For ease of use, IBISWorld reports are written to align with the UKSIC industry classification system, which is a standard of classifying different parts of the UK economy and is maintained by the Office for National Statistics.

However, some trends run across multiple industries. The gig economy is structured so that workers are technically self-employed and paid for each task completed rather than being offered a base salary. Well-known names such as Uber, Deliveroo and Task Rabbit provide a platform for workers rather than directly supplying services to customers. As a result, their activities are not recorded at the industry level. This special report will therefore analyse their impact by looking at a cross-section of IBISWorld reports.

Although short-term, flexible work is not a new phenomenon, the use of digital platforms to connect customers with service providers has increased the amount of short-term flexible work on offer in recent years. A recent NatCen poll found that 4.4% of the UK population had worked in the gig economy in the 12 months to August 2017. However, according to research by the Chartered Institute of Personnel and Development, only 25% of gig economy workers would describe it as their main job. As a result of this influx in flexible employment, many have questioned whether existing government regulation is sufficient to safeguard the wellbeing of gig economy workers. In the past few years several legal challenges have been raised questioning whether gig economy workers should be classified as employees, rather than self-employed. However, supporters of gig economy work have highlighted the benefits of working flexibly and emphasised the ability for workers to supplement income from another job through gig employment.

Although often difficult to pin down, the gig economy has had a significant disruptive influence on a range of industries across the UK economy.
Gig in the City

With help from IBISWorld reports we can look at the history and emergence of the gig economy and some of the industries that have been affected. We will use the Department of Business, Energy and Industrial Strategy (BEIS) definition for the gig economy.

“The gig economy involves exchange of labour for money between individuals or companies via digital platforms that actively facilitate matching between providers and customers, on a short-term and payment by task basis.”

Courier Services

Companies offering gig economy courier platforms in the UK include Citysprint, eCourier, AnyVan and AmazonFlex, among others.

According to research conducted on behalf of BEIS, providing courier services is the most common form of gig economy employment. Of those involved in the gig economy, approximately 42% had carried out courier services using digital platforms in the 12 months up to August 2017.

Research by YouGov found that 45% of couriers using digital platforms earned less than £1,000 from gig economy employment in the year to August 2017. However, many gig economy couriers work flexibly to accrue income in addition to having a primary job or participating in education.

IBISWorld estimates that the UK Postal and Courier Activities industry will be worth over £21 billion in 2018-19. In recent years, small digital platform operators have jostled with established postal companies to win a share of this lucrative market. There are now a large number of companies offering platforms that connect couriers to UK customers, and existing delivery services have introduced or expanded flexible employment options.

In recent years, there has been increased legal and political pressure to better regulate gig economy work in the United Kingdom. For example, in March 2017, Andrew Boxer, a cycle courier who had worked for a company called Excel, won an employment tribunal case for holiday pay. The company had classified Mr Boxer as self-employed, and he had provided his own bike, phone and protective equipment. Following several similar legal cases challenging aspects of the gig economy, increased regulation and employment rights are expected over the next five years.

Industries significantly affected by courier platforms include: H53.000 - Postal & Courier Activities in the UK.

![Income earned from gig economy in the past 12 months](image-url)
Gig in the City

Food Delivery

Companies offering gig economy food delivery platforms in the UK include Deliveroo, UberEats and Jinn.

Approximately 21% of employees active in the gig economy in the year to August 2017 provided food delivery services using apps like Deliveroo. Research by YouGov found that 58% of people providing food delivery services using digital platforms earned less than £1,000 from gig economy employment in the year to August 2017.

Web or app-based takeaway delivery platforms such as Deliveroo and UberEats have grown rapidly over the past five years. However, the penetration rate of takeaway food ordered online is still relatively small, with recent JustEat and UBS estimates ranging between 40% and 60% of takeaway customers still ordering by telephone. App and web penetration is greater among younger consumers; however, effective marketing is expected to increase the number of tech-savvy older consumers ordering online.

The genesis of the UK digital food delivery platform market can be traced to JustEat, which established an online delivery platform connecting consumers with restaurants in March 2006. Initially the platform was available through its website, however in April 2012 the company launched an iPhone app. JustEat did not directly connect delivery drivers with restaurants, but instead focused on connecting restaurants that had existing delivery networks with customers.

