

COLLABORATIVE GOVERNANCE FOR RIDE-HAILING MARKET

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ABSTRACT

The paper explored the collaborative governance between government departments and stakeholders in the ride-hailing market to address to the problems of government regulation failure and self-regulation without enforcement powers. The governance of ride-hailing market involves elements such as market behaviour, security, reputation, credit and data. To effectively manage and control these elements, a multi-party collaborative governance framework was proposed. The framework incorporates government, industry, platform, driver, and passenger as the governance participators and manifests their differentiated governance capabilities and advantages. Through setting up the collaborations between government and industry, government and platform, industry and platform, as well as platform and driver/passenger, a workable collaborative governance pattern will be achieved to prompt a compliant and healthy ride-hailing market.

Keywords: Collaborative governance, Government, Industry, Platform, Ride-hailing market

1. INTRODUCTION

The spring-up of sharing economy enables a completely new pattern for the economic development and people's lives. However, the market regulation in sharing economy encounters new challenges. It creates "a regulation vacuum" where the traditional regulation rules are not applicable. For example, ride-hailing provides a similar service as the incumbent cruising taxi does, but the compulsory regulation means for the traditional taxi are not valid for the new market since a large number of non-professional private car owners take part in the market. How to regulate the sharing economy is becoming a hard nut to crack.

Ride-hailing is one of the most popular models and the earliest markets for the regulation research in sharing economy. Some scholars think that the government regulation is necessary and effective when the "market failures" appear. A series of regulation patterns, e.g. "equal,

appropriate and dynamic" regulation ^[1], incentive regulation ^[2], responsive legal regulation ^[3], and experimental regulation ^[4], were proposed to institutionalize and legalize the ride-hailing market.

However, policy interventions designed to prevent market failure may also lead to inefficiencies. Sharing economies, which grew out of the self-regulatory culture of internet commerce, may chafe against the top-down, centralized regulatory approach of many government entities ^[5]. Reference [6] pointed out that the resolution of the regulatory barriers must include self-regulatory approaches and proposed the self-regulation solutions for the sharing economy. But as a form of civil regulatory strategy, self-regulation bears its weaknesses inevitably. Typically, self-regulation does not have the same enforcement power for rule implementation as government regulation does. So either self-regulation or government regulation cannot meet the regulatory demand of sharing economy separately. Collaborative governance is considered as the optimal solution for sharing economy regulation in this case ^[7].

This paper clarifies the core elements and establishes a conceptual framework for collaborative governance in ride-hailing market. The framework combines multiple parties including government, industry, platform, driver and passenger to facilitate the process of eliminating the restrictive, distorting or disruptive effects in sharing economy. The proposed framework can provide guidance for the formation of collaborative governance mechanism, and help policymakers lay down appropriate measures to response to the development of new economy.

2. CORE ELEMENTS OF COLLABORATIVE GOVERNANCE

2.1 Market Behavior Governance

There exist quite a few violations in the operation of ride-hailing platforms and drivers. The platforms' illegal behaviors include dispatching orders to unauthorized drivers, low-price dumping to exclude competitors, failing to report employment and business data, illegal payment and settlement, no paying taxes, increasing ride fares and drivers' commissions unilaterally, infringing the labor rights of drivers, leaking and abusing passengers' personal information, differential treatment of individuals in transaction conditions and so on. The drivers' irregular behaviors include refusal to ride, bargaining, detours, overcharging, handing over vehicles to unqualified personnel for riding, and arbitrary cancellation of orders. Local governments should work together with industrial associations to strengthen the governance of competitive behaviors of both ride-hailing platforms and drivers, making the ride-hailing market develop healthily and legally.

2.2 Security Governance

With the popularization and increasing usage of ride-hailing services, the security problem has gradually become a focus of social attention. Both drivers and passengers may face personal and property threats during the riding process. For example, passengers' safety incidents such as assaults, sexual assaults and harassments, kidnappings and so on from drivers happened now and on. Similarly, passengers may make appointments with assumed identities, leading to robbery, extortion, and other threats against drivers. The government and ride-hailing platforms should jointly strengthen the supervision of ride-hailing safety, implement dynamic supervision throughout the whole process of ride-hailing operations, and avoid the lag of post-supervision.

