



Deliveroo submission to the Taylor Review on Modern Employment Practices

May 2017

Executive Summary

Deliveroo is a British tech success story. We started just four years ago, and today work with thousands of restaurants and riders to deliver millions of meals around the world.

Central to our popularity with riders and our success as a business is the **flexible** nature of the work that we offer. Unlike conventional companies, Deliveroo is a platform not a traditional employer, allowing our riders to be their own bosses. Our fully flexible fee per delivery payment model means that riders choose when they ride, can work with other companies - including competitors - at the same time as they are riding with Deliveroo, and can decide how often they work with us. The vast majority of our riders want this arrangement.

We also want to offer riders more security. **We believe everyone - regardless of their type of contract - is entitled to certain benefits**, but we are constrained in offering these at the moment. This is because, at present companies in the UK are forced to class the people they work with as either 'employees', 'workers' or 'self-employed'. Our riders are 'self employed'. This gives them full flexibility - but the quid pro quo is that they are not entitled to certain benefits. On the other hand, 'employees' and 'workers' can more easily be offered benefits, but don't have full flexibility. Our worry is that, should Deliveroo unilaterally introduce certain types of benefits for our self-employed riders, a court would be more likely to reclassify riders as 'workers' - as the level of risk assumed by the individual is an indicator of employment status. This, in turn, would mean they would lose much of their flexibility around working hours. This is because workers' entitlements are calculated based on days or hours worked, or on "output work" which cannot be sensibly calculated in a business like Deliveroo's. In our case this would require riders to work in compulsory sessions arranged with us in advance and working exclusively for us during those sessions.

In short, there is currently a **trade-off between flexibility and security** and we want to play our part in overcoming this divide. We are very pleased the Taylor Review on Modern Employment Practices is looking into this issue, and want to work with the Review and the Government to help make sure certain rights are enshrined for those working in the on-demand economy, while at the same time keeping the flexibility which makes it so popular.

Much of this will come down to **classes within employment law**. It is not up to Deliveroo to define those classes - and nor is it our place to do so. But as the Taylor



Review looks into this, we believe it is important that the changing nature of the economy is recognised. The way certain entitlements are currently calculated needs to be adjusted in such a way that it *complements* the flexible nature of on-demand work, rather than undermining it.

One potential solution is to provide **additional rights to the self-employed**. Allowing companies to offer entitlements to the self-employed would end the current trade off, and would allow us to offer riders greater security, without having to alter the highly flexible and valued nature of our agreements. Another potential solution to this problem would be to create a wholly **new category of employment** which would provide more rights, and allow companies to calculate benefits based on services delivered. This would mean that riders get benefits based on the number of deliveries they perform, rather than on hours worked. This allows them to remain masters of their own day, and allows on-demand businesses like ours to retain the highly flexible relationship we currently have and which works.

In summation: the on-demand economy has created new models of labour market participation and consumer consumption - and with it policy challenges in a range of areas including employment law and benefit entitlements. This is a new modern-day public policy challenge, and Deliveroo would like to be a partner to government in finding policy solutions. Resolving these issues will, we believe, go a long way towards making sure that our riders continue to enjoy the flexible relationship they have with Deliveroo, while at the same time giving them more of the security that comes from being in work.

Deliveroo's story

1. Headquartered in London, Deliveroo is a British start-up success story. It was launched in February 2013 in London by Will Shu and his childhood friend and Co-Founder, Greg Orlowski. Our mission is to bring the world's best local restaurants to everyone's home or office. We deliver orders in 30 minutes on average, and provide the fastest, easiest way to order great food. We believe Deliveroo is a great company for the following reasons:
2. First, we create great work. Today, we directly employ over 1,000 people and the company works with almost 15,000 riders in the UK alone. In January 2017, we announced plans to create a further 300 new high-skilled engineering and technology jobs in the UK. We are proud of our role in bringing more people into the workforce and we are even more proud that Deliveroo riders come from all different parts of society. From students to parents, thousands of people have found a fulfilling way of making



money by working with Deliveroo - and over 10,000 more apply to ride with us every single week. Our supplier agreement with our riders has evolved and improved.

