

# Economic or Social Capital? Uberisation as an Exemplification of the Rent Gap Theory on the Example of Poland

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## Abstract

*The article is focused on the phenomenon of the so-called uberisation (uber economy) process, which combines technological innovations with precarious workforce management techniques in urban environment. The main aim of the paper is to describe and explain this problem in the perspective of the Neil Smith's rent gap theory on the examples of Airbnb and Uber internet platforms and to present their impact on Polish urban areas. The article uses source literature as well as public and commercial databases and reveals that the presence of global sharing economy platforms at the local level is to the existence of economic capital rather than social, even if very often it is perceived in the opposite way.*

**Keywords:** uberisation, uber economy, sharing economy, Airbnb, Uber, rent gap

## Introduction

New technologies are becoming increasingly popular in the contemporary urban areas. The so-called smart city movement includes innovations implemented by the public sector as well as activities and projects run by private companies. In the latter

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case, the uberisation (uber economy) phenomenon seems to play an important role. Its name is taken directly from one specific peer-to-peer company called Uber, but to there are much more companies associated with this phenomenon. Nowadays, it is possible to indicate a larger number of enterprises providing various types of services, for example related to the passenger and food transport, retail, real estate renting or crowdfunding (Hill 2015). By far the most recognizable brands, however, are the aforementioned Uber, which provides passenger transport services, and the Airbnb, which offers apartment rental.

The process of uberisation can be roughly defined as a combination of technical innovations with the use of social dumping and low wages. This perspective seems to be more accurate than the understanding of it as an example of commodification of the socially-oriented sharing economy. This mechanism on the one hand uses the potential of social ties, and on the other is associated with the process of precarization. As Coyle (2017) points out, the main reason of the sharing economy's popularity comes not only from its innovative dimension, but mostly from the reduction of the transaction costs. In her opinion, 'sharing economy platforms can be characterised as aiming to match many suppliers and many consumers (or in other words they are peer-to-peer), where the suppliers are able to use more intensively through the platform an asset they own, such as an apartment, car, tool or skill. The technology – the combination of matching algorithm, pervasive internet connectivity and digital device – makes it feasible to rent out the asset when it is not in use because transactions and search costs have been lowered so dramatically' (Coyle 2017: R7).

The services of uberisation are very often perceived as innovative and related to the entrepreneurial basis of the so-called creative class, which is the social group that includes employees living from creative intellectual work, popularized by the Richard Florida's (2004) theory. However, in reality it seems that the presence of the service class, the second social group identified by Florida, is far more important in this context. Its inherency in urbanized areas becomes, according to the latest Florida's (2017) book, one of the most important issues connected to the phenomenon of the 'new urban crisis' identified by this author. Service class, which can be described as a group of 'workers in routine service jobs, including food preparation and other food-service-related occupations; building and grounds cleaning and maintenance; personal care and service; low-end sales; office and administrative support; and community and social services and protective services' (Florida 2017: ebook) is very similar to the precariat. The latter group 'refers to a situation where people are forced to make a living out of work which is low-quality, insecure, temporary, low-paid, with little or no promise of promotion, without social insurance, and often

off-the-books' (Polkowska 2016: 27). As Standing (2011: 1-25) indicates, the precariat becomes a socially and politically excluded social class of *denizens* (people deprived of real citizenship) experiencing four "A": *anger, anomie, anxiety* and *alienation*. The representatives of the precariat are therefore employees with the weakest negotiating power, above all, those employed on the basis of zero contracts and immigrants.

This article focuses on the uberisation's impact on the contemporary urban areas in Poland on the basis of the examples of Airbnb and Uber sharing economy platforms. Both of them are gaining more and more popularity in Poland, especially in its wealthier parts, as it will be shown later. In order to demonstrate the impact of services provided by these enterprises, the Neil Smith's (1979) rent gap theory will be used. The paper is based on source literature, statistical data taken from the Polish census (GUS), information provided by the real estate market reports of a company called Emmerson Evaluation, Polish sharing economy taxi transport platform called iTaxi, and AirDNA.co database which provides data and analytics connected to the Airbnb<sup>1</sup>.

