

Airbnb Seeks to Turn Hosts into Shareholders

By Sarang Shah, J.D. Candidate 2021 | October 4, 2018

For several years, Airbnb insisted that its product is nothing more than a platform that connects hosts with guests. Several Silicon Valley companies, such as Airbnb, Uber, and Facebook, have insisted on their role as platform providers, often as a means of skirting regulations that otherwise apply to the industries they seek to disrupt. Users of these platforms are generally seen as neither employees nor customers but rather as independent contractors and consumers. Without employees or customers in the traditional sense, platform companies hold that they are not responsible for violations of regulations, payment of taxes, or civil liability and that these burdens ought to fall on their platforms' users instead.

But, that may soon change. Airbnb has recently [filed a request](#) with the SEC to give its hosts equity stakes in the company. Federal regulation stipulates that while private companies, like Airbnb, can grant stock to employees and investors, they can't grant stock to contractors. Airbnb has long held publicly that it wishes to align the interests of all stakeholders, including employees, hosts, guests, and investors, in the company's business. [A change in Rule 701 of the Securities Act](#) to include "gig economy workers" would dramatically change how these workers are compensated and taxed.

By granting some stock to its hosts, Airbnb [is also creating a financial incentive for hosts](#) to boost the company's long term financial prospects. Hosts would be incentivized to support the company's interests when it comes to lobbying for looser regulations concerning Airbnb and hoteliers. Harkening back to an infamous advertisement campaign that featured an African-American couple describing how [Airbnb helps them meet their mortgage payments](#), hosts are likely even more encouraged to fight for their ability to continue making an income from the platform. Given that Airbnb "believes that 21st-century companies are most successful when the interests of all stakeholders are aligned," this proposed change could be an integral step for all gig economy companies towards reinventing corporate governance and equity distribution in the private market.

While hosts stand to become part owners of Airbnb, there still lurks the question of whether sharing economy companies can still call their products mere platforms. Hosts would no longer be impartial, neutral users of the site but are rather investors in the company that are being compensated with not just the direct value of their rentals but with a share of the company's



overall value too. These hosts could wind up in an employee-employer relationship with Airbnb that would result in a more significant portion of the hosts' compensation coming in the form of equity. A claim that one's product is merely a platform would likely become a far less plausible defense in light of these changes.

The question of whether or not this new shareholder class of gig economy workers will come with voting privileges remains unanswered. Nevertheless, the SEC ultimately will have to look at whether such a change affects hosts and investors fairly while cities looking to regulate will re-evaluate whether a platform where the users are also part-owners could still be classified as a platform.