Copenhagen Economics CE

THE VALUE OF FLEXIBLE WORK FOR LOCAL DELIVERY COURIERS

Evidence from a novel, large-scale pan-European courier survey

Study for Delivery Platforms Europe

November 2021

Preface

In most European countries, couriers working with food delivery platforms are self-employed contractors who work when and where they want. What are the benefits and value of this flexibility? Based on a novel pan-European survey of more than 16,000 couriers, latest public information, as well as new data sought from food delivery platforms, we investigate this question.

Food delivery platforms match restaurants, consumers and couriers. The platforms intermediate deliveries between the consumers and the restaurants, whenever there is demand. The couriers pick up food from restaurants and deliver it to the consumers.

In most European countries, couriers are self-employed contractors that partner with food delivery platforms. Couriers can choose when and where to log into the delivery platforms' apps. Once logged in, the platforms offer couriers delivery tasks to complete, which couriers can accept or reject.

Some policymakers and unions have challenged the "gig economy" model of engaging independent workers and call for a reclassification of platform workers as employees.

In light of this policy debate, Delivery Platforms Europe, on behalf of Bolt, Deliveroo, Delivery Hero, Uber and Wolt, has asked Copenhagen Economics to review how couriers and the economy would be affected if novel laws were introduced that curtail flexible work.

More specifically, this study analyses the following questions:

1. Why do people choose to work under an independent work model as a courier and what are their preferences regarding flexibility?
2. What are the main characteristics of the delivery platforms' business models, and what role does the flexible supply of couriers play in serving demand?
3. What economic value is at risk if the flexible work model had to be abandoned?

To answer these questions, Copenhagen Economics conducted a first of its kind pan-European survey of more than 16.000 couriers[1] and sought data provided by Bolt, Deliveroo, Delivery Hero, Uber and Wolt (hereafter *company data*) as well as other publicly available market size data and industry reports. The pan-European and multi-platform scale of the courier survey as well as similarities in key factors that underpin the study (e.g. the nature of consumer demand and courier work) allow for Europe-wide conclusions, even though the structural conditions of the labour market, laws and traditions vary largely across Europe.

The debate in civic society touches on several important matters and poses valid criticisms related to the independent work model. Some of these questions and concerns are addressed by this study, while others are not. This study focuses on analysing how much economic value flexibility creates in this sector (e.g. in terms of couriers' and consumers' choice and efficiency). While this economic study does not research access to social protection and other aspects (e.g. legal) of labour conditions and models, they remain important issues to assess and discuss alongside the value creation studied here.

1) Surveyed countries include 23 EU countries (except Bulgaria, Denmark, Germany, Luxembourg – due to survey administration challenges) and Norway.

Study findings at a glance

Some policymakers and unions have challenged the "gig economy" model of engaging independent workers and call for a reclassification of independent platform workers as employees. This policy shift would imply a move from a flexible work model (where couriers decide when and where to work) towards an inflexible work model (where the platforms or other employers of delivery staff predetermine hours).

Based on a novel pan-European survey of more than 16,000 couriers, latest public information, as well as new data sought from food delivery platforms, this study analyses:

- Why do people choose to work under an independent work model as a courier and what are their preferences regarding flexibility?
- What are the main characteristics of the delivery platforms' business models, and what role does the flexible supply of couriers play in serving demand?
- What economic value is at risk if the flexible work model had to be abandoned?

Our key findings are the following:

Delivery work is a complementary activity for 72 per cent of couriers and makes up over half of couriers' total income.

Couriers value and actively seek flexible work. Flexibility is the main reason for working as a courier for two thirds of respondents. Over half would seek flexible work elsewhere / start a business if delivery work was not a possibility.

Most couriers prefer a flexible work model over fixed employment. Almost 70 per cent of surveyed couriers would not give up flexibility for fixed schedules even if this hypothetically meant 15 per cent more income.

Flexibility drives the entire ecosystem and benefits consumer. Due to flexibility, couriers can choose their preferred working times and adapt their working hours freely. Due to flexibility in the supply of couriers, platforms can obtain delivery capacity that adjusts rapidly to fluctuations in demand and thus serve a high share of demand efficiently. Food delivery platforms create value for consumers by offering a large choice, convenience and low search costs and create value for the rest of the economy by providing work opportunities, increasing restaurants profits, and productivity. Food delivery platforms in Europe partnered per week with over 375,000 couriers, carrying out over 19m deliveries. We estimate that the **food delivery ecosystem in Europe generated around EUR 20bn revenues in 2020.**

Abandoning the flexible work model would harm couriers. The surveyed couriers estimate that their earnings would on average decrease by around 20 per cent if they could not work as couriers (but seek other types of work or do nothing else instead). If forced to work at hours pre-determined by the employer (e.g. platform) instead of flexible hours, **up to 250,000 of the current couriers would lose the opportunity to work in food delivery.** Under those circumstances, only some, but not all, of these workers will seek work elsewhere.

Based on survey evidence, we estimate that **up to 75,000 couriers in Europe could be entirely discouraged from the workforce** if policy initiatives were to curtail flexible work both in the delivery sector and elsewhere. In short, for many of these couriers more traditional (inflexible) part- or full-time work is not an option. Correspondingly, **up to EUR 800m in earnings for these workers are at stake** if new policies were to curtail flexible work (for analysed scenarios and ranges of impacts see main text).

Abandoning the flexible work model would lead to inefficiencies and harm the entire ecosystem:

- Consumers would pay more for a lower quality service and consumer demand may reduce as a result
- Couriers would have fewer opportunities and lower earnings
- Restaurants would sell less via delivery platforms and likely less overall
- Food delivery platforms would lose business and have additional cost

About this report

Authors:
Dr Bruno Basalisco, Dr Gerdis Marquardt, Jasper Lutz, Morten May Hansen, Sigurd Næss-Schmidt

About Copenhagen Economics

Copenhagen Economics is a specialised economics consultancy and leader in the Nordic region. Our economists provide advice and analyses in the fields of competition, regulation, international trade and impact assessment. We provide hard facts and clear stories, enabling our clients and their stakeholders to make superior decisions based on sound analysis.

We advise companies, authorities and policy makers when market meets regulation and conflicts arise. We help our private sector clients handle conflict cases and guide them on how to prosper through regulatory management. We help our public sector clients evaluate and devise new regulation. We support the judiciary process as court-appointed or party-appointed experts.

