

New economy models and social innovation: an opportunity for a better Europe

The European Economic and Social Committee (EESC) organised a conference on the theme “[New economy models and social innovation: an opportunity for a better Europe](#)” on the 23rd of February 2017, in Brussels. As a partner of the [SIMRA](#) project (Social Innovation in Marginalised Rural Areas), Euromontana attended the conference to collect good practices and make links between SIMRA results and the concepts presented during the event.

The conference was divided in four parts: an introduction to the various positions of the EESC on functional economy, collaborative economy and sharing economy; followed by presentations of good practices; to which succeeded a discussion on how to foster collaboration and notably through social innovation; and finally, the response from representatives of the European Commission (DG GROW, DG ENV, DG CONNECT) and the European Parliament Research Services.

What is the sharing economy and the other new economy models?

The new economy models such as functional, collaborative and sharing economy, defined in the table below, have in common their peer coordination and mass participation attributes. Ideally, these new economies are inclusive movements to bring choice all the way to the citizen level and democratize societies, in what can be qualified of “crowd-based capitalism”. Some applied examples of these models are famous such as Airbnb and Blablacar. Blablacar is a peer-to-peer carpooling website operating in Western Europe. Airbnb is a worldwide platform where individuals can rent out their home (or part of) for tourist accommodation. Other less famous examples included Goteo (commons crowdfunding platform), Wheeliz (same concept as Blablacar but adapted for disabled people with wheelchairs) and RefugeesWelcome (same concept as Airbnb specifically targeting refugees).

Description and comparison of the functional, collaborative and sharing economies (Source: Euromontana)

	Functional economy	Collaborative economy	Sharing economy
Features	Focus on the function of the product rather than on the product itself. The functional economy considers how the product can be <u>used</u> most efficiently.	Economic system intertwined with social relations and embedded in communities, which embraces a democratic and participatory dynamic.	Economic system based on sharing underused assets or services for free or for a fee, directly from individuals using online platforms.
Related concepts and examples	Product eco-design, circular economy, collaborative economy, economy for the common good, sharing economy	Access economy, low demand economy, gift economy, virtual and social currencies	Collaborative economy, social or inclusive economy, circular economy, economy of solutions, platform economy, gig economy, horizontal economy, green / blue economy
Risks	<ul style="list-style-type: none"> ▪ Rate of consumption and product renewal ▪ Increase of external control on consumers ▪ Economic insecurity may grant unequal access to goods and services ▪ Value capture by some platforms, privacy, tax optimisation or avoidance, market concentration 	<ul style="list-style-type: none"> ▪ Job insecurity and labour rights, ▪ Tax avoidance, ▪ Shift of value added from industrial players towards owners of proprietary digital platforms, ▪ Misuse of personal data (transparency, non-discrimination, etc.) ▪ Abuse of trust 	<ul style="list-style-type: none"> ▪ Workers' rights ▪ Data protection and privacy of stakeholders ▪ Social rights ▪ Fair competition and fight against monopolies and anti-competitive practices ▪ Legality of platform dealings and accountability in the context of transactions

Link to social innovation	Emergence of the “prosumer” figure – both producer and consumer	Digital initiatives founded on democratic, solidarity-based and inclusive governance	Concept not based on ownership or joint ownership of goods but in pooled use
Examples	Ikea, Xerox, Fairphone,	EBay, Craigslist, Velib’, Indiegogo, Bitcoin, ...	Airbnb, Couchsurfing, Umcoche, Karzoo, Blablacar, Liftshare, ...

What about social innovation in these new economy models?

Social innovation can serve as fuel for the economy, through social investment. The economic case for social economy seems to be clear, according to estimates used by the European Commission, the volume of world trade hidden beneath the banner of the sharing economy amounted to USD 3.5 billion in 2013, with an annual growth rate of 25% - but the social issues mentioned before need to be tackled.

Various definitions of social innovation were heard at the event such as “people having ideas to help other people, with or without technology” or “innovative ideas that meet social needs and create new forms of collaboration”. The SIMRA project also has its own definition of social innovation: *"the reconfiguring of social practices in response to challenges associated with society, economy or environment based on novel ideas and values. These practices include the creation of new institutions, networks, and governance agreements, and seek to enhance societal outcomes, especially but not exclusively for disadvantaged groups, and recognizing the likelihood of trade-offs among competing interests and outcomes. While these practices may include diverse institutions, they necessarily include the voluntary engagement of civil society actors."*

What are the risks inherent to the new economy models?

