



# *"Gig economy" companies free-riding on the welfare state*

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In its report the Work and Pensions Committee says Government must close the loopholes that are currently allowing "bogus" self-employment practices, which are potentially creating an extra burden on the welfare state while simultaneously reducing the tax contributions that sustain it.

- [Read the report summary](#)
- [Read the report conclusions and recommendations](#)
- [Read the full report: Self-employment and the gig economy](#)

## **Starkly contrasting pictures**

In an inquiry that has had to be curtailed because of the election, the Committee heard from "gig economy" companies like Uber, Amazon, Hermes and Deliveroo, and from drivers who work with them. The evidence taken painted starkly contrasting pictures of the effect and impact of "self-employment" by these companies.

Companies relying on self-employed workforces frequently promote the idea that flexible employment is contingent on self-employed status, but the Committee says this is a fiction.

## **The report**

The Committee says:

- The apparent freedom companies enjoy to deny workers the rights that come with "employee" or "worker" status fails to protect workers from exploitation and poor working conditions. It also leads to substantial tax losses to the public purse, and potentially increases the strain on the welfare state.
- Designating workers as self-employed because their contract offers none of the benefits of employment puts cart before horse. It is clear, though, that this logic has taken hold, enabling companies to propagate a myth of self-employment. This myth frequently fails to stand up in court, but individuals face huge risks in challenging their employment status that way.
- Where there are tax advantages to both workers and businesses in opting for a self-employed contractor arrangement, there is little to stand in the way.
- An assumption of the employment status of "worker" by default, rather than "self-employed" by default, would protect both those workers and the public purse. It would put the onus on companies to provide basic safety net standards of rights and benefits to their workers, and make the requisite contributions to the social safety net. Companies wishing to deviate from this model would need to present the case for doing so, shifting the burden of proof of employment status onto the better resourced company.
- Self-employed people and employees receive almost equal access to all of the services funded by NI, especially with the introduction of the new state Pension, yet the self-employed contribute far less. The incoming Government should set out a roadmap for equalising employee and self-employed National Insurance Contributions.

- The DWP needs to ensure that its programmes and resources reflect the positive contribution that self-employment can make to society and the economy. This may require an expansion of specialist support in JCP.
- DWP is seeking to support entrepreneurship without subsidising unprofitable self-employment. The existing Minimum Income Floor in Universal Credit does not get this balance right and risks stifling viable new businesses. The incoming Government should urgently review the MIF with a view to improving its sensitivity to the realities of self-employment. Until this is complete, the MIF should not apply to self-employed UC claimants.

## Chair's comments

Frank Field MP, Chair of the Committee, said;

"Companies in the gig economy are free-riding on the welfare state, avoiding all their responsibilities to profit from this bogus "self-employed" designation while ordinary tax-payers pick up the tab. This inquiry has convinced me of the need to offer "worker" status to the drivers who work with those companies as the default option. This status would be a much fairer reflection of the work they undertake which seems to fall between what most of us would think of as "self-employed" or "employed".

It would also protect them from some of the appalling practices that have been reported to the Committee in this inquiry. Uber's recent announcement that it will soon charge its drivers for sickness cover is just another way of pushing costs onto the workforce, to reinforce the impression that those workers are self-employed.

Self-employment can be genuinely flexible and rewarding for many, but "workers" and "employees" can and do work flexibly. Flexibility is not the preserve of poorly paid, unstable contractors, nor does the brand of "flexibility" on offer from these gig economy companies seem reciprocal. It is clearly profit and profit only that is the motive for designating workers as self-employed. The companies get all the benefits, while workers take on all the risks and the state will be expected to pick up the tab, with little contribution from the companies involved.