It was not until Deliveroo launched in 2013 that this market became a key battleground in the gig economy. Deliveroo introduced a platform that connected consumers with couriers so that consumers could pay a courier to collect and deliver their takeaway. This meant that restaurants could gain access to an established network of tens of thousands of couriers and that customers could order from restaurants that did not have a delivery network.

This also created a huge employment market for couriers, who are able to work at their own convenience. With this fast-growing flexible employment, some have argued that employment legislation has failed to keep up. In May 2018 The Independent Workers Union of Great Britain, a union representing gig economy workers, raised £50,000 to fund its continuing legal challenge with Deliveroo over the classification of its couriers as self-employed. It argued that this classification unfairly removes Deliveroo’s obligation to offer holiday pay and the National Minimum Wage to members of its delivery network.

The rise of digital food delivery networks has resulted in restaurants being able to offer delivery through such networks, where previously it would have been uneconomical for them to offer delivery individually. As a consequence, consumers have access to a wider variety of high-quality cuisine. In addition, digital food delivery networks offer opportunities for restaurants to expand in innovative

Income earned from gig economy in the past 12 months

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<th>Income Range</th>
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<td>£50,000 +</td>
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Source: YouGov Omnibus
Gig in the City

ways. For example, some restaurants have opened additional kitchens that only serve online orders. These kitchens can be located away from high streets to minimise rental costs and closer to customers to minimise delivery times.

It might be easy to conclude that food delivery platforms will negatively affect more traditional takeaway delivery businesses such as chain pizza restaurants. However, this has not entirely been the case, and some takeaway and delivery restaurants such as Domino’s are performing strongly despite the new competition.

**Industries significantly affected by food delivery platforms include:**

- UK0.006 - Pizza Delivery & Takeaway in the UK,
- I56.104 - Takeaway & Fast-Food Restaurants in the UK,
- I56.101 - Full-Service Restaurants in the UK

**Transport**

Companies offering gig economy transport platforms in the UK include Uber, Mytaxi and Gett.

Approximately 28% of people active in the gig economy provided transport via a digital platform such as Uber in the year to August 2017. In 2017, 22% of people over the age of 16 in the United Kingdom had used intermediary websites or apps to arrange transport, according to the ONS.

Digital transport platforms in the United Kingdom can trace their roots back to Hailo, a digital taxi hailing service that launched in London in November 2011. Shortly afterward, in July 2012, Uber launched in London. Following an aggressive marketing push, including incentives for new and existing users, Uber soon came to be the dominant UK digital transport platform. The rise of ride-hailing apps resulted in the number of flexible private hire drivers growing rapidly. It also affected the traditional private hire market and brought issues such as flexible worker rights and competition to the attention of regulators.

In October 2016, a tribunal decided that Uber should legally treat its drivers as employees, requiring Uber to pay minimum wages and offer holiday pay. Although Uber appealed the decision on grounds that it is not a transport company but a platform that connects drivers with customers, and that legally employing drivers would limit their flexibility, this appeal was dismissed in November 2017. Uber is expected to appeal further in the future. Transport for London announced in 2017 that it would not be renewing Uber’s private hire operator licence, citing concerns over passenger safety and business practices. More regulation is expected to be introduced over the next five years covering Uber’s operations.

In response to rising political and legal pressure over compensation of work-related injury, sick pay, parental

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**Income earned from gig economy in the past 12 months**

**Providers of transport using own vehicle**

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<th>Income Range</th>
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<tr>
<td>Less than £250</td>
<td>28%</td>
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<td>£50,000 +</td>
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**SOURCE:** YouGov Omnibus
leave and maternity pay, some providers have created insurance policies to offer these benefits. For example, Uber announced in May 2018 that it would introduce free insurance cover for its drivers to provide benefits such as sick pay and maternity cover. The use of insurance policies to provide the safety net usually provided by employers is expected to lead to an increasing number of insurance companies creating tailored policies aimed at gig economy workers.

Industries significantly affected by transport platforms include: H49.320 - Taxi Operation in the UK, H49.311 - Urban Passenger Rail Operations in the UK, H49.319 - Bus & Tramway Operations in the UK, K65.120 - General Insurance in the UK.

Accommodation

Companies offering accommodation platforms in the UK include Airbnb and HomeAway.

Accommodation platform providers such as Airbnb do not facilitate the exchange of labour and thus fall outside of the BEIS definition for the gig economy. However, as they share many similarities with gig employment providers it is useful to consider the market alongside the gig economy.

