



Gig Economy: Introduction

Summary

The term 'gig economy' does not have a single agreed-upon definition, and can be used to describe multiple economic practices. It is often used to refer to a practice of working where an individual uses a digital 'platform' provided by a company, accessed via an 'app' or a website, to find and perform short-term jobs. An individual usually accesses the app through a mobile telephone or computer. However, it has also been used to describe labour markets characterised by the prevalence of short-term contracts or freelance work (not necessarily requiring an app to find work via a digital platform), as opposed to permanent jobs.

In recent years, the gig economy has grown significantly, with the Royal Society for the Encouragement of Arts, Manufactures and Commerce estimating in 2017 that there were 1.1 million gig economy workers in the UK. To date, the gig economy has generally not created new professions, occupations or jobs, but rather introduced new forms of working in existing parts of the economy. This briefing will focus on the gig economy in six such sectors: taxi driving; food delivery; goods couriers; skilled manual labour; unskilled manual labour; and professional, creative and administrative labour. Alongside this growth in size, it has increasingly been the focus of considerable research and commentary, both positive and negative.

On 20 November 2017, the House of Commons Work and Pensions Committee and the Business, Energy and Industrial Strategy Committee published a joint report, [A Framework for Modern Employment](#), partly focusing on working practices and legal challenges to employment status in the gig economy. It also contained a draft bill addressing a number of these issues.

Given parliamentary interest and wider commentary on the issue, this briefing provides an introduction to the gig economy. This briefing provides overall information on the demographics and earnings of those participating in the gig economy, on gig economy working practices in each sector, and on the potential effects to be seen in the wider economy. Where possible, it discusses as many different companies and working practices that take place with the information currently available. However, the taxi driving and food delivery sections of this briefing focus to a significant extent on two companies, namely Uber and Deliveroo respectively. This is due to three reasons:

- The predominance in market share that Uber and Deliveroo currently possess for gig economy-style working in these sectors.
- The weight of social and political commentary that has focused solely on Uber and Deliveroo as characteristic of gig economy work in these sectors.
- The significance of the legal and regulatory challenges that are currently faced by Uber and Deliveroo in their sectors.

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I. Definition

The term ‘gig economy’ is often used to refer to a practice of working where an individual uses a digital ‘platform’ provided by a company, accessed via an ‘app’ or a website, to find and perform short-term jobs. An individual usually accesses the app through a mobile telephone or computer. A helpful definition of the gig economy in this context, particularly with reference to the word ‘gig’ and how it functions in practice, is provided by the Royal Society for the Arts, Manufactures and Commerce (RSA):

When we refer to the ‘gig economy’, we are discussing the trend of using online platforms to find small jobs, sometimes completed immediately after request (essentially, on-demand). Much like an actor or musician goes from ‘gig to gig’, workers in the gig economy are sourcing one job at a time, but by logging into an app or clicking through to a website. Each ride an Uber driver accepts is a ‘gig’ or a single job, as is each booking a Hassle cleaner makes to tidy a flat or every errand run through TaskRabbit.¹

However, the term can also be used more generally in referring to “a labour market characterised by the prevalence of short-term contracts or freelance work, as opposed to permanent jobs”.² This highlights that the practice of working a succession of short-term jobs on a self-employed basis is not dependent on an individual using an app to find work via a digital platform.³

The gig economy working practice is found in numerous occupations; for example, individuals perform jobs and companies provide platforms for work as taxi-drivers, food deliverers, goods couriers, cleaners, and others. It should be noted that some have argued the use of the terms ‘gig’ and ‘gig economy’ are less than ideal, as they describe a recent economic shift using language that describes established economic relationships with long histories, and can often have slanted connotations. A report from the legal services and analysis firm LexisNexis argued:

The gig economy is an ambiguous and perhaps non-ideal choice to describe recent economic shifts because musicians, freelancers, and other creative professionals have long described their work in the same terms. The gig economy is laced with assumptions about worker welfare, but the term ‘gig’ is technically neutral.⁴

The report argued that “casual usage” of these terms “obscures the nuance and gravity of the issues at hand” and can be “misleading”, as it takes away

¹ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 10. Information on Uber is provided in section 3.2 of this briefing, and information on Hassle and TaskRabbit is provided in section 3.5.

² BBC News, [‘What is the ‘Gig’ Economy?’](#), 10 February 2017.

³ *ibid.*

⁴ LexisNexis, [The Gig Economy](#), 1 February 2017, p 3.

focus from the “precarity” of the gig economy’s short-term and unpredictable nature.⁵

The gig economy is often discussed along with other working and economic practices enabled by digital technology, including the ‘sharing economy’ and the ‘platform economy’. Whilst there are overlapping features between these economic practices, it is important to recognise the differences in what is being defined under these three terms. The sharing economy is similar to the gig economy in that individuals use digital platforms to provide or receive services; however said individuals are either letting out or renting assets, not labour, eg letting out rooms for short-term rentals, or renting a car (for example, room-rental on the AirBnB platform). The platform economy refers to the digital means by which companies connect individuals via their apps for seeking work or for renting assets in the gig and sharing economies. The Office for Tax Simplification (OTS) provides the following clarification:

- The ‘Gig Economy’ is where independent workers contract for short-term engagements.
- The ‘Sharing Economy’ in this context means generating money by sharing or renting out assets.
- The ‘Platform Economy’ is the use of IT systems to facilitate/connect opportunities for gig/sharing.⁶

It should be noted that there is no specific or agreed-upon written definition of what constitutes the gig economy, and different interpretations have been made concerning what the gig economy represents. As the Chartered Institute of Personnel and Development (CIPD) stated in a recent report:

The gig economy has so far proved hard to define, hard to measure and hard to interpret. Some see it as part of a general shift of work towards less secure and more exploitative employment; others see it as creating a new form of flexible working that gives individuals new choices about how, when and where they work.⁷

The CIPD noted that this “lack of definition and measurement” has led to “wildly different claims” about the size and rate of expansion of the gig economy, “with many surveys and studies notable for their lack of comparability”.⁸ It further stated that it was “small wonder” that “policy-makers and others” were “struggling to come to terms with the phenomenon” and its subsequent meaning for “employment practice, employment regulation and the quality of work”.⁹

⁵ LexisNexis, [The Gig Economy](#), 1 February 2017, p 3.

⁶ Office of Tax Simplification, ‘[OTS Gig Economy Summary Paper](#)’, November 2016, p 1.

⁷ Chartered Institute of Personnel and Development, [To Gig or not to Gig? Stories from the Modern Economy](#), March 2017, p 2.

⁸ *ibid.*

⁹ *ibid.*

2. Statistics

2.1 Demographics

The Chartered Institute of Personnel and Development (CIPD) estimated in March 2017 that the proportion of UK adults in employment aged 18 to 70 that were engaged in some form of paid gig economy work was 4 percent.¹⁰ The CIPD stated that part-time workers working less than eight hours per week are significantly more likely to be engaged in gig economy work (8 percent), than those working between eight and 29 hours per week (5 percent), and full-time employees (4 percent).¹¹ Full-time students (7 percent) and those describing themselves as unemployed (6 percent) were also more likely to be engaged in gig economy work.¹² The CIPD research indicated the gig economy is likely to grow, as 12 percent of UK adults in employment who have not engaged in gig economy work in the past year stated they were considering doing so in the coming year.¹³

The Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA), as part of a report published in April 2017, conducted a survey with Ipsos MORI that estimated there were 1.1 million gig economy workers in the UK.¹⁴ The RSA survey found that gig economy workers were considerably more likely to be male (69 percent) than female (31 percent), stating that this mirrored the gender split in self-employment generally.¹⁵ It also found that gig economy workers were disproportionately based in London (27 percent of the total), when compared to the 17 percent of self-employed workers and 13 percent of employees who are based there. The RSA stated this may be “because platforms tend to launch in London given opportunities to scale in the capital” and “most rely on establishing strong

¹⁰ Chartered Institute of Personnel and Development, [To Gig or not to Gig? Stories from the Modern Economy](#), March 2017, p 4. Statistics from the Office for National Statistics indicated there were 31.85 million UK adults in work as of March 2017, implying a total of 1.27 million adults in the gig economy (Office for National Statistics, [‘UK Labour Market: March 2017’](#), 15 March 2017). The CIPD sent its survey to a sample of 5,019 UK adults, and was “weighted to be representative by social grade, region, gender and age and ethnicity” (Chartered Institute of Personnel and Development, [To Gig or not to Gig? Stories from the Modern Economy](#), March 2017, p 52). It included “employees in traditional employment, those working in the gig economy and those who are not working” (ibid), and it should be noted this survey included those who rent out their own car as opposed to using it themselves to provide transport, an activity that is not included in the remit of this briefing.