In particular, in the area of digital economy, our company has worked on a broad set of research questions of socio-economic importance for a range of public authorities, industry associations, as well as firms across the digital space – starting with a seminal contribution on the value of the EU Digital Single Market over a decade ago.

Founded in 2000, the firm is based in offices in Brussels, Copenhagen, Helsinki and Stockholm and

- is independent and partner-owned
- counts more than 90 employees, mostly with Ph.D. or M.Sc. in Economics
- includes economists from various nationalities / languages: Danish, Dutch, English, Finnish, French, German, Hungarian, Italian, Lithuanian, Norwegian, Portuguese, Romanian, Spanish, Swedish; and
- operates across the world.

A brief note on consultancy research

As is standard in our field of professional services, research is designed so that (i) the client chooses the research question; (ii) we analyse and address the question to the best of our knowledge; (iii) findings and conclusions are our own. Professional services independence is ensured via a diversified portfolio of business, spanning across public sector and private clients across industries.

For further information, see www.copenhageneconomics.com. We remain available for and appreciate any questions or comments.

Executive Summary 1/3

COURIERS' DELIVERY WORK IS A COMPLEMENT TO OTHER STUDY OR WORK ACTIVITIES

In most European countries, couriers are self-employed contractors that partner with food delivery platforms and their task is to pick up food from restaurants and deliver it to end consumers on-demand (or on a "gig" basis). Couriers can **choose when and where** to log into the delivery platforms' apps and whether or not to accept a delivery task.

Based on our survey, we find that **for 72 per cent of couriers, delivery work is a complementary (not primary) activity** besides studies or other full- or part-time jobs.

Couriers report that they **spend on average 23 hours per week on delivery tasks across one or multiple platforms**. The numbers of hours worked can vary on average by up to 42 per cent week by week. Couriers for whom delivery work is a complementary activity besides other jobs or studies work on average 20 hours and couriers for which delivery work is their primary activity work on average 33 hours. Company data suggests that couriers work on average 17 hours per week, which however does not capture multi-apping by the couriers.

The surveyed couriers estimate that on average **54 per cent of their total income stems from their delivery work**.

Cost of living and average earnings differ across European countries. In the EU in 2018, the highest national median gross hourly earnings were 11 times as high as the lowest. Similarly, couriers' gross earnings vary across countries.

The surveyed couriers report that they make an average gross **earning of EUR 1,025 per month** through their delivery work. These earnings are not comparable to earnings from full-time employment but constitute mostly additional income from a complementary activity.

To put the couriers' earnings into perspective, we created a benchmark based on Eurostat-reported minimum wages across EU countries (which vary considerably). For a 23-hour weekly workload, **the European minimum wage benchmark amounts to EUR 875 per month.**

On the one hand, we note that the couriers' average monthly gross earnings across Europe are above this minimum wage benchmark. On the other hand, we also note that comparability is limited as income tax rules can differ and minimum wages may include social benefits in some countries. In addition, costs borne by couriers affect comparability - even if entry costs in many cases may be low (e.g. bicycle, smart phone).

Executive Summary 2/3

COURIERS VALUE THE FLEXIBILITY OF THE INDEPENDENT WORK MODEL

Based on our pan-European survey, we find that delivery work gives couriers flexibility on when and where to work, which they value highly. The results suggest that **a vast majority of couriers prefer a flexible work model over fixed employment**.

Specifically, we find:

- **For two thirds of respondents (67 per cent), flexibility is the main reason for working as a courier.** It allows them to combine delivery work with other work or studies, with caring for family members and is a way to top up another income. Flexibility is also the most liked attribute in working as a courier (for 58 per cent).
- **Over half of respondents (52 per cent) would either seek flexible work elsewhere or start their own business if working as a delivery person was not a possibility**. Thus, couriers actively seek flexible work. Only 25 per cent would look for more traditional full- or part-time work.
- **Most couriers (69 per cent) would not give up flexibility for fixed schedules even if this meant more income**. To investigate how much couriers value flexibility, we asked them to consider a hypothetical scenario where earnings are higher with an inflexible employment model (i.e., up to 15 per cent higher), even though we expect earnings to go down in that scenario. Almost 70 per cent of couriers report that they would still prefer flexible work in that scenario.

FLEXIBILITY DRIVES THE ENTIRE ECOSYSTEM AND BENEFITS CONSUMER

Consumer demand varies across multiple dimensions such as time of day, day of week, location of consumer and restaurant, weather, holidays. The platforms' business model in most European countries rely on self-employed delivery couriers who pick up and deliver food on-demand. Couriers' work is flexible as they can choose when and where to log into the delivery platforms' apps and which delivery tasks to fulfil.

For *couriers*, this flexibility allows them to, not only, **choose their preferred working times**, but also to **adapt their working hours freely**, even last minute. In addition, couriers can actively choose to work in times where customer demand is high and platforms' compensation is particularly attractive, supported by platform tools.

For the *platforms*, flexibility in the supply of couriers ensures that **delivery capacity rapidly adjusts to fluctuations in demand** and allows platforms to use price incentives to encourage couriers to accept offers of work when demand spikes. Thus, platforms can serve a high share of demand efficiently.

Food delivery platforms **create value for consumers by offering a large choice, convenience and low search costs**. In 2020, consumers spent in total EUR 1.6 bn on delivery fees (excluding tips) and received their food order within 29 minutes on average.

Food delivery platforms also **create value for the rest of the economy by providing work opportunities, increasing restaurants profits, and productivity.** Food delivery platforms in Europe partnered per week with over 375,000 couriers, carrying out over 19m deliveries with an average order value of EUR 19.

Based on this evidence, we estimate that **the food delivery ecosystem generated around EUR 20bn revenues in 2020.**

Executive Summary 3/3

ABANDONING THE FLEXIBLE WORK MODEL WOULD HARM THE ENTIRE ECOSYSTEM

Some policymakers are calling for a re-classification of currently independent, self-employed couriers as employees. While debate is ongoing on how exactly the delivery work should/would be organised in that case, it will be impossible to uphold the same level of flexibility for the couriers or the platforms.

In such a case, the potential employers of couriers (which could be the platforms but also employment agencies, delivery firms or the restaurants themselves) will determine the hours in which couriers work as well as where they work. Having less influence over when and where to work, employed couriers may find it difficult to combine delivery work with other jobs or studies.

