



**DELIVEROO
INVESTOR
BRIEFING**

SPRING 2021

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Briefing produced by the IWGB in partnership with the Private Equity Stakeholder Project and ShareAction



The Independent Workers' Union of Great Britain (IWGB) represents mainly low-paid migrant workers and sections of the workforce which have traditionally been non-unionised and under-represented.



The mission of the Private Equity Stakeholder Project is to identify, engage, and connect stakeholders affected by private equity and venture capital with the goal of engaging investors and empowering communities, working families, and others impacted by private funds investments.



ShareAction is a campaigning organisation pushing the global investment system to take responsibility for its impacts on people and planet, and use its power to create a green, fair, and healthy society. ShareAction's vision is a future where all finance powers social progress.

Cover image credit: Kayleigh Harrington

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Consult independent and regulated advice to evaluate the merits and risks of any investment.

EXECUTIVE SUMMARY

This investor briefing examines the working conditions and human capital management concerns at the online food delivery company Deliveroo.

Deliveroo is an **app-based food delivery** company founded in the UK with international operations.

The Covid-19 crisis has brought to the forefront significant issues which face Deliveroo riders which includes **low pay, insecure work, safety concerns and widespread discontent**.

While gaining due recognition as **'key workers'** for the value they contribute to society, many riders have struggled financially through the pandemic.

These concerns are contributing to a number of significant risks to both the company and investors alike, most significantly, **litigation risks** but also including **reputational and financial risks**.

Key ask: Engagement with Deliveroo and its ownership around the **legal employment status** of riders and a **minimum standards guarantee**.

The briefing begins with an overview of the company and moves into further detail around the various risks and concerns that Deliveroo riders face. We finish with some concrete steps that investors can take in order to engage the company in a productive manner and work toward mitigating these risks.



Credit: Clem Onojeghuo

OVERVIEW OF DELIVEROO

Deliveroo is an online food delivery service founded in 2013 in London and now has operations in approximately [250 cities worldwide](#). Its business involves the delivery of food and drink items ordered via an app from restaurants to customers' homes or to other premises such as offices.

Deliveroo enters into commercial agreements with restaurants and other partners by which it agrees to deliver food and drink items supplied by them to customers. It enters into what it describes as "supplier agreements" to arrange the deliveries with individuals, who are mostly riders of bicycles, scooters and motorcycles but also car drivers. The company doubled its number of registered riders from 25,000 to [50,000 in 2020](#), however it is likely that only a small minority of these riders fulfil the majority of orders

In their literature they describe riders at the heart of what they do and suggest that they offer [well-paid, flexible work](#). They also stress the consultative nature of the relationship with the Riders in their recruitment materials. The company expects its [valuation to be up to £8.8bn](#) for its upcoming IPO with founder Will Shu retaining a 6.3% stake, worth around £550m.

Working conditions for riders in the UK have gradually deteriorated since the company launched and [significant issues](#) have been brought into sharp focus due to the Covid-19 crisis. This decline has a negative impact on Deliveroo's financial position damaging its relationship with riders who are the public face of the company and is having the effect of hampering productivity.



Credit: IWGB

CONDITIONS FOR RIDERS IN THE UK HAVE GRADUALLY DETERIORATED SINCE THE COMPANY LAUNCHED

DELIVEROO AND CORONAVIRUS

Initially, it was assumed that the immediate impact of the COVID-19 lockdown in the UK and elsewhere would lead to an increase in demand in food delivery but the opposite was true, as customers chose to reduce takeaway consumption and restaurant chains [began to close](#). This had a significant impact on riders whose work completely dried up due to the drop of [demand](#). Riders are paid a fluctuating piece rate per delivery and not by the hour.

Alongside financial issues there were many health and safety concerns for those continuing to work due to increased exposure to Coronavirus. Deliveroo introduced measures such as 'contact free' delivery to limit the risk of exposure, provided reimbursements for masks and hand sanitizer up to £20 and began sending these to riders directly but these were vastly delayed and were not issued at the beginning of the crisis. Riders have reported delays for the PPE and its appropriateness to the work at hand has been questioned.

