



## How Share Schemes can operate within the Gig Economy

David Craddock is a recognised authority in the UK and worldwide on employee share schemes and the author of Tolley's Guide to Employee Share Schemes. In this article, David identifies the role that share schemes can fulfil in supporting the role that gig workers play in the UK economy.

### **H**ow did the Gig Worker emerge and what are the Reasons for going Gig?

According to the Office of National Statistics there were 4.7 million gig workers in the UK in 2019, projected to rise to 7.5 million in 2022. Currently they are estimated to contribute in excess of £20 billion to the UK economy. Although there has always been gig working in the UK, the concept emerged with significance from the 2008 financial crisis as, for some, a decision of choice of independence and, for others, a choice of necessity that had arisen out of the redundancies of the time. The single most widely reported motivation for wanting to work as a gig worker based on accredited survey work with actual gig workers is to introduce flexibility into their lives.

The reasons for wanting the flexibility are many: individuals caring for family members, students wanting flexible work alongside their study programmes, and individuals who want greater control over how their time is spent. The Report of the Department of Business, Energy and Industrial Strategy from February 2018 reports six key reasons for an individual choosing to work in the gig economy: (1) a personal belief that the gig economy is the future of work; (2) as part of a resolution to pursue their dream job; (3) the opportunity to earn additional income while pursuing a specific goal; (4) the opportunity to gain work experience; (5) the desire for working conditions that are better suited to their own health conditions, either mental or physical or both; and (6) the determination to transition to a positive experience from redundancy.

### Are we at the End of the Employment Era?

The answer is: not really but the idea is interesting to explore. James Robertson in his book "The Sane Alternative: A Choice of Futures", heralds the transitional trend away from "the consumer economy" to the so-called "conservative economy" with higher expectations for personal fulfilment. The characteristic of this new economy is on spending less based on a new lifestyle that does not require previous spending and consumption levels. The key lesson to learn from this book is that the business psychology of employees in the modern era is dramatically different from that of previous generations.

The employee share ownership culture that has developed with strength since the introduction of the first tax-approved employee share scheme in 1978 is both a response to and a facilitator of changing expectations within society. Employee share schemes operate to best effect within an infrastructure of human resource policies that enable employees to develop as creative, motivated, and productive employee entrepreneurs within the business that employs them. Ironically, it is individuals with these characteristics who are motivated to become self-employed gig workers. However, their forward-thinking and energetic mindset can be harnessed by the enlightened employer to become high-contributing employees, the entrepreneurial mindset operating within the employing company. ►

## The Challenges of Introducing Share Schemes for the Gig Workers

Available shares are usually rationed by a company to a particular percentage of the share capital, so is allocating shares to a self-employed gig worker share scheme the best use of shares? A decision must be made on the balance of the share allocation to employees compared with the share allocation to self-employed gig workers. The decision must always be driven by the expectations on the contribution to productivity through involvement in the share scheme. If headroom on available shares poses a problem, then a phantom share option scheme, effectively a deferred bonus scheme linked to shares, will meet the requirement, and can be an effective motivator based on the increase in the share value.

Gig workers do not conform to a homogeneous model, with a wide variety of life aspirations and work preferences, so how does the company design a share scheme to be suitable for them all? The share scheme structure for the self-employed gig worker must be kept simple, based on the direct communication of the simple message.

Gig workers are not subject to company training programmes, performance management procedures or internal decision-making committees, so how can the sister

policies to employee share ownership that are required to make worker share ownership work be implemented for the gig worker? It is true that the secret to a successful employee share ownership implementation is to ensure that the programme operates alongside a compatible set of policy initiatives based on employee participation in different forms. All the research in the UK and in the USA supports this position. The share ownership sister policies that remain for the gig workers are: (1) profit-sharing and (2) corporate communications, which, when shared with both employees and the self-employed gig workers alike in the same meeting, can operate as a powerful unifier behind the company's vision.