¹¹ Chartered Institute of Personnel and Development, [To Gig or not to Gig? Stories from the Modern Economy](#), March 2017, p 4.

¹² ibid.

¹³ ibid, p 7.

¹⁴ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK’s Gig Economy](#), April 2017, p 13. The RSA conducted 7,656 face-to-face interviews with individuals aged 16 or over (Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Appendix: Methodology for ‘Good Gigs’](#), April 2017). It should be noted that the Chief Executive of the RSA, Matthew Taylor, led a recent government-commissioned report on UK working practices.

¹⁵ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK’s Gig Economy](#), April 2017, p 16.

networks effects early on to grow”.¹⁶ The RSA survey also found gig economy workers tended to be younger, with 34 percent likely to be between the ages of 16 and 30; this was considerably higher than the rate for employees (26 percent) or other self-employed workers (11 percent). The RSA stated that “it would appear that gig work might be an entry point into self-employment for young people”.¹⁷

One article which commented on the RSA report argued that the survey should be treated with “some caution”, as within the survey only 243 individuals stated they were involved in gig economy work. However, the RSA stated that all comparisons in its report were statistically significant.¹⁸

2.2 Earnings

Research has indicated that the majority of current gig economy workers do not regard this work as their primary source of income. The RSA survey found that 62 percent of gig economy workers were supplementing some other form of income, as 25 percent were also full-time employees, 24 percent were self-employed, 12 percent were part-time employees, and 7 percent were in temporary or other work (although this does also mean that 38 percent were looking for work solely on gig economy platforms).¹⁹ The CIPD survey found 67 percent of workers said their gig economy work was not their main job, and only 25 percent saying it did represent their main job. These proportions were reasonably consistent across age groups.²⁰

The RSA research also found that 61 percent of gig economy workers earn less than the current personal allowance tax threshold of £11,500 per annum from their gig economy work, and 31 percent earn less than £4,500 per annum. The CIPD research indicated that for the majority of gig economy workers (for those who knew the relevant information), their gig economy earnings were 20 percent or less of their overall income in the previous twelve months.

¹⁶ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 16.

¹⁷ *ibid*, p 18.

¹⁸ *Financial Times* (£), ‘[Britain's Gig Economy 'Is a Man's World'](#)’, 27 April 2017.

¹⁹ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, pp 20–1.

²⁰ Chartered Institute of Personnel and Development, [To Gig or not to Gig? Stories from the Modern Economy](#), March 2017, p 10.

Table 1: Proportion of Total Income Earned over the Previous Twelve Months by Gig Economy Workers by Sector

	Taxi Driving	Food or Goods Delivery	Other Short-term Service Jobs	Other Work Arranged by a Platform
Up to 5%	21	19	32	40
5–20%	33	23	26	15
20–50%	24	18	23	10
50–75%	5	8	5	8
More than 75%	3	9	7	11
Don't know	14	23	6	16

(Source: Chartered Institute of Personnel and Development, [To Gig or Not to Gig? Stories from the Modern Economy](#), March 2017, p 13)

The CIPD research provided the following proportions of the hourly rates reported by gig economy workers in different sectors.

Table 2: Average Hourly Rate of Gig Economy Workers by Sector (Percentage)

	Taxi Driving	Food or Goods Delivery	Other Short-term Service Jobs	Other Work Arranged by a Platform
Up to £3	20	21	20	23
£3–5	16	14	15	12
£5–7	20	22	17	11
£7–9	18	22	10	14
£9–12	16	13	19	22
More than £12	9	8	20	19
Median hourly wage	£6.00	£6.00	£7.00	£7.70

(Source: Chartered Institute of Personnel and Development, [To Gig or Not to Gig? Stories from the Modern Economy](#), March 2017, p 14)

Hours Worked

The RSA research indicated the greater majority of workers in the gig economy work what would usually be considered part-time hours, and only a small minority work what would usually be considered full-time hours.

Table 3: Average Number of Hours Worked by Gig Economy Workers

Hours worked per week	16 or less	16 to 34	35 or more
Percentage of gig economy workers	80	12	8

(Source: Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 20)

With the total number of people participating in the gig economy, the RSA noted this would indicate a total of 88,700 full-time gig economy workers.²¹ The RSA also stated that on platforms that generally appeal to younger people, the number of hours worked per week tended to be lower than 16.²²

3. Sectors

To date, the gig economy has generally not created new professions, occupations or jobs, but rather introduced new forms of working in existing jobs. In particular, these include: taxi driving; food delivery; goods couriers; skilled manual work (such as plumbing); unskilled manual work (such as cleaning and handiwork); and certain forms of professional, creative and administrative work.

3.1 Taxi Driving

There are a number of gig economy taxi driving platforms in the UK, including Uber, MyTaxi (which now incorporates the previously independent Hailo), Gett, and Kabbee. These platforms allow users to book taxis, minicabs and private hire vehicles via apps on their mobile phones, and for drivers of these vehicles to make themselves available for hire. Vehicles are located through Global Positioning System (GPS) technology, and the cost of the journey is automatically charged to the user's account, eliminating the need for cash or card payment (with the platform taking a commission).²³

In order for an individual to be a gig economy taxi driver for any platform, they must first possess or obtain either a taxi-driving license or (more commonly) a private hire vehicle (PHV) license from the local authority they wish to drive in. In London, PHV drivers are currently required to hold 'hire or reward' type insurance when operating their vehicle as a taxi.²⁴

Demographics

Evidence indicates the platforms tend to operate in the UK's larger cities, and London in particular, and have thousands of drivers available for hire. For example, Uber commissioned a survey of a representative sample (1,000) of its drivers in October 2016, with the results indicating that Uber drivers are significantly more London-based than the overall gig economy, with 85 percent of drivers located there.²⁵ The results also indicated that Uber drivers are generally significantly older than the wider gig economy

²¹ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 20.

²² *ibid.*

²³ For example on the Uber platform, see: BBC News, ['All You Need to Know about Uber'](#), 9 July 2015.

²⁴ Transport for London website, ['Changes to Private Hire Regulation'](#), accessed 2 August 2016.

²⁵ Uber and Orb International, ['Uber Driver Survey 2016'](#), accessed 2 August 2016, p 18.

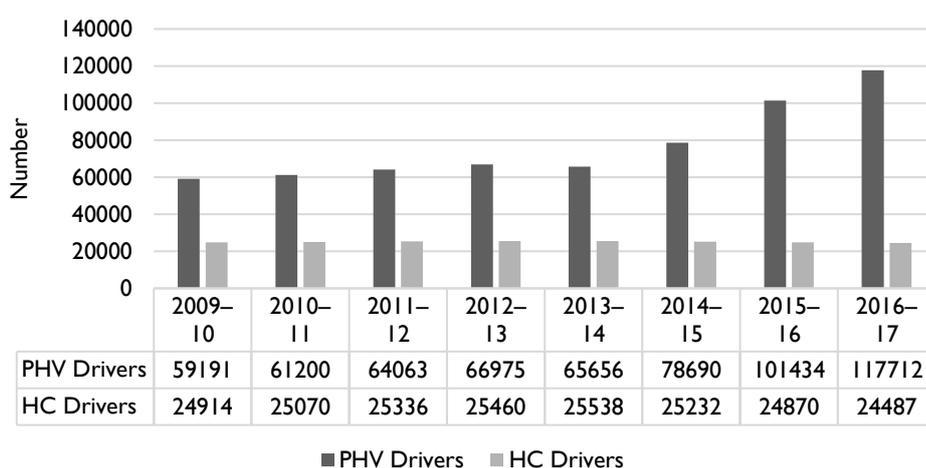
population, with 43 percent of Uber drivers in the 35 to 44 age group, 23 percent in 45 to 54 group, and five percent in the over 55 group, and only 28 percent in the 18 to 34 group.²⁶ Uber drivers in the survey represented an ethnically-diverse population, with 57 percent describing themselves from an Asian background, 20 percent from a White background, and 20 percent from a Black background.²⁷

Impact and Criticism

In England, Scotland and Wales there is a two-tier system of taxi regulation, where licensed hackney carriages (or ‘black cabs’) can be flagged down in the street or hired from a taxi rank, whilst licensed PHVs must be booked in advance and may not be hired on the street or ply for trade.²⁸ In London, prospective hackney carriage drivers who wish to ply for trade throughout the city must pass the ‘Knowledge’ test, first instituted in 1865, requiring the driver to learn 320 routes within a six mile radius of Charing Cross, plus all the roads and landmarks within a quarter mile radius of the start and end points of each route.²⁹ This is not required for PHV drivers.

Statistics from Transport for London (TfL) indicated a significant increase in the number of PHV-licensed drivers in London over the previous three years. Prior to this increase, the number of PHV-licensed drivers had shown little increase between 2009 and 2014, and the number of hackney carriage drivers has shown little change, as follows.