For those riders who have contracted Coronavirus or who have chosen to self-isolation due to developing symptoms Deliveroo have introduced a rider support fund that provides up to £100 a week. However, there have been [many difficulties](#) in accessing said fund. Even for those that have been able to access the fund, £100 a week in support was not adequate in a city like London with high costs of living. Instead of taking the necessary safety precautions, riders may have chosen to keep working in order to put food on the table.

The government introduced a grant scheme in the UK for the self-employed but there was a long wait for the payout and many Deliveroo riders were not eligible due to [being newly self-employed](#).

During the lockdown phase in the UK, the Competition and Markets Authority (CMA) investigation into Amazon's funding round continued but was affected by current events. The investigation was to establish whether the minority stake from Amazon into Deliveroo constituted a merger and whether it should be halted on competition grounds. In April 2020 the CMA [provisionally approved](#) the deal on the basis that [the firm could fail](#) without the additional



Credit: Brian McGowan

**RIDERS ARE PAID A
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funding due to the impact of the lockdown on its business model. However, this opinion changed as it later emerged that while the initial lockdown did have a severe impact, [it was short-lived](#). Deliveroo's performance was indeed better than forecast and order volumes had increased compared to the same time the previous year and profitability per order had increased. This is at the same time that riders reported received lower fees per order for equivalent distances in the past.

The crisis highlighted issues around low-paid and insecure work while bringing to the forefront the important role that key workers such as delivery riders play in our society. Deliveroo riders maintained an essential public service by delivering food and essential household goods to those self-isolating or practicing social distancing. Yet despite this, they lack employment rights and live hand to mouth without savings to fall back on. Like [many key workers](#) they earn below the living wage in the United Kingdom and their lack of employment rights mean that their work could disappear at the drop of a hat.

The support provided by the government had also been found lacking with many self-employed workers falling through the cracks of the Self Employed Income Support Scheme. Many Deliveroo riders are also migrant workers and found that they had no access to public funds should their income decline. They often had to make the difficult decision to keep working and put their health at risk or stay home without the means to put food on the table. An independent report from the Fairwork Foundation found that 'gig economy' platforms had been "[incremental rather than radical in their responses](#)."

The crisis brought to the forefront [a conversation](#) that we need to be having about how key workers are being treated in society and how issues which existed before and have now been amplified, need to be addressed. For Deliveroo riders, this could begin with better contracts under limb 'b' worker status.¹



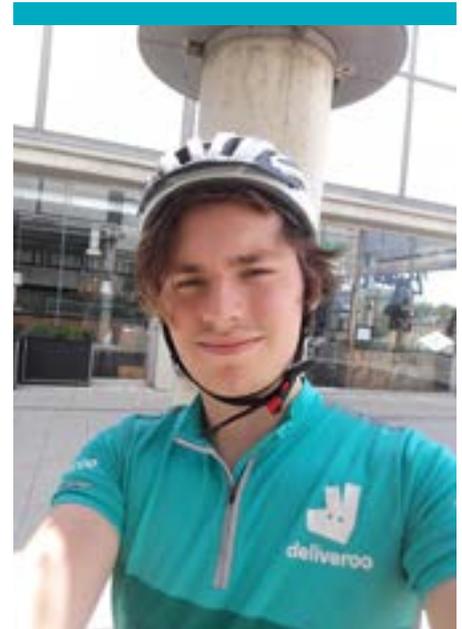
Credit: IWGB

THEY LACK EMPLOYMENT RIGHTS AND LIVE HAND TO MOUTH WITHOUT SAVINGS TO FALL BACK ON.