3. Second, we support great local restaurants. We are proud of the fact that our growth has benefited other businesses and allowed them to grow in turn. We have helped restaurants to secure new customers who not only order food at home via Deliveroo, but who will also eat-in at their venue at a later date. Restaurants who use Deliveroo see their revenue boosted by up to 30% and, as a result, are able to hire more people and provide more work to existing staff. Our platform has even led to the creation of Deliveroo Editions, delivery-only kitchens that allow restaurants to take their menus nationwide without the need for a high street premise. This Deliveroo platform is creating yet more job opportunities in the hospitality and restaurant sectors.
4. Third, we are socially responsible. We operate an environmentally friendly delivery method of bicycles and scooters which are used by the vast majority of riders. This helps to reduce congestion and pollution, when compared to cars and other delivery vehicles at the scale of our business.
5. Fourth, we invest in technology. Deliveroo works because of great engineering and technology. Our systems are powered by complex algorithms that make sure restaurants, customers, and riders are connected seamlessly. We have secured significant investment – and we use much of this to improve our technology further.
6. Fifth, we are growing - not just in the UK, but around the world. Since our launch, Deliveroo has enjoyed rapid expansion. We now operate in over 100 towns and cities across the UK, as well as many more globally, including: London; Manchester; Birmingham; Edinburgh; Bristol; Brighton; Oxford; Cambridge; Reading; Guildford; Liverpool; Leeds; Nottingham; Southampton; Cheltenham; Leicester; Cardiff; Sheffield; Exeter; Bath; Aberdeen; Chester; Glasgow; Bournemouth; Derby; Newcastle; Coventry; York; Norwich; Dublin; Cork; Paris; Lyon; Lille; Bordeaux; Nantes; Milan; Brussels; Madrid; Barcelona; Amsterdam; Berlin; Haarlem; Hamburg; Munich; Dusseldorf; Cologne; Frankfurt; Sydney; Melbourne; Hong Kong; Singapore; Dubai.

Flexibility and the on-demand economy

7. Our company is one of a group of companies that is pioneering new ways of working. We have put in place a fully flexible fee per delivery model of working which the people who ride with us want and which offers riders far more flexibility and control over their lives compared to those who work in more traditional employer-employee relationships. It's important to stress that our model hasn't been devised from the top-down, but is a



product of our riders' demand for highly flexible work and our consumers' demand for quick, trustworthy food.

8. How does this model work? For a start, riders can work as and when they wish. There are no obligations to work at specific times or to deliver a minimum quantity of orders. They do not have to accept work through the app. The fully flexible fee per delivery model means they are not subject to any rigorous work schedules or sessions. They can just pick up their bike or scooter and deliver food as and when they wish. The only obligation is for the rider to complete the order they have chosen to accept. Deliveroo's new rider supplier agreement makes this clear: *'Deliveroo is not obliged to make available any work to you, nor are you obliged to do any work for Deliveroo... It is entirely up to you whether, when and where you log in to perform deliveries, save that it must be in an area in which Deliveroo operates and at a time when that area is open for deliveries.'*
9. At the same time, Deliveroo riders are able to work for others simultaneously. They do not need to wear Deliveroo branded kit, and can ride for a competitor or another third party while logged into the Deliveroo app.
10. This flexibility is important for three reasons. One: it fits around people's lives. It is not prescriptive. It means the student with half an hour between classes can log on and earn some extra spending money. It means the person in part-time work can ride as and when their other work allows them to. The statistics back this up: riders work, on average, just 15 hours a week and 75% of fee per delivery riders work with Deliveroo alongside another job or studying.
11. Two: it helps people earn well. When riders get paid by the delivery, they can base their working patterns around times when there will be more orders and they can make the most deliveries. We are proud that the national average earnings for a Deliveroo rider are over £9.50 an hour - well above the National Living Wage of £7.50. It's no surprise therefore, as Deliveroo has previously told Parliament, that 9 out of 10 Deliveroo riders participating in the fully flexible fee per delivery system preferred it to an hourly paid scheme.¹
12. Three - and perhaps the most important of all: it's popular. It cannot be stated enough how much our riders want this arrangement. The vast majority of riders say flexibility is the number one reason why they choose Deliveroo. Indeed, a recent poll showed it's what attracted 82% of our riders to our company. In particular, flexibility is very popular with students - which explains why over 60% of riders working with Deliveroo are under