Graph 1: Licensed PHV and Hackney Carriage (HC) Drivers in London, 2009–17



(Source: Transport for London website, ‘[Licensing Information](#)’, accessed 1 August 2017)

²⁶ Uber and Orb International, ‘[Uber Driver Survey 2016](#)’, accessed 2 August 2016, p 19.

²⁷ *ibid*, p 20.

²⁸ For further information on this system in practice and its origins, see: Law Commission, [Taxi and Private Hire Services](#), Cm 8664, May 2014, pp 11–13; and HM Government, ‘[Driving Licences for Taxis and Private Hire Vehicles](#)’, accessed 2 August 2016.

²⁹ Transport for London website, ‘[Learn the Knowledge of London](#)’, accessed 2 August 2016.

Uber stated it has 40,000 drivers in London (with an unspecified number in other locations), and 3.5 million users of its app in London.³⁰ These statistics from TfL and Uber would imply that Uber's drivers now comprise 34 percent of registered PHV drivers in London, and as the firm began operations in London in 2012, the recent rapid increase in PHV drivers has been ascribed to Uber.³¹

There has been a significant amount of social and political commentary, both inside and outside the UK, of what is often described as the 'disruption' of the established and comparatively heavily-regulated hackney carriage market in London by Uber's drivers in particular.³² A number of Uber's drivers have been reported to say that their "lives had improved since they started driving for Uber", through what they regard as good earnings, the flexibility of the work, and determining one's own work schedule.³³ Other drivers have been reported to state increasing scepticism with the company's operations, through what they regard as increasing numbers of drivers and fare prices decreasing as a result, Uber increasing the commission it takes from drivers' fares, and what has been termed the "algorithmic management" of the Uber app.³⁴ Hackney carriage drivers have held multiple protests against Uber's operations and what they regard as TfL's failure to properly regulate them, with thousands blocking Whitehall in February and November 2016.³⁵ In particular, hackney carriage drivers have disputed Uber and Uber drivers' use of smartphones with GPS technology to determine fares, which they have argued is equivalent to the taximeter, something that PHV operators are not permitted to use.³⁶ Some individuals who drive for Uber have also held protests against the company, campaigning for the Mayor of London to pressurise Uber for them to be guaranteed the minimum wage; this was received with hostility by some hackney carriage drivers.³⁷

A report published in January 2017 by the London Assembly Transport Committee (LATC), using evidence provided by TfL, stated that since 2013 the number of PHVs entering the congestion charging zone during its hours

³⁰ BBC News, '[Uber London Loses Licence to Operate](#)', 22 September 2017.

³¹ *Telegraph* (£), '[Since Uber Launched, there are 26 pc more Cabs in London](#)', 25 August 2015.

³² For two examples of lengthy articles on the subject, see: *Guardian*, '[How Uber Conquered London](#)', 27 April 2016; and *New York Times*, '[On London's Streets, Black Cabs and Uber Fight for a Future](#)', 4 July 2017.

³³ *Guardian*, '[How Uber Conquered London](#)', 27 April 2016.

³⁴ *ibid.*

³⁵ *Guardian*, '[Black-cab Drivers' Uber Protest Brings London Traffic to a Standstill](#)', 10 February 2016; and *Evening Standard*, '[London Taxi Protest: Black Cab Drivers Descend on Whitehall to Call for Inquiry into Transport for London](#)', 8 November 2016.

³⁶ BBC News, '[Uber versus Black Cabs: Battle Lines Drawn](#)', 9 June 2014. In 2015, the High Court found that the use of smartphones and GPS in this manner was not equivalent to a hackney carriage taximeter (Transport for London website, '[High Court Declares that Smartphones Used in Private Hire Vehicles are not Taximeters](#)', 16 October 2015).

³⁷ *Guardian*, '[Uber Drivers Stage Go-slow Protest through Central London](#)', 22 November 2016.

of operation has increased by 54 percent to around 15,000 vehicles a day.³⁸ PHVs now make up 13 percent of motorised traffic and 38 percent of car traffic in the zone, and outside of its operating hours this can be higher, with up to 30,000 PHVs entering the zone on Saturdays.³⁹ The report also quoted evidence provided by Uber, which stated that most of its bookings do not take place at peak congestion times and that only 32 percent of Uber travel occurs between 7am and 6pm.⁴⁰ However, the LATC report concluded by stating that “this does not mean that private hire vehicles are not present in busy areas in sufficient numbers to cause congestion”, and that “the TfL data quoted above suggests that they are”.⁴¹

The All Party Parliamentary Group (APPG) on Taxis, in the report of its inquiry on the future of the taxi trade, noted that numerous respondents had commented on “huge influx” of PHVs into London and “in particular, their impact on congestion and air pollution”.⁴² Citing environmental evidence and the evidence in the LATC report above, the report argued that “the status quo is no longer sustainable”, yet noted that TfL did not currently have the power to impose a cap on PHV drivers in London.⁴³ As such, the APPG recommended that the Government devolve powers to cap the number of PHVs in an area to any mayor or local authority who requested it.⁴⁴ The APPG report also stated that the inquiry had received evidence that some gig economy drivers were both illegally plying for hire on the street, and operating in a ‘cross-border hiring’ fashion, ie being licensed for PHV hire in one area (such as London), and travelling to entirely operate in a different local authority’s jurisdiction.⁴⁵ As such, the APPG recommended that the Government “legislate to provide a legally enforceable statutory definition of plying for hire”, and that it should “also consider legislating to create a statutory definition of cross-border hiring whereby a journey must “begin or end in the licensing authority”.⁴⁶

It was reported in April 2017 that Uber had begun to offer a sickness and insurance policy to drivers in 25 British cities who had undertaken more than 500 trips.⁴⁷ Eligible drivers would receive payments of up to £2,000 if they were unable to drive through sickness or injury for two weeks or longer, a payment of up to £2,000 in the event they are called for jury service, and £300 per week if an accident took place during a trip or while logged into the app. Drivers would have to pay a £2 weekly fee for this

³⁸ London Assembly Transport Committee, [London Stalling: Reducing Traffic Congestion in London](#), January 2017, p 39.

³⁹ *ibid.*

⁴⁰ *ibid.*

⁴¹ *ibid.*

⁴² All Party Parliamentary Group on Taxis, [Lessons from London: The Future of the UK Taxi Trade](#), 12 July 2017, p 13.

⁴³ *ibid.*

⁴⁴ *ibid.*, pp 6 and 14.

⁴⁵ *ibid.*, pp 10–13.

⁴⁶ *ibid.*, p 5.

⁴⁷ *Guardian*, ‘[Uber to Offer UK Drivers Sickness Cover in Return for £2-a-week Fee](#)’, 27 April 2017.

policy, which Uber stated it was subsidising.

Other Issues

The taxation practices of Uber in particular in this sector have been the subject of considerable scrutiny, commentary and contention. Uber Technologies Inc is an American company headquartered in San Francisco, although its operations outside of the United States fall under subsidiary organisations. In the UK, these are Uber London Ltd, and Uber Britannia Ltd, which hold PHV-operating licenses and manage the operations of those who drive for the company inside and outside London respectively. These sit under a parent company called Uber B.V., a Dutch corporation headquartered in Amsterdam, which holds the legal rights to the Uber app.⁴⁸ In the UK, then chair of the House of Commons Public Accounts Committee Margaret Hodge argued that Uber's structure "unfairly undercut London operators by opting out of the UK tax regime".⁴⁹ Ms Hodge further argued that as Uber customers were required to use an app operated via a Dutch entity, TfL had failed to apply the appropriate regulations to Uber by not insisting they have a London-licensed base, which would oblige them to pay UK corporation tax.⁵⁰ In response, Uber stated that it "complies with all applicable tax laws, and pays taxes in all jurisdictions, such as corporate income tax, payroll tax, sales and use tax, and VAT", and that "Uber London Limited is a licensed PHV Operator and recently passed with flying colours the largest inspection of records ever conducted by TfL".⁵¹

It was reported in June 2017 that Uber does not pay VAT on its booking fees in the UK, permitted under an EU rule that allows business-to-business sales across member states' borders without paying VAT; the responsibility for VAT collection (if applicable) being held by individuals driving for Uber, who are treated as UK-based small businesses by the Dutch parent company.⁵² Ms Hodge stated that this represented a "failure to pay tax that should be due", and that it "reduces the money available for public services and is unfair on Uber's competitors".⁵³ In response, Uber stated that:

Uber respects the local tax regulations in each country in which we operate. Drivers who use our app provide transportation services to passengers and are therefore liable to pay VAT in relation to their activities, including the service fee they pay to Uber, if they meet the thresholds set by the government. This threshold varies from country

⁴⁸ For further information on this structure, see: [Aslam, Farrar and Others v Uber](#) [2016] ET/2202551/2015, pp 1–2. For further information on the company's overall international structure, see: *Fortune*, '[How Uber Plays the Tax Shell Game](#)', 22 October 2015.

