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**REPORT**

Single Market Observatory
 **The new economic models**

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# **Introductory remark**

 This analysis conducted by the Single Market Observatory is just the first step in a process of analysing new economic models. Not all sectors of society have answered the questionnaires or participated in the discussions on the ground. This document serves only to process the collected data for future research, since the information gathered is not significant enough to draw any valid conclusion. Furthermore, the COVID-19 pandemic put an end to other planned missions. However, this study could easily be continued by the SMO alone or together with other EESC bodies.

# **Introduction**

## The economic, social and environmental challenges facing Europe call into question the economic model of "extract, produce, own, discard".

## The traditional market system is competing with a multitude of new models that are transforming the relationship between producers, distributors and consumers.

## In addition to economic returns (and sometimes even independently of them), some of these new models seek to address other key challenges for people and the planet that are crucial for sustainable development, such as:

* social justice;
* participatory governance;
* conservation of resources and natural capital.

## Supporting such innovative economic models could offer an important opportunity to position the European Union as a leader in innovative economic models that make economic prosperity inseparable from high-quality social protection and environmental sustainability and define a "European brand". The EU therefore needs to show ambition on this issue.

## The EESC has issued various opinions on these new economic models (NEMs), such as the circular economy, the functional economy, the collaborative economy, the economy for common goods, and the social economy. In these it has pointed to the need for Europe to take the initiative in this area.

## The main purpose of this report of the EESC's Single Market Observatory (SMO) is to provide a better understanding of NEMs by answering the following questions:

* What are the relevant economic models?
* How do new economic models perform at national level across the EU?
* What is the impact of new economic models on the main relevant dimensions? (economic, social, environmental, fiscal)
* What is the regulatory environment regarding new economic models? At what level is it best regulate (EU, national, regional, local)? and What type of regulatory approach should be taken?

## The report should also promote local, regional and national practices that the Committee considers to be realistic contributions to the Single Market as part of a sustainable approach to the economy (e.g. with reference to the UN Sustainable Development Goals, SDGs), growth and competitiveness, thereby ensuring that it becomes future-proof.

# **Findings**

## The following findings are drawn from the fact-finding missions carried out in six Member States (Belgium, Croatia, Estonia, France, Italy and Spain) and from an online questionnaire sent to a number of relevant stakeholders. In analysing the profile of those who responded, we notice that these are mainly organisations representing workers, employers, NGOs, non-profit businesses and universities. This suggests that the profit-focused entities did not see the relevance to them of NEMs or that this was not a particularly important topic for them. This came as a surprise in the case, for example, of digital businesses – digital platforms.

## Given the extensive variety of existing economic models and their constant evolution, it is extremely difficult to agree on a **definition** that is general enough to encompass all the various NEMs. However, common underlying principles can be identified:

* they are consumer and community-driven;
* they involve a sustainable economic approach;
* transactions are both profit and non-profit;
* they are part of the digital transition and they need data as an economic resource;
* they create positive societal externalities (e.g. well-being and sustainable economic growth)

## The NEMs also contribute to transitioning towards a more participatory, inclusive and sustainable way of doing business. They can therefore be an indicator of shortcomings in our current economic system.

## The NEMs also illustrate the urgent need for fundamentally different approaches to value creation. The development of a product or service must ensure the best possible match between the requirements of the market, the least possible ecological impact and longest possible use.

## The **main challenges** to the development of new business models are **behavioural changes** and the difficulty of involving citizens. The concept of responsible consumption is important in this context, although there is no simple solution to incentivising consumers to make informed choices. In addition, the price of products and services remains a major obstacle to increasing responsible consumption.

## Companies can also help change the social representations of lifestyles and consumption, but not all are **well** **informed and aware** about their role in this matter. The main reason is the absence of an accurate definition of NEMs and the lack of public incentives provided to the new economic models – through taxation, for example. Furthermore, many remain reluctant to change their business model, as in many cases this almost amounts to – on the one hand – modifying the entire way they access resources and – on the other hand – changing the traditional approach to the market and clients/consumers.

## This is why it is important to assess the impact of the NEMs on the European economy and the growth potential they represent. However, this implies providing resources to carry out **studies and evaluations** on the challenges and benefits of such a transition. Public authorities and the EU should therefore provide more and easier access to financing for such projects.

## For a vast majority of stakeholders, the **taxation system** in all Member States remains rigid, conservative and not adapted to the development of new economic models. Among other issues, the tax environment does not take due account of the cross-border nature of most of the NEMs. In terms of taxation policy, two important questions remain unanswered: "what to tax?" and "how to tax?". Cross-border activities are reported to be adversely affected by this fragmentation of tax systems, which damages the Single Market in several ways.

