumes of visitors, even when Scotland and the Highlands as a whole have had good tourism years.

The positive impacts of the NC500 have been reported across all parts of the North Highlands and across different business types. This has included increased custom in cafes and restaurant along the NC500 route and at tourist attractions. The popularity of the route has also helped to increase occupancy levels across all accommodation types, which in turn has led to a reduced need for businesses to discount (so increasing turnover and profit).

"In some of the popular areas of Highland, notably those that have seen a rapid and significant surge in demand for visitor accommodation such as areas on the North Coast 500 touring route, the anecdotal evidence is that the peer to peer accommodation market has helped satisfy the level of demand. This is demonstrated by industry feedback such as "There is simply not enough formal B&B accommodation in the Black Isle and around the NC500 route in general and peer to peer accommodation such as AirBnB fills the gap."



## Liftshare - Jaguar Land Rover Liftshare

Liftshare is a platform that enables organised car sharing by connecting people travelling in the same direction so they can arrange to travel together and share the costs, whilst reducing congestion and pollution at the same time.

In 2015, Jaguar Land Rover<sup>44</sup> recruited the services of Liftshare to embed car sharing as a sustainable mode of transport for employees traveling to work. Since then, car sharing has not only contributed to lowering the carbon footprint of Jaguar Land Rover's operations, but has also eased the demand for parking at its sites and reduced traffic in the local community.

Jaguar Land Rover operates on their private car sharing community software, the platform connects drivers with empty seats to passengers looking for a lift. The overall focus of their scheme has been to improve access to work for all their staff, local congestion and car park management.

Some of the business and environmental benefits to this for Jaguar Land Rover are:

- Manages demand for car parking spaces – saving the business in excess of £1.5 million annually in reduction of additional parking and maintenance costs\*.
- Enhances the business' ethos of encouraging a healthy and balanced lifestyle amongst staff.
- Enables employees to network and meet new colleagues.
- Saves employees money – cost saving £5,000,000\*.
- Reduces levels of single occupancy vehicles on site reducing carbon emissions, pollution and noise.
- Contributes towards environmental and sustainability targets.
- Saves 3695.6 tonnes of CO2 emissions per annum\*.

\* based on a 12 month forecast from the confirmed journeys through the Liftshare system

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<sup>44</sup> [www.jaguarlandrover.liftshare.com](http://www.jaguarlandrover.liftshare.com)

## TrustonTap – Changing the way we care

**TrustonTap**<sup>45</sup> has developed a collaborative marketplace platform to connect older people (and their families) directly with self-employed care workers, avoiding the need for traditional care agencies and enabling improved quality of care.

The platform enables customers to pay less for homecare and care workers to earn more than they would through agencies. Due to smart use of technology, the carers keep around 80 per cent of their client's fee compared with around 40 per cent via a traditional care agency. TrustonTap feel that this means carers are better motivated and better able to deliver quality care to their clients and that the professional back-up of TrustonTap ensures consistency, reliability and peace of mind for both clients and carers.

Founder William Cotton comments:

*“Over the last 18 months we have made significant progress in our desire to revolutionise the provision of care across the region. We have built a new type of care business that improves the way in which we look after the most vulnerable in our communities, whilst also ensuring that we are improving the rewards and motivation of the care workers that support them”*

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<sup>45</sup> <https://www.trustontap.com/>

## VisitScotland's Quality Assurance Programme

VisitScotland operates an internationally recognised star graded quality assurance (QA) scheme<sup>46</sup> for a wide variety of businesses operating in the accommodation, visitor attraction and food and drink sectors. The scheme provides an **independent, authoritative and trusted** source of advice, support and benchmarking for the industry and a high level of reassurance for visitors with 95 per cent saying the star grade met their expectations.

The assessment is made by a team of highly experienced advisors who provide a detailed, objective and impartial report on a range of factors affecting the quality of a visitor experience. Advice is also supplied on a range of other business related issues such as digital performance, sustainability, accessibility and signposting to other sources of more detailed support and information.

Results from the scheme show that QA stimulates a total additional annual investment in fabric improvements and people skills of £59 million a year.

QA'd businesses receive over 1 million referrals from the main consumer facing web site [visitscotland.com](http://visitscotland.com), 30 per cent more than non-QA'd businesses.

Participants receive significant increases in customer satisfaction levels, turnover and occupancy rates. Businesses signing up to our digital surgeries on the back of a QA visit have recorded increases of up to 80 per cent in turnover.

VisitScotland has 'exported' its QA Scheme to Northern Ireland, Sweden, Flanders, Malta and Namibia in addition to supporting other destinations in Europe and Canada.

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<sup>46</sup> [http://www.visitscotland.org/business\\_support/quality\\_assurance.aspx](http://www.visitscotland.org/business_support/quality_assurance.aspx)



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