⁴⁹ *Financial Times* (£), '[MP Criticises Uber for 'Opting Out' of UK Tax Regime](#)', 1 August 2014.

⁵⁰ *ibid.*

⁵¹ *ibid.*

⁵² *Times* (£), '[Uber Avoids £40m VAT Bill on British Cab Fares](#)', 8 June 2017. Currently a business must register for and collect VAT if it has a taxable turnover of more than £85,000 (HM Government, '[VAT Registration Thresholds](#)', accessed 2 August 2016).

⁵³ *Times* (£), '[Uber Avoids £40m VAT Bill on British Cab Fares](#)', 8 June 2017.

to country and in the UK it is currently £85,000. The same rules apply to any international service provider with customers in the EU.⁵⁴

Regulation in London

Uber and TfL have been in contention regarding the regulation of PHV services in London. In March 2017, Uber lost a judicial challenge against the decision of TfL to introduce an English language test as part of the requirements to obtain a PHV license, which would include “writing essays of a few hundred words on topics ranging from life on Mars to pollution in rivers”.⁵⁵ It was reported that around three-quarters of Uber’s drivers in London come from a non-English speaking country, and that TfL had estimated 45 percent of those would be unlikely to pass the new test, which would be required of existing drivers upon renewing their licenses every three years.⁵⁶ Peter Blake, TfL’s Director of Service Operations, stated that the judgment “means that we can ensure that all licensed drivers have the right level of English, which is vital for customer safety”.⁵⁷ Tom Elvidge, then Uber’s general manager in London, said that the company would appeal the judgment, stating that “this is a deeply disappointing outcome for tens of thousands of drivers who will lose their livelihoods because they cannot pass an essay writing test”, and further arguing that “writing an essay has nothing to do with communicating with passengers or getting them safely from A to B”.⁵⁸

Uber’s original five year PHV operating licence expired in May 2017, and was renewed only for a further four months by TfL, who were considering whether to issue shorter licences to operating companies, and whether to increase the operating licence fee for large-scale operators such as Uber.⁵⁹ TfL later announced plans to overhaul the licensing fees for PHV operators, which it was reported would cost Uber £3 million over a five-year period.⁶⁰ Both the GMB union and the Licensed Taxi Drivers’ Association (LTDA) had threatened legal action against Uber being granted a new operating licence, with the LTDA contending that Uber was not a fit and proper operator by TfL’s definition.⁶¹ A cross-party group of MPs wrote to TfL calling for Uber’s license to not be renewed, following accusations in August 2017 from the Metropolitan Police that Uber had failed to report all alleged sexual assaults on passengers by its drivers.⁶²

⁵⁴ *Times* (£), [‘Uber Avoids £40m VAT Bill on British Cab Fares’](#), 8 June 2017.

⁵⁵ *Financial Times* (£), [‘Uber Loses Court Battle Over Written English Test for Drivers’](#), 3 March 2017.

⁵⁶ *ibid.*

⁵⁷ *ibid.*

⁵⁸ *ibid.*

⁵⁹ *Guardian*, [‘Uber’s London Licence Renewed for Only Four Months’](#), 26 May 2017.

⁶⁰ *Financial Times*, [‘Uber’s London Licence to Soar from £3,000 to £3m’](#), 18 September 2017.

⁶¹ *ibid.*

⁶² *Evening Standard*, [‘MPs Call on Transport for London to Strip Uber of Its London Licence’](#), 13 September 2017.

In September 2017, TfL decided to not issue Uber with a further license following the expiry of its extended one on 30 September. It stated that:

TfL has concluded that Uber London Limited is not fit and proper to hold a private hire operator licence.

TfL considers that Uber’s approach and conduct demonstrate a lack of corporate responsibility in relation to a number of issues which have potential public safety and security implications. These include:

- Its approach to reporting serious criminal offences.
- Its approach to how medical certificates are obtained.
- Its approach to how Enhanced Disclosure and Barring Service (DBS) checks are obtained.
- Its approach to explaining the use of Greyball⁶³ in London—software that could be used to block regulatory bodies from gaining full access to the app and prevent officials from undertaking regulatory or law enforcement duties.⁶⁴

In response, Uber stated that it intended to launch an immediate legal challenge, which would permit it to continue to operate until the appeals process is exhausted.⁶⁵ It further stated that:

By wanting to ban our app from the capital TfL and the Mayor have caved in to a small number of people who want to restrict consumer choice. If this decision stands, it will put more than 40,000 licensed drivers out of work and deprive Londoners of a convenient and affordable form of transport

Drivers who use Uber are licensed by TfL and have been through the same enhanced DBS background checks as black cab drivers. Our pioneering technology has gone further to enhance safety with every trip tracked and recorded by GPS.

We have always followed TfL rules on reporting serious incidents and have a dedicated team who work closely with the Metropolitan Police. As we have already told TfL, an independent review has found that

⁶³ Uber has faced criticism and possible legal action in the United States over its alleged use of an internal tool known as ‘Greyball’ to evade local enforcement in areas it did not have authorisation to operate, through identifying local transport officials and preventing them from booking a taxi (*Telegraph* (£), [‘Uber Faces Criminal Investigation over Secret Greyball Technology’](#), 5 May 2017). Uber defended its use of this tool, and stated it “denies ride requests to fraudulent users who are violating our terms of service”, including “opponents who collude with officials on secret ‘stings’ meant to entrap drivers” (*Guardian*, [‘Greyball: How Uber Used Secret Software to Dodge the Law’](#), 4 March 2017). It was reported this tool was also utilised in France, Australia, China, South Korea and Italy (ibid).

⁶⁴ Transport for London website, [‘Licensing Decision on Uber London Limited’](#), 22 September 2017.

⁶⁵ *Telegraph* (£), [‘Uber Denied London License in Shock Move that Bans Cars from City’s Streets’](#), 22 September 2017.

‘Greyball’ has never been used or considered in the UK for the purposes cited by TfL.⁶⁶

The decision inspired mixed and wide ranging reactions from members of the public,⁶⁷ and a statement from the former chair of the Department of Work and Pensions Ethnic Minority Advisory Group that it could breach ethnic discrimination laws, due to the high proportion of Uber’s drivers from ethnic minority backgrounds.⁶⁸ A petition to reverse the decision (promoted by Uber via its app) had collected 730,000 signatures by 25 September 2017,⁶⁹ to which the Mayor of London, Sadiq Khan, responded by stating individuals should direct any anger at the decision towards the firm as “it would be wrong for TfL to licence Uber if there was any way this could pose a threat to Londoners’ safety or security”.⁷⁰ Mr Khan stated on BBC radio that London should be “a place where new companies set up but they’ve got to play by the rules” and that “if you play by the rules, you’re welcome in London, if you don’t, don’t be surprised if TfL take action against you”.⁷¹ However, it was reported that between 2013 and April 2017, Uber had faced ten compliance inspections from TfL, and in only one (August 2016) had Uber not been found to be in full compliance with its licence—in that instance TfL later said that Uber took “all reasonable steps” and the breach was deemed outside its control.⁷²

The Prime Minister, Theresa May, stated that a “blanket ban” was “disproportionate”, and that “what the Mayor has done is risked 40,000 jobs” and “damaged the lives of those 3.5 million Uber users”.⁷³ Following this decision, an open letter addressed to “Londoners” from Uber Chief Executive Dara Khosrowshahi stated that “we will appeal this decision on behalf of millions of Londoners, but we do so with the knowledge that we must also change”, and that he wished to “apologise for the mistakes we’ve made”.⁷⁴ Mr Khosrowshahi subsequently met TfL officials regarding Uber’s licence on 3 October 2017.⁷⁵

⁶⁶ *Evening Standard*, [‘When will Uber Stop in London? Why is it Banned by TfL? Licence Decision Explained’](#), 23 September 2017.

⁶⁷ BBC News, [‘Outrage or Relief? Uber Loses London Licence’](#), 22 September 2017.

⁶⁸ *Evening Standard*, [‘Uber Licensing Ban: TfL’s Decision could Breach Discrimination Laws, Expert Warns’](#), 24 September 2017.

⁶⁹ *Independent*, [‘Uber Petition to Revoke London Ban Reaches 730.000 Signatures’](#), 25 September 2017.

⁷⁰ BBC News, [‘Uber London Licence: ‘Direct Anger at Firm’ Says Mayor’](#), 23 September 2017.