## **Airbnb: Sharing Economy and the Gentrification's Accelerator**

The use of cost reduction as one of the foundations of the business strategy of enterprises operating in the uberisation model points to the similarity of their actions to the rent gap model invented by Neil Smith (1979). His theory describes the results of the growing disparity between the current way of using degraded real estates in contrary to the possible profit taken from their possible reinvestment. According to the rent gap theory, the most profitable way of investing in the urban area is to collect this surplus. Smith's theory was developed to explain the reasons for the phenomenon of gentrification – the degraded neighborhoods transformation into the wealthy areas connected to the group of social, economic and spatial changes (Drozda 2017, Glass 1964). However, this concept may be useful also for explaining the mechanism of uberisation and its impact on urban areas. For example, the peer-to-peer online marketplace and hospitality service called Airbnb is now considered as one of the main accelerators of gentrification. This privately held company enables some people to rent their flats, houses or even single rooms, mostly to short-terms tenants. Airbnb

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<sup>1</sup> These data were valid in December 2017.

does not own any lodgings but provides an internet platform which presents rental offers and provides some services connected to the payment and rating systems. Airbnb is attractive not only because it is very easy to use but also because it enables people to find cheap accommodation. Many users of this website tend to provide their services in an amateur manner which and it does not require respecting some of the formalities that are characteristic for the 'regular' hotel industry, such as paying local taxes. The specificity of this model also makes it possible to reduce the costs associated with employing other people. Airbnb provides over five times fewer jobs than the hotel industry (Gunter, Önder 2017: 6).

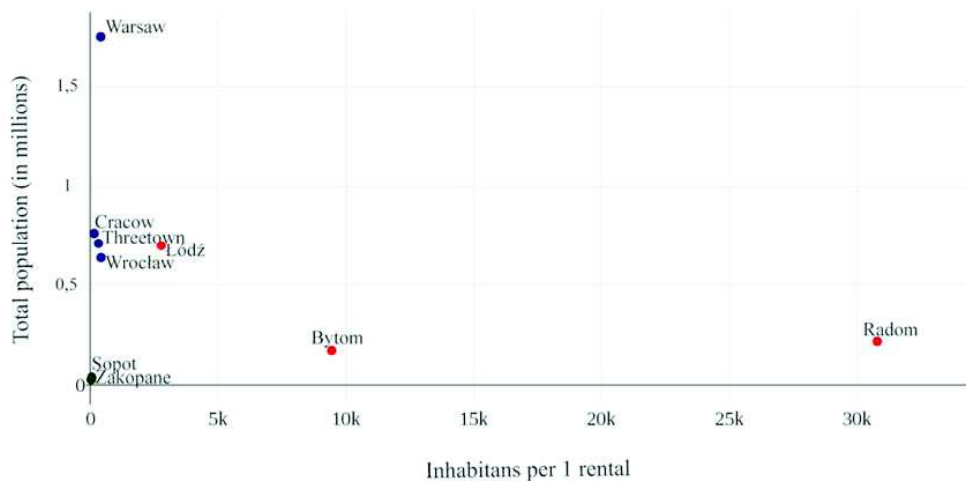
Short-term rental supported by this internet platform is a much more profitable form of real estate use than the long-term one. Unfortunately, in parallel it also allows to transform entire neighborhoods and triggers the process of displacing residents using social housing. They are replaced by groups of gentrifiers (people who engender gentrification) like tourists or students. These groups dispose larger social capital resources (Bourdieu 1986) and improve the general image of neighborhoods, and then are themselves replaced by people with a more traditional, economic form of capital (so-called advanced gentrifiers). The final stage of this kind of transformation is not an increase of innovation and the quality of life in urban environment, but rather 'disneylandization' of the city, which becomes a type of decoration useful only for the most affluent citizens (Pinkster, Botterman 2017: 644). The latter are served by the precariat rather than by well-paid workers.

Airbnb has already had a significant impact on the Polish real estate market. As the data show, in many places people and companies offering flats for this type of short-term rental have become important participants in the housing market. The table below (see Table 1) presents some examples representative for three various groups of Polish cities. The first one includes the four biggest cities and agglomeration of the Threetown in the northern part of the country. It includes Gdańsk (the sixth biggest Polish city), Gdynia and Sopot, which is also a popular and quite expensive tourist resort like Zakopane. Radom, Sosnowiec and Bytom are quite big cities, situated in different parts of the country and are very often perceived as representative examples of the degraded urban areas. Also Łódź, the third biggest Polish city, has an experience of severe deindustrialization and economic decline after 1989.

