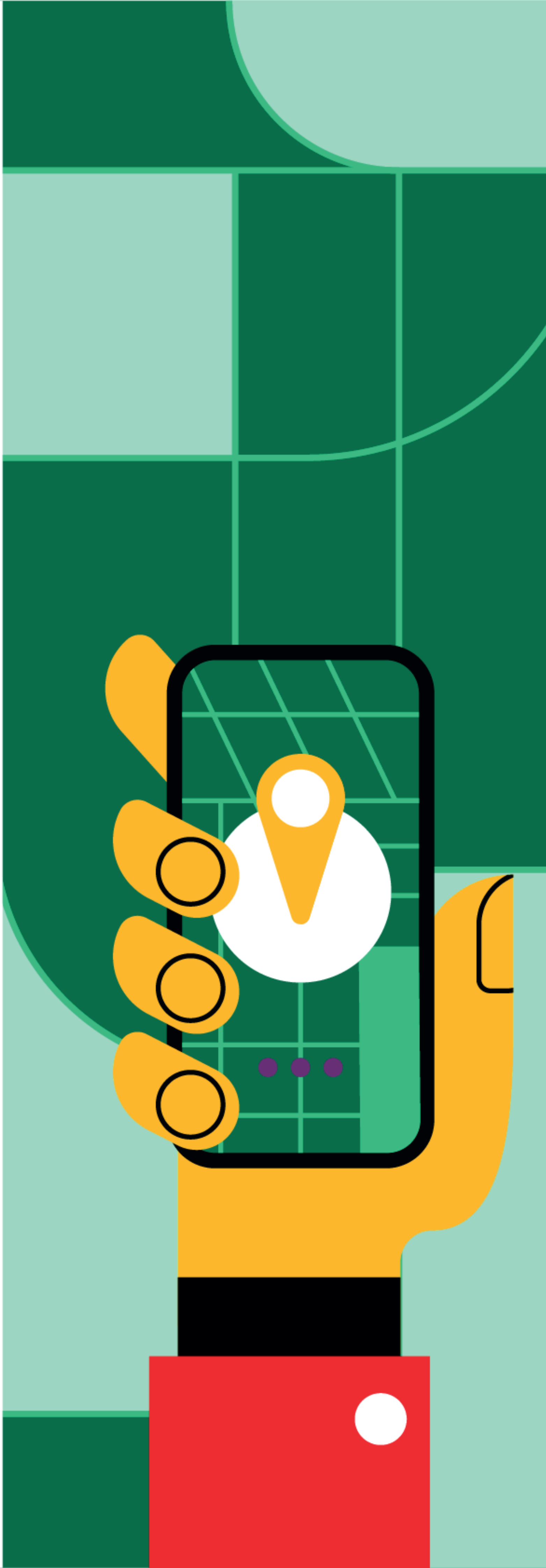
SHARING ECONOMY INDEX 2023



VILNIUS IS LEADING THE WAY!

Authors:
Emil Panzaru, Amjad Aun

Sharing Economy Index 2023

The sharing economy endures as a hub of human innovation and economic growth, defying the increase in legal and political obstacles designed to stifle it. Some cities in our index are its champions. Vilnius takes the top spot, followed by Buenos Aires, a returning candidate, in second place. Meanwhile, Madrid and Belgrade are joint third, with London in fifth place. Others sadly fail to capture the fruits of the sharing economy, to the detriment of consumers and gig workers alike. Athens obtained the lowest score, joined by Ljubljana, Sofia, Luxembourg City, and Tokyo at the bottom of our ranking. Once topping the charts, Tallinn, Sao Paolo, and Tbilisi fell this year to 29th, 39th and 42nd place, respectively. Mexico City, Warsaw, and Kyiv were second in overall points (rank 5) last year, yet now occupy spots 18, 42, and 46.

Several reasons explain why these changes occurred. One of them is the ongoing proliferation of government intervention in the sector. Much like the Protect the Right to Organize (PRO) Act in the United States or the European Union Council's proposal, laws are put forward with the apparent aim of protecting workers by clearly defining their line of work in the sharing economy. In reality, their jobs are flexible and require a group of skills associated with managerial and self-employed occupations, which makes it detrimental to classify them into a single category. Alternatively, states bow to the pressure and alarmism of special interest groups that oppose the sharing economy, leaving consumers to suffer the consequences.

The second factor is positive news. It concerns the meteoric rise of financial technology (fintech). Rapid digitalization has driven a more collaborative way of providing banking and financial services in the form of marketplace lending, peer-to-peer lending, and mobile payments. Though the industry went through a market correction in late 2022 and early 2023, it still boasted a market capitalization of $550 billion in July 2023, double its 2019 value. Thus, fintech is here to stay, and consumers deserve to understand where it is strongest and where it is least developed.