Indeed, even though these new economy models have rapidly picked up activity and are nowadays widely used, to the extent of being considered new economy models, it is time to think about what kind of risks they entail and how to prevent them. Indeed, not everything labelled as innovation is necessarily progress and automatically entails social welfare. It is important to consider how democracy and governance can be considered in these models and how should tax payment apply to these activities for instance. Also, if all these models rely on online platform, the gap in connectivity between urban and marginalised rural areas must be carefully studied so as to not exclude anyone. Finally, measures must be taken to protect personal data; platform managers must be well versed in consumer protection.

All the new economy models have in common their positioning of the individual’s needs as the priority, and notably his need of having the best tailored service for the lowest price. The fastest growing companies are said to be the user-based ones (“platform-based economy”). However, one set of regulations won’t be enough for all the new business models, entrepreneurs are waiting for legal advice and policy recommendations, as they are aware of the disruptive growth potential they might create. On the side, it is an opportunity for the European institutions and managing authorities to integrate transition to a greener economy in a business model with these practices that boost local transactions and which rationalise household consumptions. Energy efficiency can be broadened to resource efficiency through better waste management, eco-design, use of secondary raw material in industrial symbiosis, etc.

To come back to the individual, social economy might be a hot topic, but social inclusion also is one and both need to be conciliated. A workshop organised by the European Network for Rural Development (ENRD) on February 9th, 2017, in Brussels was entitled “Social Hubs in Rural Europe” and faced the issue of social inclusion in typical areas where these new economy models aren’t yet

part of everyday life. The main drivers of social inclusion identified during the event through presentations of examples were rural development measures (implemented by Local Action Groups) and targeted networks (such as the ACORNS project for female entrepreneurs in Ireland). Only then, through formalised structures and targeted investments do the new economy models appear as a collective solution and participate in rural development. The ENRD event targeted specific population categories namely women, migrants and refugees, youth and Roma, and you can find more information and good practices by following this [link](#). Many more examples of social innovation will also soon be available in the SIMRA database of social innovation examples in marginalised rural areas.

EESC recommendations

The EESC calls upon the Commission to better define all these different economic concepts and to be cautious as to their development and the juridical impacts this could have on enterprises, job security, workers' rights, tax avoidance, etc.

Thus, the EESC calls on the Commission to pay attention to digital platforms, to regulate and harmonise their activity and ensure a level playing field based on transparency, information, full access, non-discrimination and appropriate use of data. New business models need to comply with the applicable national and EU legislation. The rights of all partners operating in the sharing economy, including prosumers, must be protected by adapting these relations across the existing EU acquis on consumer rights. The EU must urgently define a clear and transparent legal framework within which these activities should be developed and implemented in the European area (through a legislative package for instance), as well as a specific methodology for regulating and measuring a new economy with different standards, with the value of trust playing a significant role. The EESC recommends that a permanent horizontal structure be created to analyse these emerging phenomena.

Further recommendations include a label to indicate the environmental, social, economic or other impacts of the product or service acquired through the functional economy approach of access or use rather than ownership. With this in view, it is crucial that the information provided by companies be accurate and trustworthy, and authorities and mechanisms must be designated to guarantee this in the eyes of consumers. Also, the EESC recommends that the Member States and stakeholders promote responsible consumption, starting in schools. More generally, the EESC recommends stepping up the pace of research and achievements in new methods of production and consumption connected to the functional economy. Finally, regionalising the functional economy could make it possible to meet the new challenges of sustainable regional development by experimenting with new economic models.

The recurrent example of the risks induced by these new companies is the transport service company, Uber. For more well-being, rather than more profits, growth should be oriented by values was the take-away conclusion of the speaker, Diego Isabel de la Moneda, Director of the Global Hub for the Common Good.

For more information

- EESC opinions:
 - [on collaborative economy](#) (15 December 2016)
 - [on the functional economy](#) (15 December 2016)
 - [on the sharing economy and self-regulation](#) (26 Mai 2016)
 - [on the circular economy package](#) (28 April 2016)
- [European institute of economy of functionality and cooperation website](#)



- [SIMRA project website](#)

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