Approximately 28% of people in the United Kingdom over the age of 16 had used intermediary websites or apps to arrange accommodation in 2017. People aged 35-44 are the most likely age group to use these platforms, followed by 25-34 year olds. In recent years, platforms such as Airbnb have grown in popularity. This

Use of the internet to arrange accommodation or transport, by age group
2017, Great Britain

SOURCE: Office for National Statistics
Gig in the City

has disrupted businesses providing traditional accommodation services, such as the Hotels industry, and has also led to the emergence of short-term letting management companies.

The £19.8 billion UK Hotels industry has remained resilient so far, despite Airbnb’s rapid expansion. The Hotels industry is expected to grow at a compound annual rate of 3% over the five years through April 2019. The industry has been supported by other trends, including a boost in tourism following the depreciation of the pound after the EU referendum.

However, the traditional hotel sector has also moved to compete more directly with Airbnb, which can usually offer better value for money than traditional hotels. Some UK hotels have expanded into the homeshare market themselves. In April 2018, hotelier Marriott International launched a six-month trial of Tribefoliohomes.com, a homeshare service comprising 200 homes in London.

The rising popularity of accommodation platforms has also affected businesses that cater to this market. For example, cleaning companies have benefited from increased demand for their services and dry cleaners have seen an increase in custom for bedding and towel cleaning services. In addition, increased use of accommodation platforms has enabled some manufacturers to develop innovative products catering to the market, including keypad security systems that enable customers to check into a property themselves.

For more information on how the gig economy is disrupting the accommodation market see IBISWorld reports:
I55.100 - Hotels in the UK,
I55.200 Holiday Accommodation in the UK,
I55.300 Caravan & Camping Sites in the UK,
N81.210 - General Building Cleaning in the UK,
S96.010 - Dry-Cleaning & Other Cleaning Services in the UK.

Other gig economy jobs

Other gig economy jobs include the provision of services such as cleaning, moving and handyman and home maintenance services. Of the people providing other services via a digital platform such as TaskRabbit, Bark and Freelancer, 50% earned less than £250 and 87% earned less than £5000 over the year to August 2017.

The rising popularity of handyman gig workers has driven a trend towards the DIFM (Do it For Me) market displacing the DIY market for Hardware and Home Improvement Stores and this trend is expected to continue over the next five years. As a result, operators in the £12.3 billion Hardware and Home Improvement industry in the United Kingdom are increasingly targeting gig economy handymen through marketing, in-store advice and a wider range of professional and semi-professional tools.
and equipment. Hardware and Home Improvement retailers are reporting weak demand for DIY accessories as more consumers enlist the tools and labour of gig economy handymen. Other retailers have taken a different approach. For instance, IKEA bought TaskRabbit in 2017 and integrated the platform with its business so that customers can be assigned a TaskRabbit Handyman to assemble their furniture.

Other industries significantly affected by the emergence of the gig economy include: G47.599 Furniture, Lighting & Homeware Retailers in the UK, G47.520 - Hardware & Home Improvement Stores in the UK, N81.210 - General Building Cleaning in the UK, H49.420 - Removal Services in the UK.

**Outlook for the gig economy**

User growth for gig economy platforms has been very high over the past five years. However, whether this pace of growth can be maintained is dependent on the future regulatory environment. Gig economy platforms have come under increasing pressure over their impact on existing markets, such as the London black cab network. In addition, many platforms have faced legal challenges over their business practices, with licences to operate being revoked in some cases. Continued growth will be dependent on the outcome of ongoing legal challenges in addition to the ability of platform providers to appease regulators.

However, the emergence of the gig economy has also created an opportunity for some businesses. For example, retailers can implement strategies to gain a foothold to supply equipment to this growing part of the UK economy. Insurers can tailor policies to offer sickness and injury cover to the growing number of self-employed workers. Restaurants can open extra kitchens away from the expensive rents of high streets to service deliveries, and security companies can manufacture key pad lock systems to allow Airbnb customers to check-in themselves.

Ultimately, the gig economy has had a significant disruptive impact on a number of UK industries and is now a key and ever-topical part of the wider UK labour market. As the gig economy continues to face new pressures and opportunities, this article will be updated on a regular basis to account for contemporary trends and landmark events.
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