Negative impact of a policy shift on couriers

Based on our survey, we find that a policy shift towards an inflexible employment model would have the following impacts on couriers' ability to work as a delivery person and their earnings.[1]

The surveyed couriers estimate that their **earnings would on average decrease by around 20 per cent if they could not work as a courier** but seek other types of work instead or do nothing else.

Up to 250,000 of the current couriers could lose the opportunity to work in delivery, if forced to work at hours pre-determined by the employer, because i) they will not be able to commit any or part of the currently worked hours; or ii) they may not be available at the times pre-determined by an employer. Under those circumstances, only some, but not all, of these workers will seek work elsewhere. However, it is not guaranteed that opportunities elsewhere are available for those seeking them.

Based on survey evidence, we estimate that, **up to 75,000 couriers could be entirely discouraged from the workforce** if policy initiatives were to curtail flexible work both in the delivery sector and elsewhere. Correspondingly, **up to EUR 800m in earnings for these workers are at stake**, if new policies were to curtail flexible work (for the scenarios built based on survey evidence and analysis of impact ranges see below).

Inefficiencies from a policy shift and their impact on the food delivery ecosystem

Pre-determining in which hours couriers shall work under a fixed employment model, platforms face a cost/quality trade-off between meeting all demand while facing high courier idle time (thus higher cost for consumers and restaurants) or meeting less demand while decreasing courier idle time (thus lower service quality for consumers and restaurants).

Thus, in addition to the loss of flexibility and the associated loss in earnings and work opportunities for the couriers, a policy shift towards an inflexible employment model may also lead to inefficiencies, harming the entire ecosystem:

- Consumers would pay more for a lower quality service and consumer demand may reduce as a result
- Couriers would have fewer opportunities and lower earnings
- Restaurants would sell less via delivery platforms and likely less overall
- Food delivery platforms would lose business and have additional cost

To test the above economic findings, we developed a stylised model based on industry facts. While this model does not capture the full range of effects (and may thus underestimate the effects), it tests two scenarios where hours are pre-determined by the platform or other employers of delivery staff. Both scenarios lead to sub-optimal performance and demand-side effects resulting in negative outcomes for couriers, restaurants and consumers.

1) The net impact of a policy change will depend on the overall labour market equilibrium and include those that are currently not working as a couriers but may chose to do so after the policy shift. Those are not in our survey scope and thus outside of our analysis.

1	Couriers value the flexibility of the independent work model
2	Flexibility drives the entire ecosystem
3	Abandoning the flexible work model would harm couriers
Appendix	

1
COURIERS VALUE THE FLEXIBILITY OF THE INDEPENDENT WORK MODEL

- **Couriers work with food delivery platforms who match restaurants, consumers and couriers on-demand**
- **Courier work is a complementary activity besides other jobs or studies for most couriers**
- **Couriers vary the number of hours worked from week to week**
- **Only half of couriers' total income stems from their delivery work**
- **Delivery work provides a lot of flexibility for the couriers, which they value highly**
- **Couriers prefer flexibility over a fixed schedule**
- **Flexibility allows couriers to fit their delivery work to their lifestyles and other commitments**

Couriers work with food delivery platforms who match restaurants, consumers and couriers on-demand

Food delivery platforms are intermediaries in a three-sides market that match restaurants, consumers and couriers for the delivery of food via their digital platforms.[1]

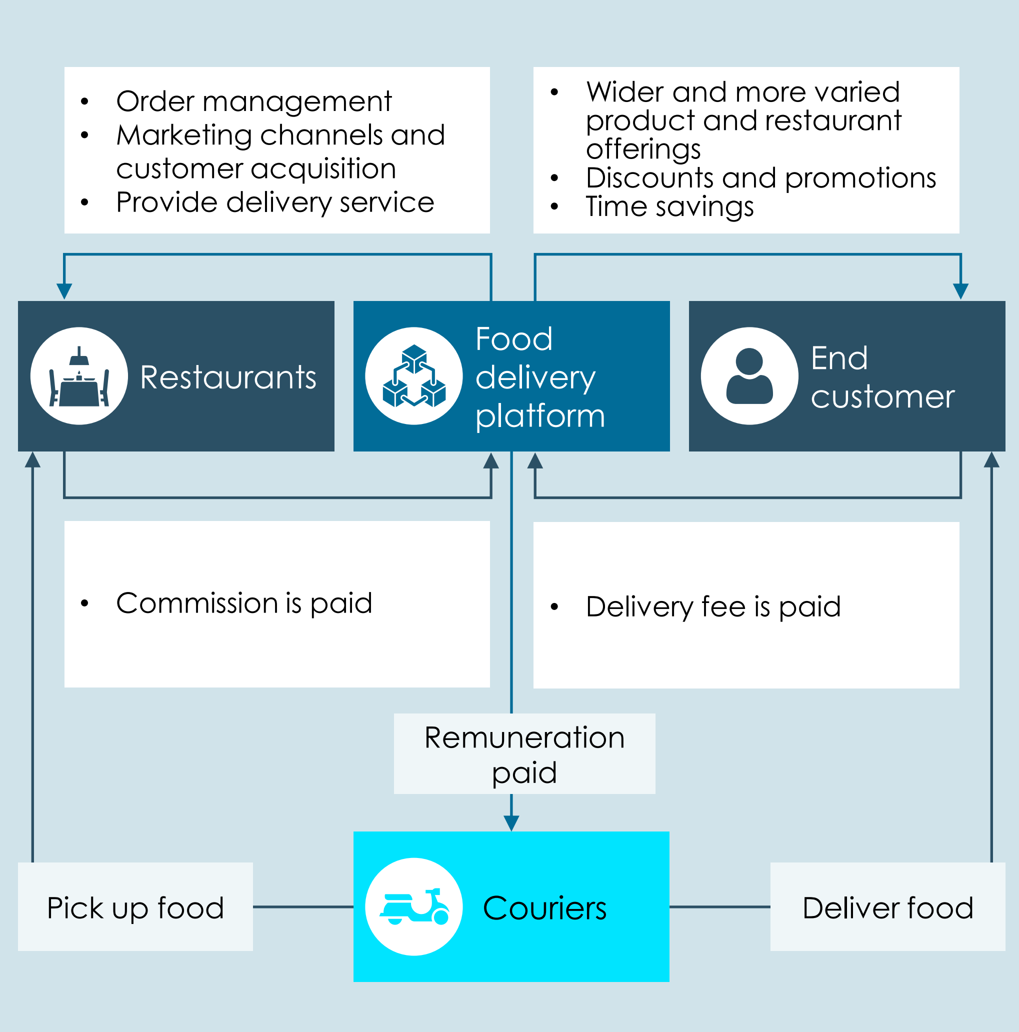
On the **restaurant side**, food delivery platforms manage the orders, provide a marketing channel and take care of the delivery. The restaurants pay the platforms a commission to list their services on the platform and for the delivery service provided (in most cases).