¹ Oral evidence: Self-employment and the gig economy, HC 847, Work and Pensions Committee, 22 February 2017 ([link](#))



25 years old. According to polls carried out by Gallup, 84% of riders are happy or very happy working with us. The popularity of on-demand work is documented elsewhere. The recent report by McKinsey, *Independent work: choice, necessity, and the gig economy*, found that those who work in the on-demand economy have high levels of job satisfaction. The same report also found that the vast majority of on-demand workers work in the on-demand economy by choice not necessity.

13. In spite of this, it is also clear that there are a minority who misrepresent what flexibility entails, ignoring the great opportunities that it offers to the hundreds of thousands of people working in this sector. As we move forward, and the law and regulatory landscape covering the on-demand economy develops, it is crucial that we keep this flexibility - for the riders, our business and for consumers. We grew more than seven times over last year and we are forecast to grow much further over the coming years. It is by offering flexible work that we will be able to continue to attract riders and provide more work while supporting our anticipated level of growth, and continuing to help restaurants around the UK to grow and expand.

Security and the on-demand economy

14. As we maintain this flexibility, Deliveroo is also keen to offer riders more security. Some have claimed we are not committed to doing this. Nothing could be further from the truth. We have outlined to Parliament on a number of occasions that we want to offer riders benefits. From sickness pay to shares for riders, Deliveroo would like to do more for those who motor our business. But to do so we need the law to be updated. That is what we are calling for here.
15. When it comes to work-related benefits, the law has not kept up with this new flexible way of working. At the moment, companies are currently forced to class the people they work with as either 'employees', 'workers' or 'self-employed'. Our riders are 'self-employed'. This gives them flexibility but places constraints on our ability to offer benefits without jeopardising this status. On the other hand, 'employees' and 'workers' can more easily be offered benefits, but don't have full flexibility of our fee per delivery model of working.
16. Our biggest concern is that if we offer our riders certain benefits, the courts would rule that the nature of our relationship with our riders has changed. If that happened, it would put the flexibility that our riders cherish at risk. This is because, for most companies, key workers' entitlements are calculated based on days or hours spent working exclusively for a single employer. Were we to adopt this standard hourly model for calculating entitlements it would require our riders to work in compulsory sessions, arranged with us in advance, during which they would have to work with us exclusively. It would mean us



introducing a ceiling on supply which would have negative consequences for riders, customers and restaurants.

17. There is, of course, piece rate work - but this too is ill-suited to the on-demand economy as it requires employers to carry out a 'fair test' to see what the 'average rate of work' is when calculating entitlements. The problem for Deliveroo is that there is no meaningful way we can come up with an 'average rate of work' which we could be confident complied with the law without limiting flexibility. The reasons for this are two-fold. One: piece rate calculations are made on the basis that people are working exclusively for one employer in the period in which they do the work. As explained, many of our riders run different apps, and choose to ride with different companies, at the same time. Two: piece rate calculations are based on 'output work' which is undertaken in conditions that do not constantly change (for example, producing a fixed number of items in a factory). That is not the case with Deliveroo - where varying conditions apply, some of which change from hour to hour, week to week, city to city. The number of deliveries available to riders changes according to the time of day, the weather, the traffic on the road - and many other factors, all of which we cannot control. So, for instance, the average rate of work for a rider in Birmingham on a Wednesday afternoon will be very different to a rider in Manchester on a Saturday evening. Calculating an 'average rate of work' in these circumstances would be meaningless. In short, piece rate calculations for Deliveroo would lack meaning, would be vulnerable to continued legal challenge - and if we were forced to adopt them, would require us to limit the flexibility our riders want.