⁷¹ *Evening Standard*, [‘Uber Boss Dara Khosrowshahi Says Sorry and Promises to ‘Make Things Right’ for Londoners ... as He Pledges to Fight TfL Ban’](#), 25 September 2017.

⁷² *Times (£)*, [‘TfL Inspectors Gave Uber Green Light Ten Times’](#), 25 September 2017.

⁷³ *Guardian*, [‘Uber License Withdrawal Disproportionate, says Theresa May’](#), 28 September 2017.

⁷⁴ *Evening Standard*, [‘Uber Boss Dara Khosrowshahi Says Sorry and Promises to ‘Make Things Right’ for Londoners ... as He Pledges to Fight TfL Ban’](#), 25 September 2017.

⁷⁵ *Financial Times (£)*, [‘Uber and Transport for London Hail ‘Constructive Meeting’](#), 3 October 2017.

3.2 Food Delivery

There are a number of gig economy platforms for food delivery in the UK, including Deliveroo, UberEATS and a service provided by Amazon. These companies provide home and workplace delivery services for existing restaurants and fast-food/takeaway establishments, which do not have their own delivery service. This is done in a very similar method to the taxi-driving platforms above, with the app assigning delivery of food to a particular bicycle or motorcycle deliverer in the correct area. Restaurants will generally not favour a particular platform and have deliverers from multiple gig economy companies delivering their food.⁷⁶ There are multiple other online services for ordering food from restaurants in the UK such as Just Eat, yet most of these services do not provide the delivery itself, which remains the responsibility of the establishment providing the food—and as such are not part of the gig economy.

Demographics

The RSA survey indicated that the Deliveroo platform had a total of 8,037 deliverers,⁷⁷ although more recent reports indicated it had up to 15,000.⁷⁸ The RSA survey indicated that of those who deliver food for Deliveroo, 64 percent are 16 to 25 years of age, 96 percent are male, and the average number of hours per week worked by deliverers was 15.⁷⁹ There are no reliable statistics on other gig economy companies in this sector.

Impact and Criticism

In 2016, research conducted by the NPD Group, a market research firm, had indicated the food delivery sector in the UK was worth £3.6 billion a year, which represented a 50 percent increase on the 2008 figure. The number of individual food deliveries in the UK was almost 599 million in 2016, an increase of 10 percent over the 2015 figure, whereas in contrast the total number of visits to restaurants and other food establishments rose by only 1 percent in the same period.⁸⁰ Whilst the exact proportion of this increase that can be ascribed to the gig economy is uncertain, the research nonetheless indicated that certain food-providing establishments that had previously constituted a small part of the food delivery sector, such as pubs, had seen a large increase in deliveries from 2015–16 after partnering with gig economy food deliverers (for pubs, a 59 percent increase).⁸¹ Other research from NPD indicated that in 2015, 40 percent of all food deliveries were

⁷⁶ *Financial Times* (£), '[Deliveroo Struggles to Stay One Hop Ahead of the Rest](#)', 14 July 2017.

⁷⁷ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 18.

⁷⁸ *Times* (£), '[Deliveroo Breaks Ranks by Offering Riders Sick Pay](#)', 7 July 2017.

⁷⁹ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 18.

⁸⁰ *Guardian*, '[UK's Appetite for Gourmet Takeaway Fuels Restaurant Delivery Boom](#)', 3 March 2017.

⁸¹ *ibid.*

ordered online, and had consistently increased from only 8 percent in 2008.⁸²

The Deliveroo platform has been reported as building a dominant position in this sector of the gig economy, particularly in London, although with increasing competition from UberEATS.⁸³ In response to demand for additional kitchen space to fulfil increasing delivery orders, Deliveroo stated that it has opened delivery-only kitchens, supplying the essential equipment, which can be used by restaurants who also use its services.⁸⁴

Deliveroo has been the subject of particular scrutiny and disputes concerning its working and employment practices. It classifies its deliverers as self-employed, and pays its deliverers £7 per hour, plus £1 per delivery. The data Deliveroo provided to the RSA survey indicated its deliverers' average hourly pay was £9.50.⁸⁵ In August 2016, it announced its intention to trial a remuneration structure in London so that deliverers would receive £3.75 per delivery, an act that resulted in days of protests outside its headquarters from deliverers.⁸⁶ The Government intervened on the matter, with the Department for Business, Energy and Industrial Strategy stating that Deliveroo must pay its deliverers the correct minimum wage until a court or HM Revenue and Customs (HMRC) rules they are indeed self-employed.⁸⁷ Deliveroo later stated, after seven days of protests, that this was a small-scale trial and would not be forcing its deliverers to sign new contracts, although it was reported that Deliveroo was continuing to recruit new deliverers on payment-by-delivery contracts.⁸⁸ In June 2017, Deliveroo offered 3,000 of its deliverers the option to take a payment-by-delivery remuneration structure of £3.75 to £4.00 per job depending on location, which could also include information on when the platform was busiest; tax lawyers were reported as arguing this would be closer to self-employment than the existing pay structure.⁸⁹

In April 2017, it was reported that Deliveroo had an internal 'vocabulary guidelines' document that was given to its staff, containing "dos and don'ts" and example sentences on how deliverers are referred to. Some of these include:⁹⁰

⁸² *Telegraph* (£), '[Deliveroo Revenue to Hit £130m This Year](#)', 5 June 2016.

⁸³ *Financial Times* (£), '[Uber to Challenge Deliveroo's Hold on London's Food Delivery Market](#)', 6 July 2016.

⁸⁴ *Financial Times* (£), '[Deliveroo Expands with Standalone Takeaway Kitchens](#)', 5 April 2017.

⁸⁵ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 18.

⁸⁶ *Guardian*, '[Deliveroo Workers Strike Again over New Pay Structure](#)', 15 August 2016.

⁸⁷ *Guardian*, '[Deliveroo Told it Must Pay Workers Minimum Wage](#)', 14 August 2016.

⁸⁸ *Guardian*, '[Deliveroo Announces it Will Not Force New Contracts on Workers](#)', 16 August 2016.

⁸⁹ *Telegraph* (£), '[Deliveroo Offers Workers Pay Per Trip in Bid to Defuse Self Employment Row](#)', 1 June 2017.

⁹⁰ *Financial Times* (£), '[Deliveroo Pedals the New Language of the Gig Economy](#)', 5 April 2017; and *Guardian*, '[Deliveroo Accused of 'Creating Vocabulary' to Avoid Calling Couriers Employees](#)', 5 April 2017.

Dos	Don'ts
Independent supplier, eg: “We offer riders hours of work and they choose how many to accept based on their availability and the areas they want to work in”.	Employee/Worker/Staff member/Team member, eg “Drivers are employed by Deliveroo to complete deliveries.”
Logging in.	Starting a shift/Starting a session/Clocking in.
Fees, eg “Maximise fees at our busiest time”.	Wages/Salary/Earnings/Pay, eg “Maximise earnings this weekend”.
Working <i>with</i> Deliveroo, eg “While you are working with Deliveroo as an independent supplier, we would typically expect you to accept 95% of orders you are available to perform when logged in”.	Working <i>for</i> Deliveroo, eg “Our drivers work for Deliveroo”.
Invoice, eg “Rider invoices are processed fortnightly”.	Payslip/Wage slip/Statement of Earning, eg “We pay you every two weeks”.
Termination, eg “We are terminating your Supplier Agreement due to your failure to meet Service Delivery Standards”.	Firing/Sacking/Resignation, eg “We are firing you due to poor performance”.

It was reported that Deliveroo had also previously inserted a clause into deliverers’ contracts that they could not challenge their self-employed status in an employment tribunal, although the company stated it had later removed this,⁹¹ a decision welcomed by the Law Society of England and Wales.⁹²

Similar disputes have affected the UberEATS platform. In August 2016, some UberEATS deliverers in London conducted a protest and wildcat strike against what the organising United Voices of the World Union described as “poverty wages” and not being classed as employees.⁹³ The union stated that the company had cut pay rates from £20 per hour to £3.30 per delivery, and that deliverers had earned as little as £9 per day despite being logged in to the app and effectively on call the entire day, as they had been assigned few deliveries.⁹⁴ In response, Alex Czarnecki, General Manager of UberEATS London, stated the pay structure had indeed changed, yet “so far this week, couriers delivering lunch and dinner have made over 10 percent more an hour than they did in the same period last week”, and that the company does not “set shifts, minimum hours or delivery zones—couriers can simply

⁹¹ *Financial Times* (£), ‘[Deliveroo Pedals the New Language of the Gig Economy](#)’, 5 April 2017; and *Guardian*, ‘[Deliveroo Accused of ‘Creating Vocabulary’ to Avoid Calling Couriers Employees](#)’, 5 April 2017.