On the **customer side**, food delivery platforms make a wider and more varied product and restaurant choice available and facilitate time savings compared to ordinary food pick up at the restaurant location. In addition, the platforms provide discounts and promotions to the customers.

Food delivery platforms partner up with independent **delivery couriers**, who pick up food from restaurants and deliver it to end consumers on-demand (or on a "gig" basis). For this service, delivery platforms remunerate their couriers. How couriers are paid varies across companies and countries. Factors that affect the couriers' payment are typically the number of drops in each delivery, the distance from the restaurants and to the customer, and deliveries during peak times ("surge pricing").[2]

The four players (platforms, restaurants, customers and couriers) in the food delivery ecosystem are intertwined and policy interventions related to any player may have spillover effects on the entire ecosystem. We show in this study that by changing the employment model for couriers, the entire ecosystem may be harmed.

Ecosystem of food delivery platforms, which provide home delivery services



Source: Copenhagen Economics, based on Adigital (2019)

1) Similar business models apply to delivery of other local products but is outside the focus of this research./ 2) As exception to mainstream business practice, some platforms specialise in two-sided matchmaking and match only restaurants and consumers. In this case, either the restaurant provides or procures the delivery service, or the consumer has to invest time and resources to collect the food when it is ready.
Source: OECD (2019, p.6); Adigital (2019, p. 5-6)

Courier work is a complementary activity besides other jobs or studies for most couriers

For 72 per cent of respondents, courier work is a complementary activity, see figure below. Besides their work with the delivery platforms, those couriers spend their time on other jobs, studies or other responsibilities.

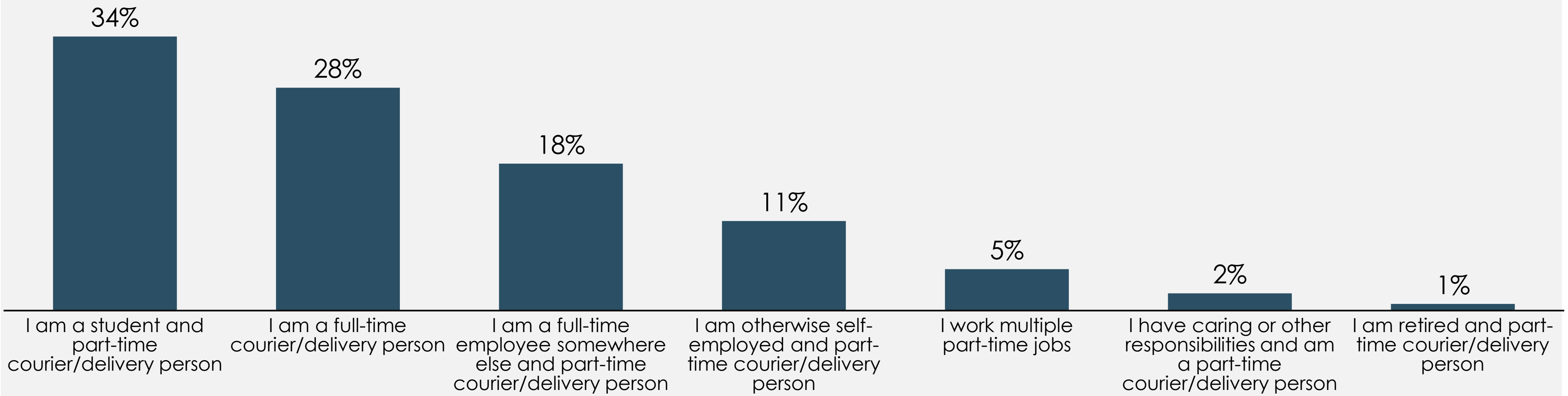
- Over one third of the respondents are students.
- Another third are using their delivery work to top up income from another full- or part-time job as well as self-employment.

Only for 28 per cent, courier work is their primary activity.

While most couriers only work at present for one food delivery platform, **one third of couriers (32 per cent) work for multiple platforms simultaneously**. This is possible as the couriers decide when to log into a specific app and when to accept a delivery task. Thus, couriers may be logged into several apps at the same time or alternate between apps in order to secure the best fares at a given time. It is also possible for couriers to try and switch from working for one platform to another one.[1]

Couriers' activities

Per cent of respondents



Note: Numbers do not add to 100 per cent because of rounding. We are only considering those couriers who chose to answer this question.

Source: Copenhagen Economics, Food delivery courier survey, see Appendix slide 8 for details.

Couriers vary the number of hours worked from week to week

Based on the survey responses, we estimate that **couriers work on average 23 hours per week**, see figure below.[1] Couriers for which delivery work is a complementary activity besides other jobs or studies (72 per cent of couriers[2]) work on average 20 hours and couriers for which delivery work is their primary activity (28 per cent of couriers[1]) work on average 33 hours, see upper figure.[3]

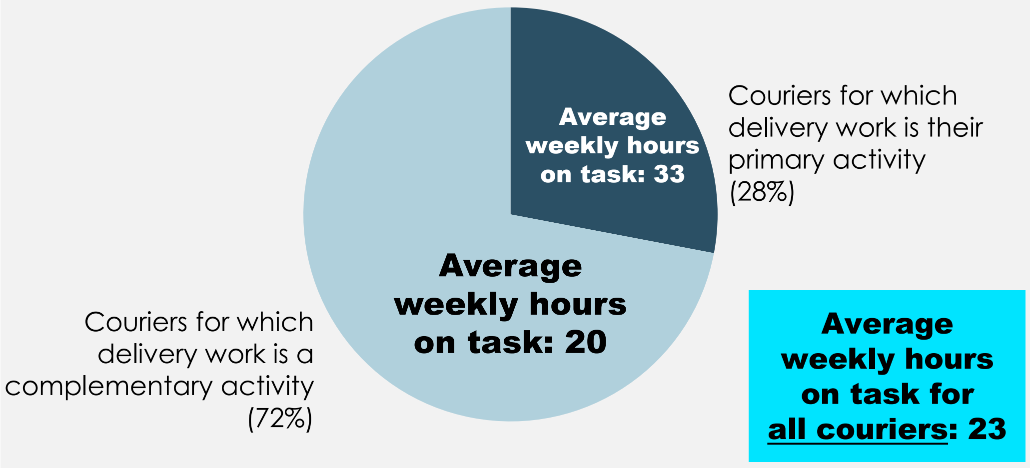
Company data suggests that couriers work on average 17 hours per week, which is below what couriers report in the survey. This reinforces the finding that couriers work for multiple apps which increases worked hours and is not captured by company data.