## New business models provide real **job opportunities** at all levels, but they also raise important concerns when it comes to employment and working conditions. To a certain extent, NEMs are being developed in an ambit of legal uncertainty, since EU legislation is still largely tailored to matching the requirements of the classic economic models.

## A number of stakeholders therefore wish to see the status of the workers in NEMs clarified, with **social and fundamental rights** guaranteed by the legislative framework. In addition, some stakeholders did not consider it necessary to create a completely new status of worker, but rather extend the existing status to new forms of works responding to defined criteria (see opinion SOC/645). This raises the issue of the definition of the term "worker" in the context of the digital transition and the emergence of new economic models.

## There may also be a need to regulate professional activities and not only strictly "occasional activity" – a concept that still requires a definition. Some participants suggested regulating at local level in order to better take into account the differences between urban and rural environments, regions and Member States.

## The NEMs, given their close connection with the digital transition, call for revised **education and training policies** to accompany the transition from traditional jobs towards new ones. It is also important to provide the **social protection** for people to face the consequences of these job transformations.

## Ultimately, workers' rights must be implemented and enforced in a coordinated manner through regulatory instruments across the EU, especially in view of the feared degradation of working conditions in certain areas of the new economy.

# **Recommendations**

## In its opinion on **sustainable economic models**[[1]](#footnote-1), the EESC states that innovative economic models are an opportunity for the European Union to become a global leader in NEMs. Economic prosperity must be inseparable from high-quality social protection and environmental sustainability, and all together represent the "European brand".

## However, not all new economic models are sustainable. Even though it is difficult to agree on a **definition** of NEMs, some common underlying principles can be identified:

* they are consumer and community-driven;
* they involve a sustainable economic approach;
* transactions are both profit and non-profit;
* they are part of the digital transition and need data as an economic resource, and
* they create positive externalities for society (for example, the well-being of citizens and workers and economic growth without negative environmental impacts).

## The development of a product or a service must guarantee the best possible match with the needs of the market, the lowest possible ecological impact and the longest possible use. NEMs can also contribute (through innovation) to modifying the needs of the consumer-actor-citizen to make these needs compatible with the sustainability of the planet and with the exercise of corporate social responsibility that respects social rights and in particular the social protection of workers.

## To overcome the **behavioural challenges** and the difficulty of involving citizens, education and awareness-raising are essential. All stakeholders must be involved in this process, **starting with schools**. The EU and the public authorities of the Member States must encourage and support education, training and information campaigns to improve the behaviour of all stakeholders and create sustainable value chains drawing on knowledge of new sustainable economic models. This should also include consumer information and awareness-raising.

## Public authorities within Member States and the EU should make the resources available to carry out **studies and evaluations** on the challenges and benefits of the transition and on access to financing. These studies should also include performing evaluations of the costs of unsustainable economic models. In the sectors of mobility, tourism, agriculture etc. the costs of non-transformation of economic models (mass tourism, carbon consumption not neutralised during transport, polluting agricultural models, excessively long food chains etc.) must be estimated in order to convince citizens, businesses and public authorities of the need to move towards sustainable new economic models.

## The **EU should analyse and complement private initiatives** for the exchange of good practice and experience between innovators. Here, public authorities must ensure that the developers of new genuinely sustainable economic models have access to finance during the initial phases of development.

## The EU must put in place a political, fiscal and regulatory framework that supports the large-scale deployment of these new sustainable models. A **taxation system** which would encourage investment initiatives and incentivise environmentally friendly businesses would also be a positive measure to facilitate the development of NEMs. This could also mean increased VAT for non-sustainable goods.

## New business models provide real **job opportunities** at all levels, but they also raise important concerns when it comes to employment and working conditions. Ultimately, workers' rights must be implemented and enforced through regulatory means across the EU, especially in view of the feared degradation of working conditions in certain areas of the new economy. It is also important to provide social support to face the consequences of these job transformations.

## The NEMs, given their close relation with the digital transition, call for revised **education and training policies** to accompany the transition from traditional jobs towards new ones.

## The European Union has a crucial role to play, therefore, in providing a mapping of NEMs at European level, showing best practices and taking decisions with regard to the Single Market.

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1. [OJ C 81, 2.3.2018, p. 57](https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=CELEX%3A52017AE1690). [↑](#footnote-ref-1)