¹ Workers hold an intermediate position between employees and independent contractors. While the work undertaken is more casual than that of an employee, workers usually have a contract for services, are employed to do the work personally and are entitled to certain employment rights such as national minimum wage and paid holidays. They are still responsible for their own tax returns. See: [ACAS Checking Your Employment Rights](#)

LITIGATION: MISCLASSIFICATION OF WORKERS

There is an increasing risk of litigation around the world challenging the riders 'independent contractor' status. Many companies operating in the 'gig economy' have faced this risk and have lost cases such as the high profile case at [Uber](#). In the UK, the IWGB trade union is petitioning for trade union recognition (collective bargaining agreement) and in the process the courts have to determine whether the riders are limb 'b' workers or not². The category of limb 'b' worker status would be more aligned with the conditions of work and provide riders with extra protection without removing flexibility. Worker status is the legal category for self-employed individuals who carry out their work as part of someone else's business rather than their own. For this reason they are entitled to a number of basic employment rights such as [minimum wage and paid holidays](#).



Credit: IWGB

In employment law in the UK, independent contractors have the least legal protection. Independent contractors are sole traders, freelancers or professionals - in business on their own account and contracting with clients or customers. There will be a contract but there is no requirement that the independent contractor carries out the service personally. They have no boss or employer and for this reason have no employment rights.

Companies have begun to move against the bogus self-employment model. This change of direction has been [exemplified by Just Eat](#), who have offered more than 1,000 couriers employee contracts in the UK which entitles them to hourly wages, holiday and sick pay and pension contributions. Getir, a new entrant to the on-demand grocery sector, has also [directly employed its own courier fleet](#) at a London living wage. While there are still improvements to be made, it is clear that flexibility does not have to be a trade off with workers rights. Uber's CEO, Dara Khosrowshahi, notes that worker status is a unique category that addresses the issue of providing a level of social protection [while enabling flexibility](#).

Deliveroo riders were found to be falsely classified in Italy. Consequently, Deliveroo along with other food delivery companies have been ordered by the courts to fully hire their couriers and [pay a €733m fine](#).

THERE IS AN INCREASING RISK OF LITIGATION AROUND THE WORLD

² The legal case is proceeding with arguments based on the European Convention of Human Rights

In a first in Europe, the [government in Spain](#) recently announced that all couriers such as Deliveroo riders are to be considered employees.

In the lead up to their IPO, the company has confirmed that they have set aside [£112m to cover potential legal costs](#) relating to the employment status of their riders.

JOB INSECURITY

While some Deliveroo riders work part-time and use the work to supplement their income, a significant minority of riders who fulfill the majority of orders rely on it as their main source of income. A significant number of riders would like to work more hours but don't believe the pay is sufficient beyond peak hours like Friday and Saturday night. Due to riders being falsely misclassified as 'independent contractors' there is no guarantee of a minimum income and they received no holiday or sick pay. Recently, there have been further concerns that Deliveroo is intentionally over hiring which has been leading to a significant oversupply of riders in certain areas. Figures about increased order volumes don't reflect regional disparities, for example, Central London volumes are still significantly down, and riders who've worked for the platform for a long time cannot simply move to another area where order volumes have increased.

**ARBITRARY TERMINATIONS,
WHICH ARE MADE WITH NO
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In addition to this, riders lack employment rights and Deliveroo have the right to terminate their supplier agreements with no evidence of wrongdoing. Not only is this a cause of anxiety but it frequently leads to arbitrary terminations, which are made with no or very little oversight. Deliveroo currently lacks a robust appeals process whereby riders can defend allegations against themselves and have the decision to terminate their contracts reviewed thoroughly in a transparent manner. Members of Parliament, from all the Westminster parties, have expressed serious concern in this area and [70 put their name to an Early Day Motion](#) calling on app-based companies to end unfair dismissals by implementing fair dismissal processes, including a hearing prior to dismissal, and the right to appeal a dismissal with union representation.

LOW PAY

Pay continues to be the main issue facing riders. In 2019 Deliveroo claimed that riders were earning over £10 per hour, on average, across the UK and regularly over £15 per hour at busy times.