The number of hours that couriers work is not the same every week and couriers vary the number of hours they work week by week. Considering all couriers, in weeks with most hours, couriers work on average 25 hours; in weeks with least hours (not taking into account holiday breaks), they work on average 15 hours. Thus, **weekly working hours can on average vary up to 42 per cent between weeks**.

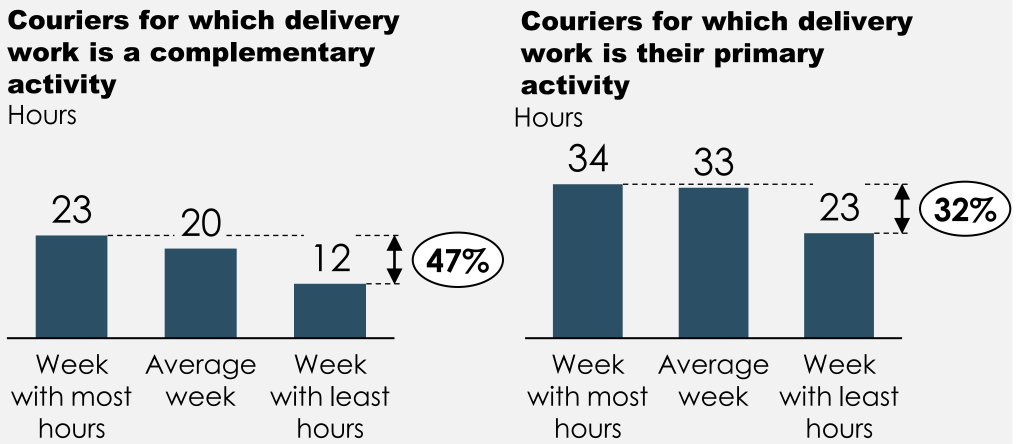
- Couriers for which delivery work is a complementary activity besides other jobs or studies vary the number of hours per week even more, i.e. by up to 47 per cent, see bottom left figure.
- Couriers for which delivery work is a primary activity vary working hours still considerably, i.e., by up to 32 per cent, see bottom right figure. Moreover, they on average select to work 23h in the week with least hours.

This illustrates the flexibility that couriers have in deciding on their working hours.

Average weekly hours on task, couriers for which delivery work is a complementary vs. a primary activity



Variation in average hours on task per week



Note: Rounded numbers presented but percentages calculated based on actual numbers.

1) This is defined as hours active on a delivery task. 2) See slide 11. 3) It is also likely that the couriers that took part in the study are the ones that are more engaged with the platforms.
Source: Copenhagen Economics, Food delivery courier survey, see Appendix slide 8 for details.

Only half of couriers' total income stems from their delivery work

Cost of living and average earnings differ across European countries. In the EU in 2018, the highest national median gross hourly earnings were 11 times as high as the lowest. Adjusted for price levels, the highest average was still four times as high as the lowest average.[1] Similarly, we also find that couriers' gross earnings vary across countries.

On average across Europe, the surveyed couriers report that their gross earnings from work with food delivery platforms **EUR 1,025 per month.[2]** These earnings are not comparable to full-time earnings as for 72 per cent of couriers, delivery work is only a complementary activity.

In fact, the surveyed couriers estimate that **on average 54 per cent of their total income stems from their delivery work** (considering all other sources of income).

We also note that earnings presented here are gross earnings and do not include any costs borne by the couriers - even if entry costs in many cases may be low (e.g. bicycle, smart phone).

Minimum wage benchmark[2]

To put the couriers' earnings into perspective, we created a benchmark based on Eurostat-reported minimum wages across EU countries (which vary considerably). The resulting minimum wage benchmark for Europe is EUR 8,76 per hour.[3]

For a 23-hour weekly workload, the European minimum wage benchmark amounts to monthly earnings of EUR 875.[4]

We acknowledge that couriers' average monthly gross earnings across Europe, as found in our survey, are above this benchmark. However, we also note that comparability is limited.

Couriers' earnings are gross earnings and for example do not consider any costs borne by couriers - even if entry costs may be low in many cases. In addition, minimum wages may include social benefits in some countries. Also, income tax rules may differ when comparing earnings from employment at minimum wages and earnings from self-employment.

1) Eurostat (2021) Wages and Labour cost 2) See Appendix slide 11 for details. 3) See Appendix slide 12 for details. 4(Calculated as EUR 8.76 * number of weeks per month (365/7/12) * 23 weekly hours = EUR 875.

Delivery work provides a lot of flexibility for the couriers, which they value highly

Two thirds of all respondents (67 per cent) say that having work that allows for flexible working hours is one of the main reasons to work as a courier, see figure below. Even for those couriers which perform delivery work as a primary activity and thus work more hours, flexibility is important (57 per cent of those say the main reason to work as a courier is flexibility).