18. In other words, unless steps are taken to give more legal certainty, it will make it difficult for firms such as ours to offer the benefits that riders deserve without jeopardising their flexible working arrangements. We want legislation modernised so that we can offer more benefits to our riders.

19. Examples of challenges within the current legal framework:

(i) Holiday pay, sick pay and maternity and paternity pay

- a. Those who are classified as 'self-employed' must only earn fees for services specifically rendered. Were we to offer anything beyond this (which holiday pay, sick pay and maternity pay etc. would likely be assessed to be) it would risk the courts ruling that we were not the rider's customer. Based on recent case law it seems likely that were we to offer for example holiday pay, the courts would decide that the nature of the relationship between Deliveroo and our riders is much closer to that of a 'worker' and 'employer'. For the reasons set out earlier, we are concerned that such a ruling would restrict the flexibility that the clear majority of riders tell us they value.



- b. It is also worth noting, more broadly, that the current statutory requirements for assessing an employee's eligibility for benefits does not fit with the highly flexible nature of the on-demand economy (for example, sick pay rests on an individual being sick for four or more days in a row including working days – this does not fit with Deliveroo's model where riders have no obligation to work any set number of days or hours and therefore have no standard working pattern).
- c. We would welcome changes to the legal framework to allow companies to offer benefits to self-employed contractors. The question is how benefits should be accrued. Given that there is no such thing as a typical day or week for riders, it would seem sensible to provide benefits as an uplift on fees. This would of course need to take into account the fact that those in the on-demand economy can work for multiple companies simultaneously.

(ii) *Share ownership*

- a. Deliveroo is at its heart a courier company. We are nothing without our riders who provide the service that our customers rely on. Our founder, Will Shu, started Deliveroo by making deliveries himself. We know that the riders *are* the company and would like the company structure to reflect this dynamic.
- b. In 2015, Deliveroo looked into the possibility of introducing a discretionary system whereby a certain proportion of Deliveroo shares could be offered to the very best riders. We thought this would be an effective way of rewarding riders with exceptional service levels and would also act as an incentive to other riders. It would, more importantly, send a powerful message that this company acknowledges that it has been built by exceptional riders who are rewarded by a share in the company's successes.
- c. During our investigation, we came across several ways that a share ownership scheme could work. In recent years, many listed companies have chosen to grant 'Performance Share Awards' - subject to performance conditions - to executive directors, and options - subject to conditions - to less senior executives. Deliveroo was interested in whether such a scheme, or a similar scheme, could be used to incentivise our riders. We also noted with interest that the Association of British Insurers has published guidelines on the best practice for listed company share incentives.
- d. Unfortunately, this was deemed not possible because the self-employed classification involves earning fees for services specifically rendered to

us, and rewarding our riders on any other basis would risk the courts ruling that we were not their customers. In addition, tax advantages, such as those accruing to approved share incentive plans, apply only where shares are distributed to employees.

- e. We remain interested in such a scheme. The fact that the law limits a company's ability to offer our riders shares should, we argue, be changed. This company was built on the basis of flexibility - but the legal constraints we now face mean that we cannot invite our riders to share in the company's successes.