Rather than focusing on a minimum fee that you rarely see, and which negatively impacts longer distance deliveries, we're committing to your overall earnings. We're committed to offering riders over **£10 per hour** on average across UK and regularly over **£15 per hour at busy times**.

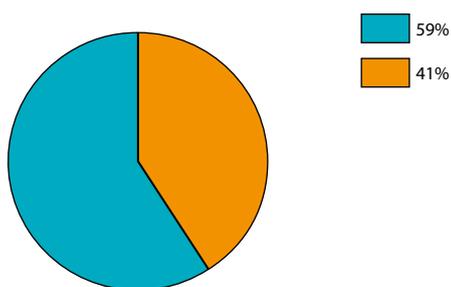
Email sent to riders on 29/07/19

An [investigation by the Bureau of Investigative Journalism](#) has found that a third of the riders whose data it collected were receiving less than the minimum wage. One cyclist was earning as little as £2 per hour over 180 hours of work. The Bureau analysed invoices submitted by more than 300 riders across the UK, covering around 32,000 hours worked for Deliveroo in the 2020-21 financial year. More than half of the riders who took part earned less than the £10 per hour average claimed by the company. In the North East and North West, riders earned less than £10 on 76% and 74% of their sessions.

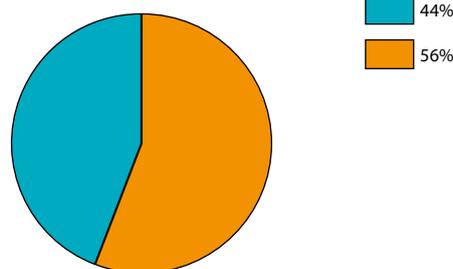
MANY ARE FAILING TO MAKE THE NATIONAL MINIMUM WAGE

The dataset could be understating how many make less than £10 an hour because invoices do not record when riders logged into the app but got no work.

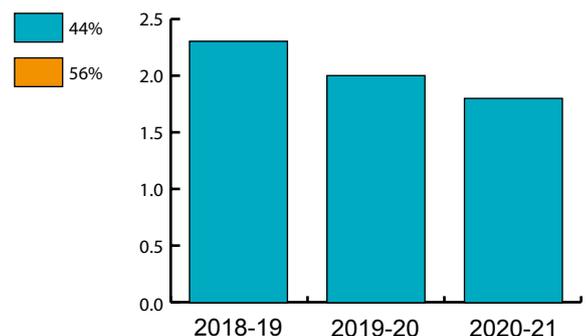
Based on invoices from over 300 riders in the last year, analysis by the Bureau of Investigative Journalism shows:



41% - Riders earning below the UK national minimum wage



56% - Riders earning below deliveroo's £10ph commitment and claim



Average orders completed per hour

With a lack of a guaranteed hourly wage and further recent changes such as the expansion of 'free log-in zones' contributing to the oversupply of riders, many are failing to make the national minimum wage, currently £8.72 per hour rising to £8.92 in April 2021.

Even if we take the £10 per hour rate as a given, when costs are factored in such as insurance, petrol, and maintenance take home pay would be below the minimum wage. An IWGB member and scooter rider in Brighton has tracked his costs and calculates them to be £4.09ph, including equipment, insurance, petrol and other costs, or £3.85ph excluding protective clothing (as this may not always be an annual cost or entirely used for work). This is based on a 40hr week for 48 weeks.

[The Living Wage Foundation](#) in the UK have developed a real living wage which factors in living costs and what is necessary to live a decent life in the UK, significantly above the minimum wage stipulated by law which is set at £8.72 for those over 25. [The living wage](#) is calculated to be £10.85 in London and £9.50 outside of London so after costs are calculated riders pay falls well below this.