**Table 1. The total number of Airbnb rental offers in various Polish cities (2017)**

City	Total population (in thousands)	Inhabitants per 1 Airbnb rental
Warsaw	1749	414
Cracow	762	158
Łódź	699	2784
Wrocław	637	426
Threetown (without Sopot)	710	327
Sopot	37	63
Zakopane	27	41
Radom	216	30795
Sosnowiec	206	-
Bytom	170	9448

Sources: GUS 2017, Airdna.co 2017

**Figure 1. The total number of Airbnb rental offers in various Polish cities (2017)**

Sources: GUS 2017, Airdna.co 2017

As the above dataset shows, Airbnb plays the most important role in cities that are particularly attractive for tourists. In contrast, this type of services is not well-represented in areas without an organized tourist infrastructure. Most of rental offers can be found in places that are the most affluent and where the short-term rental is the most competitive in comparison to traditional hotels and hostels. The number of rentals offers in Cracow is even higher than in Warsaw, although Cracow is smaller. On the other hand, it is the city which is the most frequently visited by tourists.

In Sopot there are five times fewer residents per one rental than in the rest of the Threetown. The Airbnb offer is very modest in Łódź (the third largest city in Poland in terms of population). It means that the offer is much smaller than in the cases of small tourist resorts such as Zakopane and Sopot. These are towns nineteen and twenty-five times smaller than Łódź, but their accommodation base within Airbnb is two or three times larger. In turn, in cities associated with economic decline the Airbnb market does not exist almost at all. There are absolutely no Airbnb rentals in Sosnowiec, even though it is eight times bigger than Zakopane, where there are almost seven hundred such offers. The three groups of cities mentioned above are also visible in Figure 1. Popular resorts with the highest intensity of rental offers are marked in green, prosperous large cities in blue, and cities experiencing economic problems in red. The rent gap (visible as the inverse of the distance from the vertical axis) seems to be the largest in the case of the green group, large in the case of the blue one and smaller and not profitable in the group of cities marked in red.

## Uber: Big Markets and Rich Customers

Uber Technologies is another worldwide company which provides different transport services around the globe. Just as in the case of Airbnb, Uber does not own any vehicles and its employees formally remain independent entrepreneurs using only the application supported by this company. In its official's opinion, this form of activity justifies violating some regulations of the transport market, which is why the company's activity arouses controversy and hostility among many of its competitors. Recently it has even been finally identified as an enterprise based on the judgment of the Court of Justice of the European Union (Bowcott 2017). Despite the innovative rhetoric, Uber also has some competitors using similar solutions like German platform MyTaxi and Polish iTaxi. The last one operates throughout the entire country, irrespective of the number of inhabitants of each city.

Unlike iTaxi, Uber operates only in some Polish urban areas. Seemingly they are the largest of them. The application is available to the residents of the eight largest Polish cities and two biggest conurbations – the Threetown and the Upper Silesian-Zagłębie metropolitan area. On the abovementioned list the cities marked are the largest in terms of population. However, Uber is not available for inhabitants of the third, sixth and ninth largest cities in terms of space (Szczecin, Zielona Góra and Świnoujście, respectively). The choice of the largest markets only partially explains

the strategy of this corporation. The company's offer is available primarily for the residents of the richest cities. Polish census data on the average earnings are not a reliable measure of the real level of affluence. The low representative average wages are calculated in relation to only the largest enterprises. However, the analysis of the real estate primary market reveals that Uber operates in places where housing prices are the highest (see Table 2). The only exceptions are cities where the transportation market is attractive because of the huge scale of its range: Katowice, a part of the largest Polish conurbation of Upper Silesia and Zagłębie, and Łódź, the third largest city in terms of population. All things considered, the rule seems to be that Uber operates not where most customers can be found, but where they are the richest.

**Table 2. The highest housing prices at the primary market and Uber availability in Poland (2016)**

City	Average housing prices (primary market, Polish zloty)	Is Uber available in the city?
Sopot	10147	Yes
Warsaw	7620	Yes
Cracow	6563	Yes
Gdynia	5966	Yes
Poznań	5840	Yes
Gdańsk	5792	Yes
Wrocław	5776	Yes
Toruń	5200	No
Katowice	4957	Yes
Lublin	4913	No
Łódź	4664	Yes
Bydgoszcz	4650	No
Olsztyn	4650	No
Kielce	4618	No
Szczecin	4571	No
Białystok	4416	No
Rzeszów	4384	No
Opole	4089	No
Silesian-Zagłębie metropolitan area (without Katowice)	3938	Yes
Zielona Góra	3657	No
Gorzów Wielkopolski	3400	No

Source: Emmerson 2017: 6–7, Uber

The only exception to this rule are only the largest transportation markets. A similar disclosure comes from the database of taxi prices in the entire country, which is operated by iTaxi (see Table 3). As it is shown in this juxtaposition, the list of cities with the highest travel prices does not necessarily coincide with the list of the largest cities in terms of population or area. In all these cities, however, it is possible to use Uber.