2.3 Reputation Governance

Reputation data including ratings and text reviews provide a guidance for user decisions and reward high-quality users and punish low-quality ones. Although reputation systems are helpful, they are not always perfect. In order to increase the reputation ratings and the number of orders received, drivers may conduct review manipulations, such as brushing orders and asking passengers for positive feedbacks. Drivers and passengers may also maliciously give negative ratings due to unsatisfactory behaviors of each other. The false and fraudulent reviews cannot truly reflect the passengers' riding experiences. They may mislead passengers' selection and order dispatching of platforms. The government should guide platforms to improve their reputation rating mechanisms.

2.4 Credit Governance

Credit governance first involves establishing credit files for market entities. The credit files record unfair competitions and dishonest behaviors, providing bases for comprehensive evaluation of public credit of ride-hailing market entities. According to the comprehensive credit evaluation, government departments may implement differentiated supervision measures on platforms. For example, government may reduce the inspection frequencies for platforms with lower risks and good credits, and conversely increase the intensity and frequency of inspections for platforms with higher risks and poor credits. At the same time, the government should actively support and guide platforms to strengthen internal credit construction. In terms of internal credit status, platforms may implement differentiated management and service for drivers and passengers. Serious violators should be resolutely governed and even cleaned up out of platforms. In addition, the market credit system and the social credit system should be connected together to strengthen the synergistic credit supervision of market entities.

2.5 Data Governance

The regulation of ride-hailing market involves multiple government departments. Each of them has collected a large amount of data information. However, the data sharing among various

departments is backward, leading to information islands and fragmented information. The government should accelerate the establishment of a city-level ride-hailing information exchange and sharing platform and promote the co-construction and sharing of data among relevant government departments. The government also need urge ride-hailing platforms to report business data to the information exchange and sharing platform timely and accurately. Differentiated information sharing among passengers, drivers, platforms, industries, and regulatory departments should be achieved and passengers' privacy information should be protected through establishing a secure, controllable, flexible, and inclusive data element governance system.

At the same time, government departments and industrial associations should jointly establish information disclosure mechanisms. Facts such as un-fulfilled service standards and regulatory responsibilities should be disclosed to the public actively. The basic information and credit status of ride-hailing platforms, evaluation results of service quality, as well as results of complaint handling also need be disclosed to the society regularly.