Given these realities, we at the Consumer Choice Center ranked 60 cities worldwide to help consumers pick the destination that best fits their sharing economy preferences. We examined several variables ranging from ride-hailing, professional car-sharing, car-pooling, and flat-sharing to gym-sharing, ultra-fast delivery apps, and e-scooters. With the knowledge provided by our ranking, consumers can prevent unnecessary discomfort or unwanted risk on their next journey or night out.

Our fourth annual edition of the Sharing Economy Index refines and updates the analysis using expert assessments, annual reports, online statistics, news pieces reflecting the latest information, and our own research. To represent the importance of fintech, we added the variable of peer-to-peer lending to the database. We also included library sharing among growing sharing economy services. Based on the feedback from previous iterations, the index features clear definitions of each sharing economy category in the methodology section below.

Overall Score: Top 5 Most Sharing-Economy-Friendly Cities Worldwide

Index Ranking	Country	City	Overall score
1		Vilnius	155
2		Buenos Aires	145
3		Madrid	140
3		Belgrade	140
5		London	136

RANK	COUNTRY	CITY	POINTS
1	Lithuania	Vilnius	155
2	Argentina	Buenos Aires	145
3	Spain	Madrid	140
3	Serbia	Belgrade	140
5	UK	London	136
6	Finland	Helsinki	135
6	USA	Nashville	135
6	Spain	Barcelona	135
6	Colombia	Bogota	135
6	Sweden	Stockholm	135
6	USA	Dallas	135
6	Czech Republic	Prague	135
6	Switzerland	Zurich	135
6	Netherlands	The Hague	135
15	Australia	Sydney	134
16	USA	San Francisco	131
16	Norway	Oslo	131
18	Mexico	Mexico City	130
18	Portugal	Lisbon	130
18	Germany	Cologne	130
18	Italy	Milan	130
18	Belgium	Brussels	130

RANK	COUNTRY	CITY	POINTS
18	Netherlands	Amsterdam	130
24	Germany	Berlin	126
24	USA	Chicago	126
24	Austria	Vienna	126
24	Switzerland	Geneva	126
24	USA	Washington D.C.	126
29	USA	New York City	125
29	Estonia	Tallinn	125
29	Germany	Munich	125
29	Germany	Hamburg	125
29	Italy	Rome	125
29	Romania	Bucharest	125
29	Latvia	Riga	125
29	Croatia	Zagreb	125
29	USA	Philadelphia	125
38	France	Paris	122
39	Brazil	Sao Paolo	121
39	Ireland	Dublin	121
41	UAE	Dubai	120
42	Georgia	Tbilisi	115
42	Poland	Warsaw	115
42	Chile	Santiago	115
42	Hungary	Budapest	115
46	Ukraine	Kyiv	110
46	Slovakia	Bratislava	110
46	Taiwan	Taipei	110
49	Belarus	Minsk	100
49	Costa Rica	San Jose	100
49	China	Shanghai	100
52	Cyprus	Nicosia	95
53	Denmark	Copenhagen	91
54	Turkey	Istanbul	90
55	Malta	Valetta	87
56	Japan	Tokyo	84
57	Luxembourg	Luxembourg City	80
58	Bulgaria	Sofia	75
59	Slovenia	Ljubljana	73
60	Greece	Athens	71

No city on the list achieved a perfect score; there is always room for improvement in terms of sharing economy policies. Nevertheless, Vilnius comes closest to the ideal result, 155 out of 160 points. Lithuania's capital has made significant strides to become a major center for the digital economy. The effort is reflected in a €100 million ($108.9 million) private initiative for the most prominent tech campus in Europe. It is further evidenced by its refreshing openness to the sharing economy – except for some flat-sharing taxes, Vilnius achieved top marks across measured criteria.

Other top contenders show equal promise. Argentina was already home to some of Latin America's largest technology companies, such as Mercado Libre, OLX, and Despegar. Buenos Aires only falls short of Vilnius due to regulatory barriers imposed by the Argentine Central Bank. Fintech companies must fulfill multiple criteria and undergo a labyrinthine process to even operate in the first place.

Madrid and Belgrade fared similarly well. Spain can claim to be the third-best European country for alternative finance. Madrid is no exception to the Spanish rule, with a low regulatory burden for fintech. Its performance is only weighed down by special permits and taxes for ride-hailing and flat sharing. The situation for Belgrade is reversed. While Serbia's capital exercises permissionless innovation for ride-hailing, it is beset by complications in its regulatory framework for peer-to-peer lending.

While all services are available in London, the city is held back from the podium and lands in fifth place due to a combination of regulatory hurdles. Ride-hailing providers suffer from additional regulatory scrutiny over safety concerns. In the case of flat-sharing, annual stays are capped at 90 nights or fewer if not applying for a change of use.