**Table 3. Highest average taxi prices in Poland (2016)**

City	Average taxi prices (Polish zloty)	Is Uber available in the city?
Katowice	33,66	Yes
Threetown	33,23	Yes
Warsaw	32,45	Yes
Cracow	31,70	Yes
Wroclaw	28,18	Yes
Łódź	27,14	Yes
Poznań	27,03	Yes
Rzeszów	22,29	No

Source: iTaxi.pl 2016: 25, Uber

The above observations show the convergence of the strategy of uberisation with the mechanism of the rent gap. Just as in Smith's theory of gentrification, uberisation benefits probably mostly from price disparity, far more than from its innovative dimension.

## Conclusions

Ossewaarde and Reijers (2017: 622) call the online sharing economy platform 'false commons' because, contrary to the imitative social sensitivity of phraseology, they do not in fact undermine the model of neoliberal hegemony and the influence of large corporations. In their opinion, the role of the sharing economy platforms is rather 'deceptive' and their superficial 'experiments with non-capitalist practices' play a crucial role in 'the new center of interest for venture capitalism' (Ossewaarde, Reijers 2017: 624). As another group of researchers points out, 'too much of the sharing economy is at risk for adding temporary and private economic value to a few, while



slowly eroding societal value, such as worker rights and protection from exploitation' (Almirall et al. 2016: 152).

In this situation Row (2017: 4) suggests to use the term *collaborative consumption* instead of *sharing economy*, including four types of it: *market*, *government*, *advocacy* and *social*. The first type is profit-oriented, operated by large transnational companies. It is characterized by exploiting the opportunities of maximizing profit in the situation when the rent gap is as large as possible. Even if Airbnb and Uber are examples representative for this type, it is possible to find some products run by individuals or public sector which provide public services or promote social cooperation. However, the strength of such companies reveals the necessity of introducing a planned urban policy oriented on regulating and combating possible nuisances and violations present in urban area that are caused by uberisation process. Furthermore, the positive attitude towards sharing economy very often is used as a marketing strategy useful for the uberisation 'whitening'. Meanwhile, it seems that in cases of companies like Airbnb 'despite sharing economy rhetoric regarding ideals like sustainability and local consumption..., it is the basic desire to spend less money that is often paramount' (Guttentag et al. 2017: 13).

It reveals how much do uberisation companies have drifted from the concept of 'sharing economy' and its pompous ethos. It is evidenced by even greater popularity of renting apartments in total than rooms or bedding, which would be characteristic of the alleged interest in getting to know local residents and their cultures. This suggests that the significance of social capital in this case is marginal, and that the economic capital is of far greater importance. Also Fleming shares this point of view and ridicules the rhetoric of individual freedom and the use of human capital as the alleged features of the uberisation model. As he writes in his article, 'hence one of the more unexpected outcomes of radical responsabilization. We are told that human capitalists are 'free agents', alone determining how and when they work. But much of the evidence suggests that these workers are micro-managed, monitored and directly supervised more now than ever. The observation is missed by celebrants and critics alike, who emphasize self-management and self-regulation, albeit insecure, precarious and stressful' (Fleming 2017: 12).

Smart city mechanisms sometimes not only fail to solve current problems but also introduce new types of tensions into the cities. Probably local authorities should build and maintain far more advanced data services, because only public data systems will provide conditions for equal chances for smaller entities that would like to compete with transnational corporations such as global uberisation companies. As Almirall et al. (2016: 141) points out, 'the more data accessibility governments offer, the better

public services will be delivered'. This is particularly important in Poland, where public census is very limited, many data are aggregated at the level of large spatial units, not for specific neighborhoods, as is the case, for example, at census data in the US. Quantitative data and the presence of transnational corporations show that processes more vividly visible in the case of better-developed states are also present in Poland. The lack of active public policy against uberisation will mean that the only limitation for its negative impact will be the limited range of Polish urbanization, which is expressed in a relatively small percentage of the urban population in general, and thus a relatively small urban market. However, it seems naive to believe that a market of over 38 million people will turn out to be unattractive from the point of view of investors interested in real estate speculation and profits derived from the gentrification of urban areas. Not only Uber and Airbnb are available here, but recently even Goldman Sachs has bought one of the biggest Polish real estate development companies (Sudak 2017). Ipso facto Poland seems to be an attractive space for transnational companies connected to the uberisation process.

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