⁹² *Law Society Gazette*, ‘[Deliveroo: Law Society Condemns ‘No Tribunal’ Clauses](#)’, 12 May 2017.

⁹³ *Financial Times* (£), ‘[UberEats London Drivers Plan Strike Over Pay](#)’, 25 August 2016.

⁹⁴ *ibid.*

log in or out when and where they choose”.⁹⁵

The conduct on the roads of gig economy food deliverers has been a focus of commentary. For example, it was reported that some deliverers for Deliveroo were behaving in a “dangerous” fashion on roads as they were “riding against the clock”, allegedly incentivised by Deliveroo’s pay structure.⁹⁶ In response, Deliveroo stated that all its deliverers undertake a practical and theory training session with qualified trainers, who also conduct regular spot checks on delivery workers.⁹⁷ Nonetheless, whilst Deliveroo requires its motorcycle and moped deliverers to have the relevant insurance, it does not require any for cycle couriers, although it offers policies to those individuals. In one reported incident, an individual in London stated he suffered serious injuries after a collision with a Deliveroo cyclist that left him unable to work for two months; the company refused to accept liability as it stated the deliverer in question was self-employed, and as such would not pass on the relevant details to make an insurance claim.⁹⁸

3.3 Goods Couriers

There are multiple platforms for gig economy-style goods delivery offered by companies in the UK, including the following: CitySprint; eCourier; Hermes; DPD; ParcelForce; Addison Lee; UKMail; Absolutely; Gophr; Quiqup; Stuart; and Jinn (some of these do also employ workers in more traditional formats, and some will deliver food). Couriers for these platforms can deliver goods via bicycle, motorcycle or van, although generally each platform will predominately offer delivery services via one or two of these methods. Some operate on a nationwide basis, whereas others (particularly cycle courier firms) only operate in major urban centres or London exclusively.

Demographics

There are no reliable statistics on the total number of gig economy goods couriers in the UK. However, as individuals working in the gig economy up to 2016 were almost always classified as self-employed, and as such operated as non-employing businesses (ie single-owner companies with no employees), information can be gleaned from official statistics. In 2010, business population statistics indicated there were 37,115 employing businesses and 237,995 non-employing businesses operating in the transportation and storage sector.⁹⁹ The 2016 statistics indicated the number of employing businesses in this sector had risen slightly by 6.7 percent to 39,615, yet the total number of non-employing businesses had

⁹⁵ *Financial Times* (£), ‘[UberEats London Drivers Plan Strike Over Pay](#)’, 25 August 2016.

⁹⁶ *Times* (£), ‘[Deliveroo Cyclists are Accused of Causing Mayhem ‘Riding against the Clock’](#)’, 5 June 2016.

⁹⁷ *ibid.*

⁹⁸ *Times* (£), ‘[Deliveroo Cyclists are Accused of Causing Mayhem ‘Riding against the Clock’](#)’, 5 June 2016.

⁹⁹ Department for Business, Innovation and Skills, [Business Population Estimates for the UK and Regions 2010: Detailed Data Tables](#), 24 May 2011, Table 5.

risen by 15.2 percent to 274,245.¹⁰⁰ The increase in non-employing businesses in this sector was particularly high in London, where a 72 percent increase from 37,965 to 65,315 was recorded, in contrast to a 28.6 percent increase in employing businesses from 3,900 to 5,015.¹⁰¹ Whilst this does not indicate what proportion of this increase in non-employing businesses is a result of the gig economy, it nonetheless demonstrates a significant increase in the statistical classification that gig economy businesses fall under, in contrast to employing businesses.

Policies of Courier Platforms

In 2017, it was reported that many courier companies were utilising self-employed van drivers on a gig economy-style basis. They are paid by delivery and must fund their own vehicle, fuel, insurance and uniform, and when the driver could not attend a delivery run due to sickness, they were charged by the company for the provision of a replacement driver.¹⁰² For example, amongst ParcelForce's self-employed drivers (approximately one quarter of its 3,000-strong driver population), it was reported that drivers who take a day off due to sickness and who were unable to find cover were charged £250 by the company.¹⁰³ Similarly, many of DPD's 5000-strong courier population worked on this basis, and if they took a day off due to sickness and were unable to find cover, they were charged £150 by the company.¹⁰⁴ The chair of the House of Commons Work and Pensions Committee, Frank Field, described this as "appalling", although DPD itself rejected this by stating that "DPD franchisee drivers are not fined for being off work sick".¹⁰⁵ DPD further stated that:

Franchisees are contracted to provide a service—if they are unable to provide that service themselves they are required to provide a substitute driver. If they fail to do so, DPD have to fulfil that service and therefore reserve the right to charge the franchisee for the costs involved in doing so.¹⁰⁶

Hugo Martin, Director of Legal Affairs for Hermes, has said that Hermes has "a network of self-employed delivery drivers and couriers [...] 10,500 who provide services on a day-to-day basis, and we have an additional 4,500 on our books who provide cover services".¹⁰⁷ He added that "couriers earn a minimum of £8.50 and on average £12.20 gross, £10.60 net of expenses".¹⁰⁸

¹⁰⁰ Department for Business, Energy and Industrial Strategy, [Business Population Estimates for the UK and Regions 2016: Detailed Tables](#), 13 October 2016, table 5.

¹⁰¹ *ibid*, table 17.

¹⁰² *Guardian*, ['Sick Parcelforce Couriers Can Be Charged up to £250 if They Can't Find Cover'](#), 6 March 2017.

¹⁰³ *ibid*.

¹⁰⁴ *Guardian*, ['Sick DPD Couriers Face £150 Charge if Unable to Find Cover'](#), 3 March 2017.

¹⁰⁵ *ibid*.

¹⁰⁶ *ibid*.

¹⁰⁷ House of Commons Business, Energy and Industrial Strategy Committee, ['Oral Evidence: Taylor Review of Modern Working Practices, HC 352'](#), 10 October 2017, Q96.

¹⁰⁸ *ibid*, Q114.

3.4 Skilled Manual Labour

The gig economy model of using self-employed labour contracted from an established company, similar to courier firms above, is utilised in certain forms of skilled manual labour, in particular construction and plumbing.

Plumbers

It is unknown how many plumbers operate on this basis, yet the issue has been a point of legal contention in the plumbing trade since 2012. Previously in 2010, Gary Smith, a plumber working on a self-employed basis for London-based firm Pimlico Plumbers, stated he was dismissed after being unable to meet a commitment of working five days a week and wishing to reduce that to three after suffering a heart attack.¹⁰⁹ Although Mr Smith was VAT-registered and paid tax on a self-employed basis, his only source of contracts for six years prior to his illness was Pimlico Plumbers, and proceeded to bring his case to an employment tribunal in 2012, arguing he was entitled to basic workers' protections.¹¹⁰ The owner of Pimlico Plumbers, Charlie Mullins, stated that plumbers were hired on a self-employed basis and provided their own materials, and hired a branded van from the company.¹¹¹ In an interview given in 2016, Mr Mullins stated that whilst only 10 percent of the company's workforce are employed (and pay tax via PAYE), over 200 tradesmen who carry out the work for the company are given the choice of formal employment or self-employment, and the majority take the latter option.¹¹² Mr Mullins further argued that any loss of revenue to the Exchequer due to this employment classification choice was more than offset as the plumbers, being self-employed contractors, could work far more hours than employees, and thus pay more tax on that income.¹¹³ It was stated in a further interview that plumbers working for the firm earn an average of £100,000 a year, which Mr Mullins argued made their work qualitatively different from Uber or Deliveroo workers, and that they were not dependent on Pimlico Plumbers.¹¹⁴

3.5 Unskilled Manual Labour

There are multiple platforms through which individuals offer various forms of unskilled manual labour; the platforms usually operate as either a general labour provider or with a focus on a specific task, in particular house cleaning. These platforms operate with different methodologies of hiring individuals; some provide the ability for individuals to upload a profile with their abilities and be hired by others for specific tasks, whereas some

¹⁰⁹ BBC News, '[Gig Economy Workers 'Like the Flexibility'](#)', 5 October 2017.

¹¹⁰ *ibid.*

¹¹¹ BBC News, '[Plumber Wins Workers' Rights Battle against Pimlico Plumbers](#)', 10 February 2017.

¹¹² *Daily Mail*, '[How Did Mr Cameron's Favourite Plumber Get So Flush \(Clue: Don't Ask Him About His Tax Affairs?\)](#)', 27 February 2016.

¹¹³ *ibid.*

¹¹⁴ *Times* (£), '[Are We Like Uber? No, We Pay Properly](#)', 16 July 2017.

provide the space for individuals to post job offers, for which others then take on a bidding or first-come-first-served basis.