Nashville is the first US city in the top 10, thanks to its generous mix of sharing economy options like gym, car, and library sharing. However, Nashville, too, has suffered from the restrictive decisions of the federal government and suspicion of fintech. Commercial insurance is still required for ride-hailing, and experts describe the regulation of peer-to-peer tech as fragmented and a significant disincentive for future market entrants. Nashville homeowners associations (HOAs) often exercise discretionary control, limiting many properties to residential use rather than allowing them for rental. A unanimous decision by the Tennessee Supreme Court has partially vindicated flat-sharing, describing HOAs rules around what constitutes a "rental unit" as too ambiguous to prohibit short-term renting (though it has not pronounced explicitly on the 2006 Court of Appeals ruling that short-term leasings are not residential, and akin to a hotel or motel).

New York is much lower than Nashville at rank 29 due to its new laws around short-term flat-sharing. Owners now must register with the city to host someone for temporary rentals equal to or shorter than 30 days. Furthermore, owners need to be present on the premises during that time (sharing living space with their guests), and having more than two guests at once is strictly forbidden. As of October 2023, 80% of properties had been delisted from Airbnb, and many families are barred from temporary rentals through the two-person norm. Far from their intended consequences, these regulations also created a black market in rentals, with many owners covertly turning to WhatsApp, Signal, and Facebook Group posts to find willing hosts and guests.

Though scores have risen across the board compared to previous index entries, some cities have fallen behind in innovation and acceptance. Tallinn lost ground due to safety and background checks, taxes imposed specifically on ride-hailing, and the stringent licensing regime for peer-to-peer intermediaries (to the advantage of Estonia's traditional banking sector). Tbilisi saw its carpooling discontinued and no peer-to-peer lending services. Mexico City, Warsaw, and Kyiv struggle either with fragmented fintech frameworks (for Mexico and Poland) or fail to incorporate such businesses entirely (Kyiv). Athens, Tokyo, and Sofia have yet to allow ride-hailing, feature absent or partial fintech regulations (applicable only to lenders in Tokyo's case), and impose the most considerable amount of restrictions on sharing economy services.

Implications and benefits for consumers

There are several advantages to choosing one of the top five cities, such as multiple affordable options for ride-hailing, carpooling, and car sharing, certainty and safety for borrowers and lenders engaged in peer-to-peer exchanges, accessible libraries, frequentable gyms anywhere in the city, the convenience of ultra-fast delivery, and an easy means of transportation on hand in the form of e-scooters.

- Top 5 (and top ten) picks offer the best experience all around
- Negatively, accessibility has decreased, as evidenced by the changes in marks for Tallinn, Tbilisi, Mexico City, Warsaw, and Kyiv
- On a positive note, the availability of sharing economy services has seen an overall increase. Far more cities feature ultra-fast delivery apps and e-scooters than ever before, and Japan and Luxembourg are contemplating the authorization of ride-hailing.

Research note: *We strive to improve the quality of this index's underlying data every year and aim to refine its methodology further. We sometimes faced contradictory information, indicators measured differently by different cities, and developing news. This was particularly the case for financial regulatory assessments. Similar rules may have a very different impact in another jurisdiction due to the underlying structure of the banking system in that city or its regulatory history. As such, we rely on the existing opinions of experts in the field (either in academia or the financial sector) to bolster our approach. We ask the index readers to acknowledge the difficulties in working with heterogeneous data and caution users to be aware of the underlying complications.*

Methodology

The maximum score is 160 points.

1) Ride-hailing (availability and accessibility)

We define ride-hailing as hiring a private driver and vehicle through a general platform to reach an agreed-upon destination. Companies provide a network bringing together willing passengers and drivers. Unlike car sharing, the vehicle is not rented out for extended periods to a client-driver. Unlike car-pooling, only one consumer is using the service.

Ride-hailing is available if no regulatory barriers prevent its presence on the market. It is accessible if there are no onerous rules and taxation in place. An urban destination where ride-hailing is available and accessible is where consumers enjoy the total comfort of affordable rides anywhere and anytime. Meanwhile, drivers reap the full benefits of flexible employment that would otherwise not exist. Conversely, a city where ride-hailing is not available nor accessible deprives workers of opportunities and leaves consumers with fewer, more expensive options.
We discounted cases where ride-sharing is de facto controlled by traditional taxi companies (Istanbul, Sofia, Athens). We set aside instances where ride-sharing was strictly limited to airport pickup (Tokyo).

The category nets a maximum of 40 points.

- **Availability = 20 points**
- **No availability = 0 points**
- **Accessibility with no restrictions = 20 points**
- **Restrictions (licensing and permits, taxation, return-to-garage norms, technical approval, and others) are present = -5 points deducted from the "accessibility" score per inconvenience**

2) Carpooling

Carpooling allows multiple consumers to share the same ride, making for a hassle-free return from a night out or an exciting journey together.
If car-pooling is available through an app or an online platform, the city receives 10 points.