Riders attempt to make up for their lack of income by 'multi-apping', which is the practice of working for other competitors. By doing so they are unable to fully focus on providing a good service for Deliveroo as the physical representative of the company and the customer cannot distinguish between the different services. Furthermore, tension between riders over low pay and Deliveroo can put a strain on their relationship with customers and restaurants as they lack the incentive to provide a good service.

Guaranteeing a living wage would incentivise riders to work exclusively for Deliveroo, increase their productivity and loyalty to the company, whilst improving the customer service.



Credit: kaysgeog

SAFETY CONCERNS

Safety concerns are also a constant pressure for delivery riders. The riders are at a high risk for accidents on the road, in particular, because they are encouraged to take risks to deliver orders faster. As an example, Deliveroo offers boost incentives to encourage riders to work during adverse weather conditions, for example during [storms](#). Due to pressures caused by low-pay, riders work in difficult conditions to make up for low earnings and high expenses.

In cities such as London, riders are also at an increasing risk of assault due to the prevalence of moped theft. The Police Foundation have [published a report](#) which highlights the unique vulnerabilities and safety concerns of Food Delivery couriers which go largely unreported. The report found that couriers both lacked confidence in the police and commercial platforms (including Deliveroo) to protect them. The report's key recommendations are that companies like Deliveroo need to improve financial security and workplace protections in order to begin to address these issues.

There have been numerous documented examples of tragic deaths whilst working for Deliveroo. The most recent high profile case was the murder of Takeddine Boudhane in January 2020 in London. Riders' concerns and fears at the time were highlighted in this news article in the [Islington Gazette](#). In Australia, [five riders were killed](#) in the space of two months.



Credit: Yunming Wang

REPUTATIONAL AND FINANCIAL RISK

All the above issues constitute an increasing crisis for human capital management in the company. Many riders do not feel like their concerns are being addressed, which has contributed to a high turnover rate of riders.

There is an increasing awareness of the lack of workers rights at the company with two of the top fund managers in the UK, [Aviva Investors and Aberdeen Standard](#), stating they will not invest in the upcoming IPO due to the investment risk it entails.

The level of discontent is incredibly high and Deliveroo keeps riders at a distance. It is very difficult for riders to lodge concerns and they rarely have the opportunity to speak on the phone to Deliveroo personnel, never mind meet them in person. Many riders have to contend with a difficult email system where they deal with a different person for each inquiry.

In a global study conducted on labour unrest in the Food Delivery sector, Deliveroo accounted for [28.5 % of all global labour unrest](#), far above all other companies. The reputational and financial risks of this kind of industrial action are vast, particularly as the FES report suggests a growing frequency and coordination of labour unrest.

Deliveroo has not taken engagement with the workforce seriously, as demonstrated by their attempt in Italy to make a [collective bargaining agreement with a far-right union](#) who are not representative of the workforce.

The Uber decision and the experience of the pandemic have begun to shift public opinion. Amongst the wider public sphere, [in the USA](#) and [in the UK](#) there is a growing recognition that companies such as Deliveroo need to move forward by addressing worker rights. Investors can play a key role in this process.



Credit: Nick Belanger

**IN THE FOOD DELIVERY
SECTOR, DELIVEROO
ACCOUNTED FOR 28.5% OF
ALL GLOBAL UNREST**

WHAT CAN INVESTORS DO?

- Engage Deliveroo and its ownership around the need for the correct employment status classification of riders and the implementation of a minimum standards guarantee (a real living wage plus costs, holiday pay and sick pay)
- Request the establishment of a fair and transparent appeals for overseeing riders concerns and terminations
- Ask Deliveroo and its ownership to disclose detailed information on working conditions of Deliveroo riders
- Request an independent review of health and safety issues facing riders with the view of improving working conditions
- Ensure that Deliveroo and its ownership actively supports the rights to Freedom of Association and Collective bargaining
- Join coalitions of investors such as ShareAction's Good Work Coalition in the UK or the Human Capital Management Coalition in the U.S. These coalitions address poor and insecure work conditions prevalent across different industries through joint engagement and public statements



Credit: IWGB