Handiwork/Errand Running

An example of the former methodology of hiring is TaskRabbit, which is a general labour, handiwork and errand running platform with over 50,000 individuals offering services in the UK, although it is currently only based in London.¹¹⁵ Individuals post a profile with their availability schedule and specified hourly rate to the platform, which matches them with others wanting particular tasks performed at a certain time and rate; typical examples include: assembling flat-pack furniture, packing/unpacking boxes due to a house move, or garden work.¹¹⁶ In September 2017, TaskRabbit was acquired by homeware firm Ikea.¹¹⁷

Reliable information on the demographics of general labour gig economy workers in the UK is not available. However, one study of TaskRabbit's US workforce conducted at Boston College in 2015 indicated that 58 percent of this population held a bachelor's degree or had at least some tertiary education, and 26 percent held a graduate degree, implying a highly educated population.¹¹⁸ In 2013, TaskRabbit reported that 70 percent of its US workforce held a bachelor's degree, 15 percent a master's, and 5 percent a PhD.¹¹⁹

Home Cleaning

An example of the latter methodology of hiring is Helpling, which is a home cleaning platform. Individuals post a job to the platform, which sends this information to cleaners in the relevant area, with the first to accept the offer taking the job.¹²⁰ The cleaner earns a fixed rate per hour and the cost of the service to the user is fixed by individual city.¹²¹ Helpling operates in Bath, Belfast, Birmingham, Brighton, Bristol, Cambridge, Cardiff, Coventry, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Newcastle, Oxford, Reading, and Sheffield.¹²²

Reliable demographic information on gig economy cleaners is available in the RSA survey, which indicated that a previous platform named Hassle (which was acquired by Helpling, and Hassle was later merged into it) had 1,337 individuals working an average of 6.5 hours per week. 86.5 percent of

¹¹⁵ TaskRabbit website, '[Homepage](#)', accessed 11 August 2017.

¹¹⁶ *Telegraph* (£), '[TaskRabbit: How an App Can Relieve You of All Your Chores](#)', 5 December 2015.

¹¹⁷ *Guardian*, '[Ikea Enters Gig Economy by Buying Freelance Labour Firm TaskRabbit](#)', 28 September 2017.

¹¹⁸ Juliet Schorr, '[Does the Sharing Economy Increase Inequality within the Eighty Percent?: Findings from a Qualitative Study of Platform Providers](#)', accessed 14 August 2017, p 24.

¹¹⁹ *ibid.*

¹²⁰ Helpling website, '[How Does the Booking Process Work?](#)', accessed 11 August 2017.

¹²¹ Helpling website, '[Pricing](#)', accessed 11 August 2017.

¹²² Helpling website. '[Where is Our Service Available?](#)', accessed 11 August 2017.

these were female, and around 45 percent were from the UK, around 45 percent were from non-EU countries, and around 10 percent were from EU countries. The largest age group they fell under was those aged 25 to 35, although as only 31 percent were within that range, this would imply an age-diverse population.¹²³

3.6 Professional, Creative and Administrative Labour

This sector of the gig economy is different to others, as companies, organisations or individuals will engage workers to provide wholly digital products or services, rather than work that requires some form of physical or manual output. Work that is performed in this sector encompasses a number of different forms of output, yet generally falls within the following categories:

- Administrative work, such as data entry.
- Creative work, such as writing or graphic design.
- IT work, such as computer coding or website development.
- Professional work, such as consultancy, accountancy, and legal advice.

Major online platforms for individuals to undertake gig economy work in this sector include: Upwork.com; Freelancer.com; Peopleperhour.com; Clickworker.com; Rent-acoder.com; Mturk.com; Guru.com; and Talmix.com.

Demographics

It is difficult to determine how many individuals in the UK perform this work, and their demographic constitution. Nonetheless, the RSA survey indicated that when all the various forms of this sector are taken into account, it constitutes the largest sector of the gig economy in the UK.¹²⁴ Statistics from the Online Labour Index (OLI), an economic indicator of this sector of gig economy work provided by the Oxford Internet Institute (which is part of the University), showed that work contracted by UK-based employers in this sector grew 14 percent in the period May to September 2016.¹²⁵ Professor Vili Lehdonvirta of the Institute stated that:

These are striking figures when they are contrasted with growth rates in conventional labour markets, which remain stagnant in the UK and US according to latest national statistics. Yet this burgeoning online economy has been largely unobserved and is missing from conventional

¹²³ Royal Society for the Encouragement of Arts, Manufactures and Commerce, [Good Gigs: A Fairer Future for the UK's Gig Economy](#), April 2017, p 17.

¹²⁴ *ibid*, p 15.

¹²⁵ Oxford Internet Institute website, ['Rise of Online Work Captured in the First Online Labour Index'](#), 21 September 2016.

labour market statistics.¹²⁶

The OLI registered a rise in work offered from UK employers from an indexed value of 6.9 on 1 October 2016 to 9.1 on 1 August 2017, an increase of 31.9 percent.¹²⁷ Large multi-national corporations such as Unilever and Panasonic are known to use these gig economy platforms.¹²⁸

There are no reliable statistics on how much of this increase in work offered is being performed by UK-based individuals. Due to the digital nature of the output in this sector, these types of work could potentially be undertaken by anyone in the world with a suitable computer and internet connection to provide products or services for another entity in any location. It should therefore be noted that significant amounts of gig economy work in this sector that are contracted from the UK are performed in India, the Philippines, Bangladesh, Pakistan, and the United States.¹²⁹ However, research conducted by the Association of Independent Professionals and the Self Employed and the Small Business Centre at Kingston University in 2017 found a significant recent increase in the number of ‘freelancers’ in the UK. The research noted that there is no formal or legal definition of the term ‘freelancer’, yet described it as a sub-group of the wider self-employed and defined it as a “customary one used to describe short-term, temporary or project based work relationships in particular occupational or industry settings”.¹³⁰ The research stated that as of 2016, there were 2 million freelancers in the UK, an increase of 43 percent from 2008, and that they represented 42 percent of the self-employed population and 6 percent of the UK workforce.¹³¹ Whilst there are no reliable statistics on what proportion of this increase is due to gig economy platforms, ‘freelancing’ is concurrent with work offered in this sector of the gig economy.

4. Wider Economy

4.1 Self-Employment

Over the past decade, there has been a significant increase in the number of working individuals in the UK who are classified as self-employed. Office for National Statistics (ONS) statistics reveal that in the ten years up to February to April 2017 there was an increase of self-employed workers from

¹²⁶ Oxford Internet Institute website, [‘Rise of Online Work Captured in the First Online Labour Index’](#), 21 September 2016.

¹²⁷ Oxford Internet Institute website, [‘The Online Labour Index’](#), accessed 11 August 2017. Statistics obtained by sorting the OLI by employer country and 28-day moving average.

¹²⁸ *Financial Times* (£), [‘Employers Tap ‘Gig’ Economy in Search of Freelancers’](#), 15 September 2015.

¹²⁹ Using the Upwork.com platform as an example, see: John Horton et al, [‘Digital Labor Markets and Global Talent Flows’](#), Harvard Business School Working Paper 17-096, April 2017, Appendix Table 1. See this article for information on the global market in this gig economy-style work.

¹³⁰ Association of Independent Professionals and the Self Employed, *Exploring the UK Freelance Workforce in 2016*, February 2017, p 4.

¹³¹ *ibid.*

3.8 million to 4.8 million, an increase of 26.3 percent,¹³² and that self-employed workers represented 15 percent of all the individuals in work.¹³³ An ONS report on self-employment also stated that part-time self-employment increased by 88 percent from 2001 to 2015, compared to a 25 percent increase in full-time self-employment in the same period.¹³⁴

The rise in UK self-employment and the growth of the gig economy has led to considerations of whether the two phenomena are linked. In his Spring Budget 2017 speech, the Chancellor, Philip Hammond, stated that “we have seen a dramatic increase in the number of people working as self-employed or through their own companies”, which he ascribed to a number of reasons, including “the emergence of new technologies”.¹³⁵ In early 2017, the House of Commons Work and Pensions Committee conducted an inquiry on self-employment and the gig economy. The report of the inquiry found that “new technology has facilitated the growth of the “gig economy”, which continues to alter the nature of work in many sectors”, and that “there is no good reason to believe the growth in self-employment will not continue”.¹³⁶ However, the report also stated that “self-employment takes many forms” and did not argue that self-employment growth was dependent on growth in the gig economy.¹³⁷

In 2017, the Institute for Fiscal Studies (IFS) published a report on the legal forms of work and employment, and on the effect of increasing numbers of individuals participating in the gig economy. The IFS report stated that “the recent rise in individuals working for their own business, and especially self-employment, is often associated with the growth of the ‘gig economy’”,¹³⁸ yet the “overall shape” of the labour market has not changed greatly.¹³⁹ The report stated that “85 percent of the workforce are still employees”, yet recent years had seen “notable trends, including substantial growth in the number of individuals working for themselves either through self-employment or as company owner-managers”.¹⁴⁰ The IFS noted that “we cannot know to what extent these changes are linked specifically to the ‘gig economy’ rather than to broader changes in the labour market”, as “we simply lack sufficiently detailed data”.¹⁴¹ The IFS also stated that it has become “slightly more common” to see individuals working for their own business [...] as a second job”, and that this coincides with examples of the gig economy, such as individuals driving taxis or delivering fast food to

¹³² Office for National Statistics, ‘[LFS: Self-employed: UK: All: 000s: SA: Annual = 4 Quarter Average](#)’, 14 June 2017.