Gig workers and employees can easily be categorised as separate groups of workers, so how can the attractions of employment be preserved if gig workers have share schemes which have previously been the privileged preserve of the employed workforce? The employment attractions of pension schemes, holiday pay and sick pay remain, together with a perceived safety in employment and the sense of belonging to an entity larger than themselves that they believe mitigates against the risk associated with self-employment. The downside of the perceived categorisation is the development of a defensive form of protectionism by the employee

contingent. The company must always guard against the development of protectionism within its ranks as its effects can be corrosive and, potentially, if left unchecked, threaten the very existence of the company.

## Understanding the Gig Worker's Mindset and Approach to Work

The self-employed gig worker is typically a motivated energetic individual who has mastered to varying degrees, depending on the individual, the integration that is necessary to run "a one-person one-owned business", solving their own problems and managing their own business finances. If the gig worker is running the business through a small company, then the argument can be made that the share capital of the gig worker's own small company is the gig worker's share scheme. The motivation for the gig worker is to grow the value of his/her own personal gig business and to invest its profits in credible investments that will prepare for his/her future. The question then becomes the following: what is the best way to support the gig worker who has found personal freedom in running his/her own business, whether as a sole trader or through a service company? The answer is, in most cases, a gig worker profit-sharing scheme. The gig worker's energy and motivation are usually harnessed to an efficiency and a discipline that the company also needs to see in its employed workforce. The gig worker is an entrepreneur, and respect shown by the company's senior management to the gig worker can be a powerful element to bind the gig worker to the company, even without offering a share scheme arrangement.

## When will a Share Scheme be suitable for a Gig Worker?

The key question to ask is the following: is the primary relationship of the gig worker with the customers or with the supplier? (1) The Customer-Focused Gig Worker: by "customer-focused" is meant that the gig worker is serving a multiplicity of customers from the base of his own operation.





For example, the gig worker has set up a self-employed business providing book-keeping accounting services from home, primarily on a virtual basis. The gig worker will not expect to be involved in a share scheme with his customers although in some circumstances this type of worker is invited to participate in a share scheme arrangement. (2) The Supplier-Focused Gig Worker: by “supplier-focused” is meant that the gig worker is focused and dependent on one major supplier for their work. In these circumstances, there is a propensity for a natural sense of identification with the one supplier company, thereby potentially making some form of share scheme a natural fit. Examples of this type of relationship for which a share scheme could potentially work are with Uber Technologies, Inc. and Deliveroo Holdings Plc, both of which are quoted companies with shares that have a daily public display of their share movement.

### The Purpose of an Employee Share Scheme

The research conducted in the UK and in the USA can be distilled into the following as the reasons for a company introducing an employee share scheme: (1) identification and involvement of employees; (2) motivation and incentive of employees; and (3) retention and recruitment of employees. In the light of the analysis provided in this article, how do these reasons align with the introduction of a share scheme for gig workers who are not employees of the company? For the supplier-focused gig worker, yes, a real possibility, and if the customer-focused gig worker is part of the integral team of the business then in those circumstances also a share scheme may be appropriate. Gig workers are here to stay and, where appropriate, share scheme structures can be created for them.

David Craddock has been advising on employee share schemes and employee share trust arrangements for over 35 years. He advises on every aspect of the implementation process, working personally with the client at each stage, and offering solutions and expertise in all the technical questions that require clarification during the consultation. As an expert share valuer, David is the Technical Secretary and Advisor to the Share Valuation Worked Examples Group that meets quarterly with HMRC. He is also a member of the Steering Committee of The ESOP Centre, Economics Policy Adviser to The Employee Shares Policy Forum and the Educational Director of The ESOP Institute.

DAVID CRADDOCK, MA(Oxon)  
David Craddock Consultancy Services



David Craddock welcomes an opportunity to discuss your Employee Ownership Trust Initiative with you. Please feel free to contact David at:

T: 01782 519925 | M: 07831 572615

E-mail: [d.craddock@dconsultancyservices.com](mailto:d.craddock@dconsultancyservices.com)

Visit: [www.davidcraddock.com](http://www.davidcraddock.com)

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