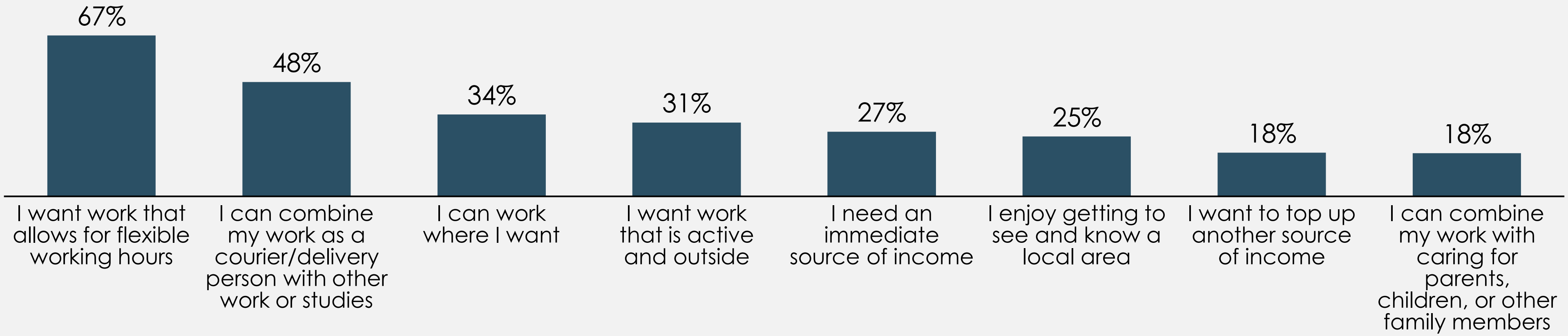
Almost half of the respondents (48 per cent) state that they work as a courier because it allows them to combine this work with other work or studies. For 18 per cent of couriers, delivery work is a way to top up another income. Being able to combine delivery work with caring for family members is for 18 per cent of respondents an important reason to work as a courier. For over one third of couriers (34 per cent), it is important that they can decide *where* to work, see figure below.

In addition, we asked couriers which attributes about their work as a courier they liked the *most*. **58 per cent of respondents like flexibility the most.** The second most liked attribute (with 13 per cent) is that couriers work for themselves instead of for a boss. The third most liked attribute (with 8 per cent) is that courier work is active and outside work.

We also asked couriers how the flexibility in the food delivery sector compares to other jobs. **83 per cent reported that courier work provides much more (65 per cent) or somewhat more flexibility (18 per cent)** than other jobs.

We also find that **couriers actively seek flexible work**. We asked couriers what they would do if working as a delivery person was not a possibility. Some 44 per cent of couriers report that they would seek flexible work elsewhere and 14 per cent would start their own business. Only 20 per cent would look for more traditional full- or part-time work and the rest would be unemployed or do nothing else. However, we note that it is not guaranteed that opportunities elsewhere are available for those seeking them.

Main reasons to work as a courier



Note: Multiple answers were possible. Includes answers by all couriers.

Source: Copenhagen Economics, Food delivery courier survey, see Appendix slide 8 for details.

Couriers prefer flexibility over a fixed schedule

We asked couriers to consider a hypothetical scenario where earnings are higher with an inflexible employment model (even though we generally expect earnings for couriers to go down if courier work were reclassified as employment[1]). We then asked couriers whether, in this case, they would still prefer to work flexibly. This allows us to investigate how much couriers value flexibility.

Specifically, we have asked couriers to consider a hypothetical scenario, where they can choose between the following options:

- Having flexibility to choose their own hours but earn the same amount per hour than they do now
- Working a fixed schedule but have more consistent weekly earnings at a [X] level than they do now

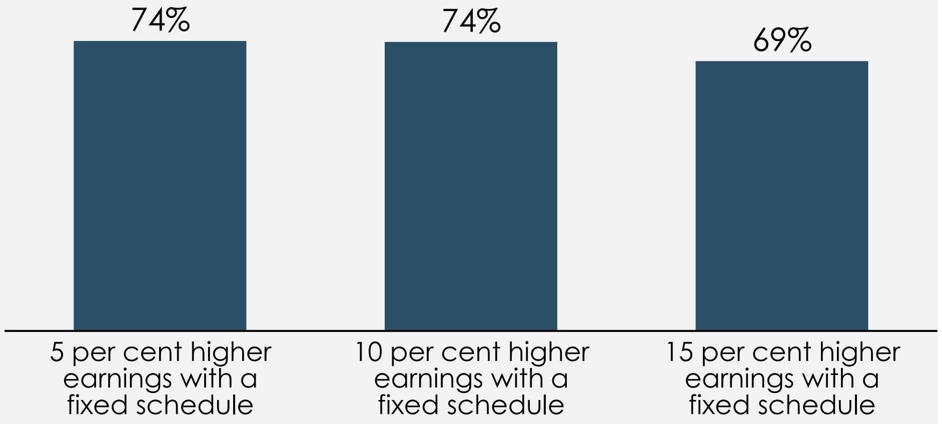
[X] was randomly picked for each respondent ranging from "15% lower level" to "15% higher level" in five per cent increments. These are significant changes, measured in increment, in order to test the value of flexibility in response to a potential change in earnings.

We find, most couriers (69 per cent) would still prefer flexibility over a fixed schedule even if they were be able to earn 15 per cent higher income with a fixed schedule, see figure to the right.

This demonstrates that even if couriers could hypothetically earn more money abandoning flexible work, most couriers would still not want to give up flexibility.

Share of couriers which prefer flexibility over a fixed schedule even if earnings with a fixed schedule would increase by 5/10/15 per cent

Per cent of respondents



Note: In each group, we had between 2,748 and 2,847 completed responses.

1) See for example evidence from in Italy (Start Magazine (2021), Tutti i riders sono a favore dell'assunzione?) or evidence from Spain (Wired (2021) Spain had a plan to fix the gig economy. It didn't work)
Source: Copenhagen Economics, Food delivery courier survey, see Appendix slide 8 for details.

Flexibility allows couriers to fit their delivery work to their lifestyles and other commitments

I don't have a boss to tell me what to do or something and I can work when I want and how long I want.

Croatia, age 18-24

I can at any given time just pack things and spend a week in the wilderness.

Finland, age 25-34

No fixed hours, no fixed commitment.

Netherlands, age 18-24

I can choose my own time next to my study time, and when the weather is not good, I always have an option to just stay at home.

Netherlands, age 25-34

I'm a musician and working flexible hours suits me perfectly.

France, age 45-54

Most jobs don't offer 3-hour shifts, for example, and as a university student, sometimes, 3 hours a day is all the time I have for work.

Estonia, age 18-24

I like to work as independent entrepreneur.

Netherlands, age 18-24

I work when I want and earn as much as I want.

Italy, age 55-64

Source: Copenhagen Economics, Food delivery courier survey.