3. COLLABORATIVE GOVERNANCE FRAMEWORK

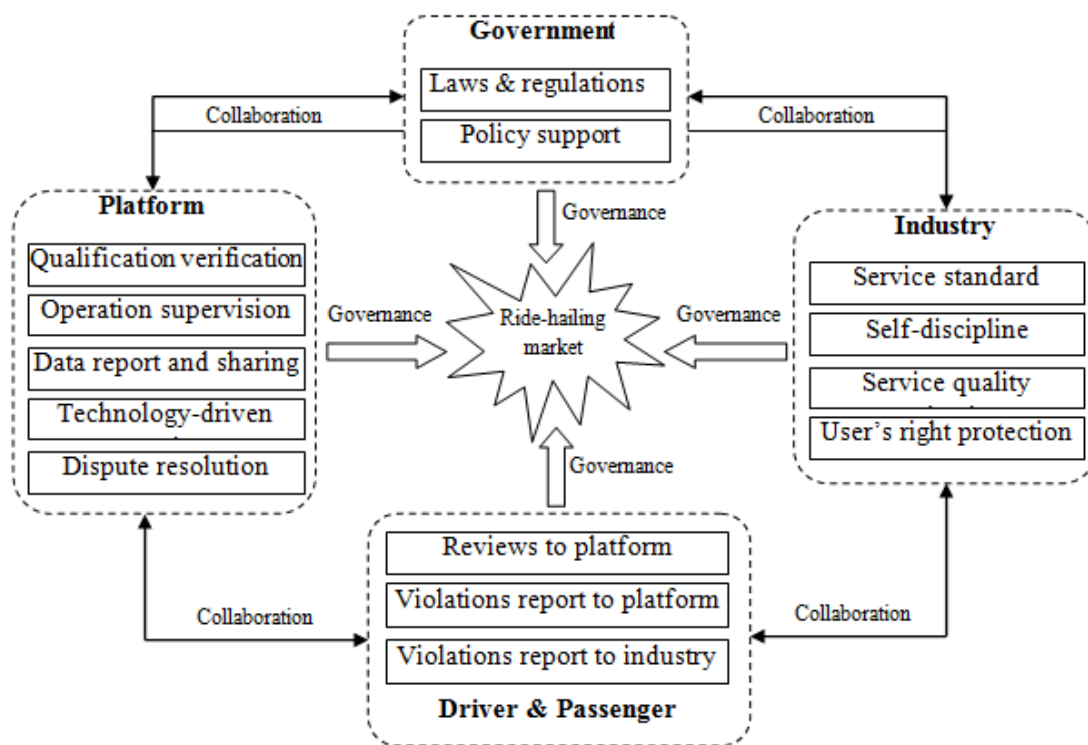
The governance of ride-hailing market is not just the unilateral responsibility of government authorities or departments, social regulatory forces are equally indispensable. Multi-party cooperation should be adopted in the supervision of ride-hailing market. In addition to government departments, stakeholders in the ride-hailing markets include industrial organizations, ride-hailing platforms, drivers and passengers. On the basis of establishing a consensus on the value of market governance, the value division and governance capabilities of different governance entities should be sorted out. Then the institutional coordination and the behavioral coordination are implemented from multiple dimensions to form a panoramic pattern of collaborative governance for ride-hailing market. Fig.1 outlines a framework for multi-party collaborative governance in the ride hailing market.

3.1 Government

The government departments have authority and a leadership position in the collaborative governance system. They are the initiators of collaborative governance and hold decision-making and command power in the governance process. They regulate the ride-hailing market through institutional laws and regulations, and promote legitimate operations with non-institutional tools such as financial subsidies, tax incentives, and information sharing. The government and the industrial association can collaborate to establish mechanisms for credit evaluation, dishonesty punishment, and integrity rewards on ride-hailing platforms. On the one hand, both parties jointly improve the criteria for identifying dishonest behaviors of ride-hailing platforms, and

establish a “blacklist” of transaction integrity of ride hailing platforms to implement dishonest penalties such as business restrictions and deadline rectification. On the other hand, it is also necessary to strengthen the relief measures for ride-hailing platforms and gradually improve the mechanism for credit repair. The collaboration between government and platform mainly lies in the co-construction and sharing of data, such as transportation big data, ride-hailing operation data and so on.

Fig. 1. Collaborative governance framework for ride-hailing market



3.2 Industry

As an organization with certain social credibility in ride-hailing market, industrial association has the functions of interest coordination and service supervision. The ride-hailing market is prone to various conflicts of interest, including conflicts between platforms, conflicts between platforms and users, and even conflicts between platforms and governments. Industrial association as an independent third-party organization can effectively coordinate and resolve conflicts and disputes through various negotiation mechanisms with maintaining fair competition among market entities. At the same time, industrial association can also form certain norms,

conventions, or service quality standards under the guidance of government departments, regularly evaluate the business behaviors of ride-hailing platforms, and publicly disclose the evaluation results of service quality and passengers' complaint handling. Typical illegal and irregular behaviors of ride-hailing service should be publicly exposed and notified in the entire industry, which will promote ride-hailing platforms enhance their self-discipline and initiative for standardized operations.