¹³³ Office for National Statistics, ‘[UK Labour Market: July 2017](#)’, 12 July 2017.

¹³⁴ Office for National Statistics, ‘[Trends in Self-employment in the UK: 2001 to 2015](#)’, 13 July 2016.

¹³⁵ HM Treasury, ‘[Spring Budget 2017: Philip Hammond’s Speech](#)’, 8 March 2017.

¹³⁶ House of Commons Work and Pensions Committee, [Self-employment and the Gig Economy](#), 1 May 2017, HC 847 of session 2016–17, p 4.

¹³⁷ *ibid.*

¹³⁸ Institute for Fiscal Studies, ‘[Tax, Legal Form and the Gig Economy](#)’, 2 February 2017, p 11.

¹³⁹ *ibid.*, p 35.

¹⁴⁰ *ibid.*

¹⁴¹ *ibid.*

supplement their main income.¹⁴² The IFS’s conclusion of the relationship on the legal form of working and the gig economy was as follows:

It is possible that the labour market will continue to change as more individuals take advantage of the benefits of working for their own business or find that they have reduced employment opportunities. The possibilities afforded by digital platforms may lead to further growth in the gig economy. In all cases, there will be ongoing concerns about the potential costs of more precarious and less secure income streams. Now is a good time to consider the employment rights and benefits of different groups.¹⁴³

However, the IFS did also state that the “industries in which growth in self-employment has been most prominent are not those most associated with the gig economy”, which suggests “that there is a broader-based change in working patterns under way”.¹⁴⁴

The Resolution Foundation, a think-tank analysing living standards, argued that 60 percent of the growth in self-employment since 2009 was in ‘privileged’ sectors of the economy (such as advertising, public administration and banking) due to the tax benefits of self-employment.¹⁴⁵ It further argued that the sectors in which gig economy workers operate had made a minority contribution to the growth in self-employment; in particular, “despite the focus on Uber in recent years, the sector that includes taxis is actually only up 7 percent since 2009”, significantly lower than the general growth rate of self-employment.¹⁴⁶ As such, the organisation stated that “the gig economy then does not appear to explain all of the growth in self-employment or in low-paid self-employment”, yet “the concerns it has raised—for self-employed in newer industries and those in more traditional ones too—are valid”.¹⁴⁷

The employment and recruitment website Glassdoor.co.uk conducted a survey of 2,000 of its UK-based users in February 2017, which found that only 13 percent of workers across all employment types would consider the gig economy for future employment, and 76 percent of employees would prefer to stay in permanent employment. The chief economist of Glassdoor, Dr Andrew Chamberlain, stated on the results of the survey that “the gig economy may be associated with prodigious growth of app-based taxi rides and food delivery”, yet “the impact on the UK workforce could remain minimal in the longer term”, and that “for some jobs, the UK gig economy is

¹⁴² Institute for Fiscal Studies, ‘[Tax, Legal Form and the Gig Economy](#)’, 2 February 2017, p 35.

¹⁴³ *ibid*, p 36.

¹⁴⁴ *ibid*, p 12.

¹⁴⁵ Resolution Foundation, ‘[Self-employment Rise Led by Tax Advantages for Workers in High-paying ‘Privileged’ Sectors Rather than the Gig Economy](#)’, 20 February 2017.

¹⁴⁶ *ibid*.

¹⁴⁷ Resolution Foundation, ‘[The Minimum Required? Minimum Wages and the Self-employed](#)’, July 2017, p 6.

here to stay”.¹⁴⁸ However, Dr Chamberlain added that one should not “expect the majority of the workforce to be part-time contractors any time soon”.¹⁴⁹

4.2 Government Revenues

Concerns have been raised within Government, Parliament and the press regarding the potential risks posed by the gig economy to tax revenues. This concern focuses on two areas in particular: an increase in evasion on taxable income, and a decrease in national insurance contributions (NICs) paid by workers and employees.

In its report on the gig economy, the Office for Tax Simplification (OTS) stated that it represented “a potentially significant compliance issue” to HM Revenue and Customs (HMRC), as whilst the income received when working in the gig economy is taxable, there may well be difficulties in collecting it.¹⁵⁰ The OTS noted that whilst “the existing tax system has mechanisms to assess and collect tax on such income”, they were “not designed with burgeoning gig income in mind and may simply not be the simplest or most efficient routes today”.¹⁵¹ The report argued that HMRC could have a “significant communications issue” with informing the gig economy workers about their tax obligations and with educating them in tax compliance. Regardless of such education, the OTS wrote that the gig economy brings “the risk of non-compliance”, and that “it is possible that the gig economy contributes to an increase in the hidden economy”.¹⁵²

The OTS has also argued that an increase in gig economy-style working, where currently workers are not formally employed by companies, could lead to a reduction in government revenues, as a company will no longer administer the Pay As You Earn system (PAYE—automatic deduction of tax from income) for its workers, and will not be paying employer NICs. Stating that this is a “practical issue for HMRC”, the OTS noted that “rather than dealing with one employer who employed (say) 100 people”, the gig economy may mean a company would now “employ 5 people, with 95 operating as ‘giggers’”, and that HMRC would now have to deal “with 95 individuals plus the rump organisation”.¹⁵³ As the OTS wrote:

The replacement of a company with employees by a platform using the self-employed will result in much lower/nil employers’ national insurance. It also removes the company’s role in collecting PAYE/NICs. [...] The platform itself may not be based in the UK.¹⁵⁴

¹⁴⁸ Glassdoor website, [‘New Survey Suggests Gig Economy Jobs in Low Demand’](#), 13 April 2017.

¹⁴⁹ *ibid.*

¹⁵⁰ Office of Tax Simplification, [‘The ‘Gig’ Economy: What Does it Mean for Tax?’](#), June 2017, p 8.

¹⁵¹ *ibid.*

¹⁵² *ibid.*

¹⁵³ *ibid.*

¹⁵⁴ *ibid.*, pp 8–10.

The OTS quoted a report by the Office for Budget Responsibility (OBR) and stated that the growth of the gig economy could cost the Exchequer £3.5 billion by 2020–21, due to the concurrent increases in self-employment and reduction in NICs.¹⁵⁵ The OBR report stated there had been a significant growth in the rate of ‘incorporation’, meaning the growth of owner-managed companies with no employees other than themselves, since the Companies Act 2006 abolished the requirement for companies to have at least two directors.¹⁵⁶ Such companies pay corporation tax, yet do not pay NICs or tax via PAYE. As the OBR report predicted for the period 2016/17 to 2021/22:

We expect incorporations to increase by 5 percent a year on average over the forecast period, much faster than the 0.4 percent a year rise in total employment. Relative to a counterfactual that incorporations increased in line with employment, this takes around £3½ billion off total receipts in 2021–22. This is the net effect of boosting CT [corporation tax] by almost £3 billion, but reducing income tax and NICs receipts by over £6 billion.¹⁵⁷

In his 2016 Autumn Statement, the Chancellor, Philip Hammond stated that “technological progress is changing the way people live, and the way they work”, and that “the tax system needs to keep pace”.¹⁵⁸ Mr Hammond also specifically cited the OBR report mentioned above, stating that it had “highlighted the growing cost to the Exchequer of incorporation”.¹⁵⁹ He also stated that:

The Government will consider how we can ensure that the taxation of different ways of working is fair between different individuals, and sustains the tax-base as the economy undergoes rapid change.¹⁶⁰

¹⁵⁵ Office of Tax Simplification, *The ‘Gig’ Economy: What Does it Mean for Tax?*, June 2017, p 8.

¹⁵⁶ Office for Budget Responsibility, *Economic and Fiscal Outlook*, November 2016, pp 122–3.

¹⁵⁷ *ibid*, p 123.

¹⁵⁸ HM Treasury, ‘*Autumn Statement 2016: Philip Hammond’s Speech*’, 23 November 2016.

¹⁵⁹ *ibid*.

¹⁶⁰ *ibid*.