2
FLEXIBILITY DRIVES THE ENTIRE ECOSYSTEM

- **The platform ecosystem can cope efficiently with unexpected and fluctuating demand thanks to the flexible supply of couriers**
- **The European food delivery market relies on couriers as partners to generate revenues**
- **Food delivery platforms create value to consumers and the economy as a whole**

The platform ecosystem can cope efficiently with unexpected and fluctuating demand thanks to the flexible supply of couriers

Consumer demand for food delivery varies across multiple dimensions, e.g. time of day, day of week, location of consumer, location of restaurant, weather, holidays, events and any other activity that affect consumer preference for eating in/out. Any unexpected events make demand unpredictable for the food delivery platforms. Consumers do not give advance notice or make reservations on when and where they order food and whether the order is big or small.

In most European countries, **couriers are self-employed contractors** who partner with food delivery platforms and pick up food from restaurants and deliver it to the consumers. Couriers can choose when and where to log into the delivery platforms' apps. Once logged in, the platforms offer couriers delivery tasks depending on when consumers place orders, using innovative matching algorithms[1]. The couriers can accept or reject the delivery tasks.

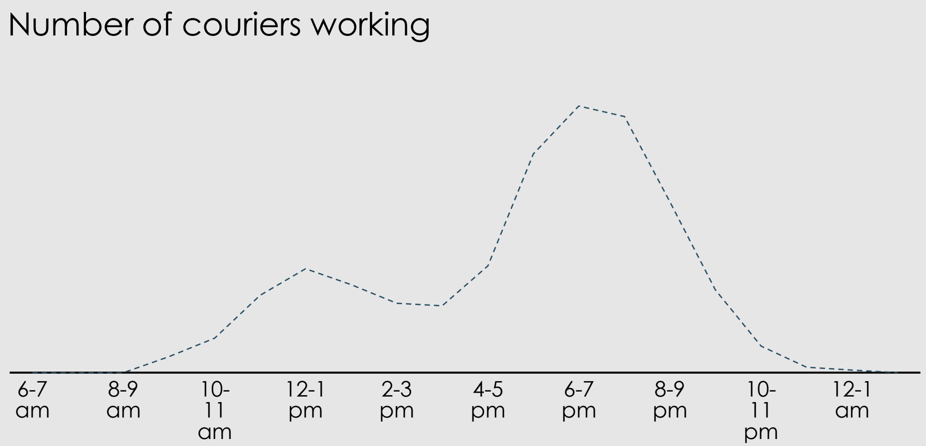
For couriers, this **flexibility implies that they can adopt different schedules from week to week** and are even able to make last-minute changes to their schedule. The value of flexibility is thus not just being able to choose preferred working times but also the ability to vary working hours. In addition, couriers can **actively choose to work in times where customer demand is high and compensation is particularly attractive** (due to higher hourly earnings). Some platforms provide tools which help couriers to identify high demand times and areas.[2]

For platforms, this flexible supply of couriers implies that **delivery capacity rapidly adjusts to fluctuations in demand**[1]. Thus, the number of couriers that are "at work" varies throughout the day and follows the variations in demand. The figure to the right exemplifies the variation in demand on an example day.

In peak times, the platforms can serve consumer demand without extensive waiting times.[3] In off-peak times, fewer couriers are working for the platforms and can instead pursue their other jobs, studies etc.

Thus, the **flexibility of the independent work model generates efficiencies** and as delivery platforms and couriers can be flexible to meet demand peaks and unexpected demand, **a high share of demand can be served**, to the benefit of consumers and restaurants. At the same time, the model allows couriers to freely choose and adapt their working hours.

Example: Number of couriers completing delivery tasks by time of day, on an average day



Source: Copenhagen Economics based on company data.

1) OECD (2019, p.6, para 19 and 40) 2) Katsnelson & Oberholzer-Gee (2021) 3) For example, studies based on Uber's ridesharing service showed that compared to traditional taxi drivers, Uber's capacity utilisation is 50 per cent higher, and waiting times for customers are significantly shorter. (Cramer & Krueger, 2016)

The European food delivery market relies on couriers as partners to generate revenues

In Europe in 2020

- Food delivery platforms partnered with **at least 375,000 active couriers** on average per week.[1] The number of couriers partnering with the platforms over the course of a year is even higher.
- Couriers worked for over 413 million hours[2]

19.4 m
Deliveries per week[2]

EUR 19
Average order value[3]

29 min
Average delivery time from consumer payment of order[3]

EUR 1.6 bn
Consumers' yearly total spending on delivery fees, excl. tips[2]

EUR 20 bn
Yearly revenues of the food delivery ecosystem[4]

1) Number of active couriers from company data scaled to the entire market (all EU countries and Norway), see Appendix slide 9 for details. 2) Company data scaled to the entire market (EU countries and Norway), see Appendix slide 8 for details. 3) Excludes delivery fee; calculated based on company data. 4) Estimate calculated as number of deliveries per year (1bn) times average order value (EUR 19) plus yearly consumer spending on delivery fees (1.6bn).

Food delivery platforms create value to consumers and the economy as a whole

Value to consumers

Platforms minimise search costs.

- Delivery platforms enable consumers to easily compare restaurants, menus, prices etc. and to find new places.[1]

Platforms provide a large choice and variety.

- Delivery platforms offer a large choice of different restaurants across various neighbourhoods[1], and make it easier for consumers to discover new restaurants.
- Food delivery is also increasingly taken up by bars and cafés.[3]

Platforms are convenient and time-savers for consumers.

- Today's dynamic lifestyles demand more convenience, and consumers perceive delivery platforms as more convenient than other forms of takeout.
- Consumers can get a fast food delivery whenever it suits them and can thus reprioritise other time-consuming daily activities.
- 32-42 per cent of consumers choose to order food because they don't feel like cooking or are short of time.[2]
- In Europe, the average delivery time was only 29 min in 2020, see slide 19.