How to square the circle

- 20. We want to make sure that our riders retain the considerable freedoms that they enjoy at the moment - the freedoms that come with self-employment - but we also want to make sure that they can enjoy a greater level of security. The on-demand economy has changed the way people work and eat. The policy challenge is working out how to make sure that employment law and benefit entitlements fit with this new economic framework. We are pleased that the Government and the Taylor Review on Modern Employment Practices is looking at how to square this circle.
- 21. It is not up to Deliveroo to define classes within employment law - and nor is it our place to do so. But one potential solution to the public policy challenge created by the on-demand economy is for new legislation to make it clear that the self-employed can receive benefits *without* there being a risk to the relationship being reinterpreted by the courts. Ideally, new legislation would make it clear that the self-employed can receive more benefits - coming closer to what 'workers' currently receive - while retaining the right of the company and the self-employee to negotiate a fair and equitable system for calculating entitlements on an accrual basis. Another potential solution to this problem would be to create a wholly new category of employment which would provide a level of security while at the same time allowing companies to calculate entitlements based on services delivered. This would provide those who fall into this new category with both security and a highly flexible relationship.
- 22. There have been many other suggestions put forward for creating more legal certainty - such as reversing the burden of proof so it falls on companies to prove that the people it works with aren't workers. We would, however, suggest that shifting the burden of proof doesn't address the root cause of this policy issue. We believe a more lasting solution will be created if we collectively work on the detail of new employment classes.

Pay and remuneration



23. Obviously, one other area of focus is pay and remuneration - and in particular whether companies operating in the on-demand economy can pay the National Minimum Wage and National Living Wage. It is important to stress that we believe that the National Minimum Wage and National Living Wage are key parts of the social contract between businesses and those working with them.
24. As we have stated above, Deliveroo is very proud of the fact that the average hourly earnings for its riders are significantly higher than the National Minimum Wage. What we would draw the Review's attention to is our proposition that the way in which the minimum wage is calculated needs to better fit with the way the 'on-demand economy' works, and the sort of relationship that Deliveroo has with its riders, which is based on the number of deliveries rather than the hours worked. Our riders want to ride for many different companies at the same time - at any one moment, they may have 3 or 4 apps running, seeing which deliveries they wish to drop off. We are completely relaxed about that - they are free to earn money with other companies as they wish. But the question arises: should a fixed National Minimum Wage and National Living Wage be introduced, which company would be responsible for paying for it and in relation to which periods? How would we calculate the minimum earnings threshold that riders must meet? The only way this could work is if we limited the riders' right to work for several companies at the same time - something they do not want.
25. The fact that riders work for different companies at the same time also makes it impossible to calculate the average rate of work which is required to calculate fees on a 'piece work' basis. This, coupled with the very varied conditions in which riders perform deliveries (peak, off peak, rain, sun, scooter, bike, different cities, with different traffic conditions, single deliveries versus multiple deliveries) means that the concept of an 'average rate of work' is impossible to quantify meaningfully.

Conclusion

26. Deliveroo wants to work with the Government and Taylor Review to make sure we combine the flexibility of on-demand work which people want, with the security they deserve. Companies should not have to be forced, as they effectively are now, to choose between offering workers a relationship with a great deal of flexibility and fewer benefits or a relationship with much less flexibility and more benefits. Companies should be able to offer the best of both worlds. Were the law more accommodating, we would seek to give our riders greater security without sacrificing their flexible supplier agreements.
27. We are clear: simply reclassifying riders as 'workers' would be inappropriate, and would have a corrosive effect on the flexibility which comes with self-employment and which is



essential to retain. The consequence of Deliveroo having to classify all riders as 'workers' would be that all riders would be put on a shift pattern, with a set number of riders available to work per hour. This would mean riders would have to agree to compulsory working hours and would be unable to work for other companies concurrently. It would also mean introducing a ceiling for supply, which if exceeded at any time by demand would have negative consequences for customers, who would not be able to receive their order as quickly; for restaurants, who would sell fewer orders; and for the riders themselves, who would not be able to earn as much at peak times.

28. While it is not up to us to define classes within employment law, we believe we need current classifications to change so that either: the self-employed can receive benefits; or a new class of employment is introduced which allows a company to offer benefits, on an accrual basis.
29. We hope this submission is helpful to policy makers when it comes to the motivations people have for choosing to work in this way and for working out a way forward to create a framework that is fit for modern Britain, supporting the growing on-demand economy and those who work in it.

*Deliveroo
May 2017*