3) Professional car sharing

Car sharing involves the long-term rental of a private vehicle for a driver provided by another individual or company via sharing economy platforms.
The category awards 30 maximum points. A city earns 20 points if car sharing is available. It receives an additional 10 points when the service is peer-to-peer (among private owners, with no company car fleet involved).

4) Ultra-fast delivery apps

Ultra-fast delivery apps bring restaurant orders to consumers' doorsteps in 15 minutes or less.
A city scores an additional 10 points if such apps are available.

5) Peer-to-peer lending (availability and accessibility)

Peer-to-peer lending enables consumers to obtain loans directly from lenders through a fintech network. The website or app sets the rates and terms of the transaction (depending on the creditworthiness of potential borrowers). Peer-to-peer lending empowers those who would otherwise not be able to obtain a loan through traditional banking to do so. Alternatively, it facilitates lower rates for borrowers and more advantageous returns for lenders.
Availability denotes the absence of legislative hurdles to establishing a peer-to-peer lending business in that city. Accessibility assesses the overall regulatory framework based on whether it has allowed the industry to thrive or has had a stifling effect on the practice.
We have developed multiple criteria to reflect expert analyses best. In our index, peer-to-peer lending regulations can be low burden, complicated, uncertain, or an overall regulatory framework may be absent.
The designation "low burden" is for financial rules that have allowed companies to grow and develop, reflecting the sharing economy's full potential to improve consumer well-being.
"Complicated" regulations are well-specified. However, they cause extensive compliance issues because of their complexity, hampering the sector.
"Uncertain" norms for peer-to-peer lending create an environment where firms must expend considerable attention and resources to adjust to ever-changing political expectations. This situation leaves very little room for future investment and for taking the risk of a loan, severely stunting the field of peer-to-peer lending.
The final category is that of "absent regulatory framework". We reserve the phrase for cities that apply traditional banking regulations to the fintech sector. Thus, peer-to-peer lending is reduced to holding funds and acting as a prime lender, abandoning its unique position as an intermediary connecting independent borrowers and lenders.

We treat it as the worst possible outcome (besides a straight ban) because it denies consumers the positives of the sharing economy's financial model.

The peer-to-peer lending classification can net a city a maximum of twenty points.

- **Availability = 20 points**
- **Low burden = 0 points deducted**
- **Complicated = -5 points deducted**
- **Uncertain = -10 points deducted**
- **Absent regulatory framework = -15 points deducted**

6) Gym sharing

Gym sharing allows consumers to access any fitness studio or gym in a network just by opening an app on their phones.
If gym sharing is available, then the city receives 10 points.

7) Library sharing

Consumers can use library-sharing apps and websites to navigate multiple libraries at their leisure. We separate such innovations from conventional inter-library systems like university ones (allowing for the exchange of materials between libraries, not private individuals).
The presence of library sharing earns a city 10 points.

8) Flat sharing (availability and accessibility)

Thanks to flat sharing, consumers need not appeal to hotels when traveling abroad. Instead, they can contact owners eager to list their house for short- or long-term rental and enjoy the comfort of home even in another city.
The availability of flat sharing depends on whether the local authorities recognize such a rental arrangement in the first place. Its accessibility is dictated by factors such as special permits, taxes, and upper limits on the number of days one can rent accommodation.

The highest number of points a city can obtain for this category is 20. Every regulation equals a deduction from the total.

- **Availability = 20 points**
- **Permit = -5 points deducted**
- **Taxes = -5 points deducted**
- **Limited days: ≥ 60 days = - 5 points deducted**
- **Limited days for every 30 days above 60 = 1 point deducted less (90 days = -4 points, 120 days = - 3 points, and so on)**
- **Other restrictive interventions = -5 points deducted**

9) E-scooters

Electric kick scooters (e-scooters) are stand-up motorized scooters integrated into the sharing economy. Consumers can find them at common docking stations and rent them for fixed periods.
A city receives 10 points if e-scooters are available.

ABOUT THE AUTHORS

Emil Panzaru

Emil is Research Manager at the Consumer Choice Center. He successfully defended his PhD in Political Economy (Research) at King's College London in 2022. Prior to working at the Center, Emil was a Teaching Assistant at King's College London, where he taught students on contemporary issues at the intersection of philosophy, politics and economics. He was also a Frederic Bastiat Fellow/Research Fellow at George Mason University's Mercatus Center. In the past, he has published and helped publish academic research on incentives, knowledge problems and public policy.

Amjad Aun

Amjad is a Master's student in international business economics at Ilmenau university of technology. He has an interest in economic policy and innovation economics.

CONSUMER
CHOICE
CENTER

info@consumerchoicecenter.org
www.consumerchoicecenter.org

700 12th St N.W Suite 700 PMB 94982
Washington, DC 20005