3.3 Platform

The ride-hailing platform is both a regulator and a governed. As a regulator, it is responsible for verifying the qualifications of ride-hailing drivers and vehicles, supervising operational behaviors, and handling complaints and disputes from drivers and passengers. In terms of market competition, reputation, and credit governance, ride-hailing platforms can establish a blacklist system for dishonest and non-compliant drivers and implement dynamic licensing mechanism and employment punishment mechanism. In terms of security governance, technological and functional innovations such as real-name authentication, phone number protection, itinerary recording, itinerary sharing, one-click-alarm device, GPS positioning and real-time itinerary monitoring can be used to reduce security risks and improve the safety of ride-hailing operations. As a governed entity, the main responsibility of ride-hailing platforms is to submit data of drivers, vehicles, orders and itineraries to the government's ride-hailing data platform as required, facilitating government regulatory departments to grasp drivers' identities, vehicle operation trajectories and other information comprehensively in time. With the big data and information technology, the government can detect problems and eliminate hidden dangers for passengers and drivers in the first time.

3.4 Driver and Passenger

Drivers and passengers are the trading entities in the ride-hailing market. Firstly, drivers and passengers are both subject to the supervisions from ride-hailing platforms. Secondly, driver and passengers supervise each other through reputation evaluations and complaints to platforms. Ride-hailing platforms should establish monitoring and interception mechanism for illegal evaluations, e.g. malicious negative reviews, to increase the authenticity and reliability of ratings. Thirdly, drivers and passengers can deliver complaints and protect their rights through specialized appeal channels established by industrial associations when ride-hailing platforms operate business illegally. For example, ride-hailing platforms use big data algorithms to harvest the rights and interests of drivers and passengers, entice drivers to provide overtime services through methods such as "reverse order rewards", as well as set up excessively high commission rates, unreasonable pricing and dispatching rules. In these situations, drivers and passengers can play a role in supervising ride-hailing platforms.

In summary, all stakeholders are the governance entities of ride-hailing market. Different entities have different governance capabilities and advantages. To balance governance cost and efficiency, ride-hailing platforms and government departments should be the cores of the collaborative governance. Following the principle of co-creating public value, an effective governance division and cooperation mechanism is established. The mechanism characterized as “government to lead, platform to be responsible, industry to collaborate as well as driver and passenger to supervise”. The governance entities fully leverage their respective governance advantages to form multiple-dimension collaborations between government and industry, government and platform, industry and platform, as well as platform and driver/passenger.

4. CONCLUSION AND SUGGESTION

The paper analyzes and explores the governance elements, governance participators, and collaborative governance framework of the ride-hailing market. From the perspective of governance elements, the core areas of governance in the ride-hailing market include market behavior governance, security governance, reputation governance, credit governance, and data governance. From the perspective of governance participators, the governance of the ride-hailing market is specifically manifested in a multi-party collaborative governance pattern. The government, platform, industry and driver/passenger are the main governance participators, respectively responsible for maintaining the bottom line, assuming responsibilities, participating in co-governance and taking supervision. From the perspective of maintaining market order, the government should strengthen supervision and law enforcement, platforms should strengthen compliance with laws and regulations, industries should strengthen self-discipline and coordination, and driver/passenger should operate according to rules. From the perspective of policy rules, the government, platform, and industry need to jointly strengthen theoretical research, establish and improve a data governance policy system, standard system, and legal system. At the same time, various governance entities should fully leverage their respective governance capabilities and advantages, and establish four-dimension collaborations, namely collaboration between government and industry, government and platform, industry and platform, and platform and driver/passenger. With data governance, credit reward and punishment, information disclosure and other mechanisms as cores, multiple parties jointly make a good governance of ride-hailing market.

To effectively implement the four-dimension collaborative governance of ride hailing market, the following important tasks should be done well. Firstly, consultation and communication among stakeholders should be strengthened to achieve consensus on the value and goals of collaborative governance. The common understanding and consensus can reduce conflicts of goals and interests, and generate the willingness and initial motivation for collaborative governance. Secondly, establish trust among governance entities. Trust has important collaborative value,

including regulating subjects' behaviours, reducing uncertainty in the communication environment, saving governance transaction cost, and enhancing the internal driving force of governance consortium. Thirdly, technology-driven governance should be promoted preferentially to improve the effect of collaborative governance. Technology is a powerful tool for market governance. New technologies such as big data, artificial intelligence, and information security should be used to break through barriers of data circulation, achieving precise governance of different regulated targets.

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