Value to the economy as a whole

Platforms create work opportunities.[4]

- Delivery platforms help many people to generate an income. This was especially pronounced during the COVID-19 pandemic.[5]
- In Europe in 2020, delivery platforms partner with at least 375,000 couriers per week, see slide 19.
- The delivery platform ecosystem contribute significantly to GVA in European countries.[3,5]

Platforms enable efficiencies and market access and thus increase productivity

- Delivery platforms increase efficiencies by better matching supply to varying and unpredictable demand, see slide 18.
- Delivery platforms increase restaurants' geographical reach and create economies of scale/better asset utilisation.[1]
- Thus, delivery platforms improve restaurants' productivity. By lowering restaurants' unit costs of sales, delivery platforms help restaurants in leveraging their production capacity.
- Delivery platforms increase restaurant sales by around 20 per cent,[2] with resulting profit increases of EUR 220m in the UK, EUR 36m in Spain and EUR 18m in France.[1]

1) Adigital (2019) 2) Deloitte (2019) 3) Adigital (2020) 4) OECD (2019) 5) Capital Economics (2020)

3

ABANDONING THE FLEXIBLE WORK MODEL WOULD HARM COURIERS

- **The employer would have to determine when and where couriers work**
- **Many couriers would not be able to continue working as a courier at predetermined hours – which has work displacement effects**
- **Thousands of couriers would lose income and may be discouraged from the work force**

The employer would have to determine when and where couriers work

Some **policymakers are calling for a re-classification of currently independent, self-employed couriers as employees**. Debate is ongoing on how exactly the delivery work should/would be organised if couriers had to be hired under a more traditional employee relationship. In any case, it would not be possible to uphold the same level of flexibility for couriers and platforms.

In such a case, the employers of couriers could be the platforms themselves but also employment agencies, delivery firms or restaurants. Any of these prospective **employers will determine working hours and time for the couriers** while guaranteeing a certain pay.

Taking other sectors with demand fluctuations as an example, such as taxi companies and restaurants (in-house dining), it is unlikely that employers will allow employed couriers to drop in and out of work when they want and without notice. In retail, it is common that the employers decide the hours that part-time employees work on short notice (sometimes only a week in advance) and change the hours from week to week.[1]

Thus, irrespective of who hires them, **couriers will lose the flexibility to freely choose when to work**. In addition, couriers will likely also **not be able to choose where they work** and which trips/routes to take.[3] Having less influence over when and where to work, employed couriers may find it difficult to combine delivery work with other jobs or studies.

Due to couriers' inability to work at predetermined hours set by the platform/ employer, a policy shift may lead some couriers to stop working as a delivery person.

The current flexible work model

- Couriers freely choose the hours they want to log in to the app, ready to receive delivery requests. They choose which delivery tasks to accept, in terms of time and location.
- Couriers can adopt different schedules from week to week and also actively choose to work in times where customer demand is high (and thereby increase their hourly wage).
- Couriers are paid by task.
- A high share of demand can be served as delivery platforms and couriers can be flexible to meet demand peaks and unexpected demand.

Prospective inflexible employment model

- The employer would determine the time, duration and location of delivery work.
- Pre-planning time, potentially one week up to several weeks in advance of working a shift, would become a necessity for couriers, and employers (e.g. restaurants, food delivery platforms, delivery firms, employment agencies).
- Couriers would have a guaranteed pay for the determined shift.

1) Katsnelson & Oberholzer-Gee (2021) 2) See also Wired (2021) 3) see evidence from policy shift in Geneva Uber (2020) .

Many couriers would not be able to continue working as a courier at predetermined hours – which has work displacement effects

The couriers estimate that if they could not work as a courier - but seek other types of flexible or inflexible work or do nothing else (i.e. seek their next best alternative) – their **income would on average decrease by around 20 per cent.** As shown below, **this loss in earning potential affects up to 250,000 couriers Europe-wide.**

We asked couriers whether they would be able to commit no/less/the same or more hours compared to the status quo if delivery work would entail working a fixed number of predetermined hours. Some 41 per cent of couriers report that they would either not be able to commit any fixed number of hours every week (26 per cent) or fewer hours than they are currently on average logged into the app (15 per cent), see figure to the right.

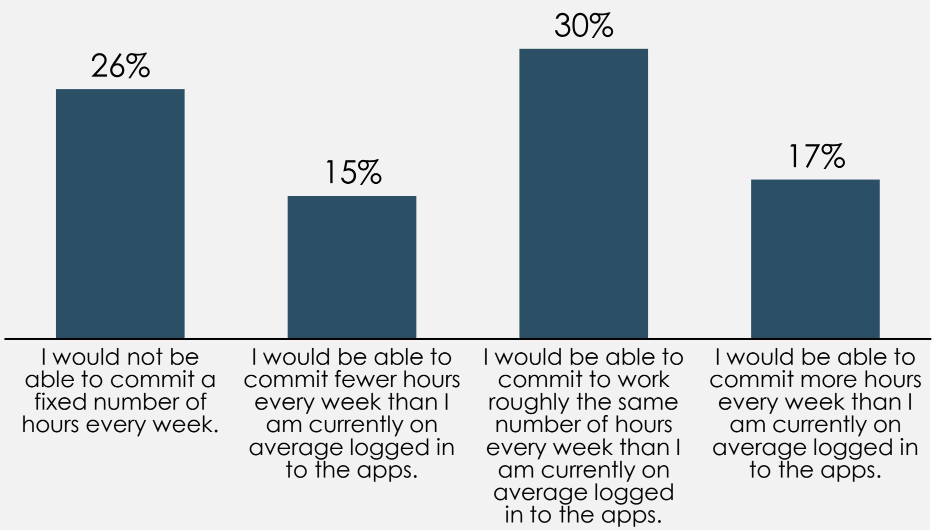
Those couriers will likely not be able to work for the platforms if this would entail committing to pre-determined fixed hours. Considering that platforms partner with 375,000 active couriers on average per week, this suggests that **100,000** (lower bound scenario) **or 150,000** (medium scenario) **couriers in Europe**[1] **could lose the opportunity to work as a delivery person** besides other jobs, studies etc.

This number may even be higher. An additional 30 per cent of couriers report that they would only be able to commit the same number of hours. Some of these couriers may also lose some courier work if the fixed employment model would require them to work more hours than they are currently logged into the app or if the working times set by their future employers (platforms, employment agencies, restaurants, delivery firms) are not convenient/doable for the couriers.

Thus, the total number of couriers **who could lose the opportunity to work as a delivery person would amount to 250,000** (upper bound scenario).[2] The above figures are gross impacts: a part of these displaced workers expect to find other work, while others do not (see next slide).

Share of couriers that would be able to commit no/less/the same/more hours compared to the status quo if they had to work a fixed number of predetermined hours

Per cent of respondents



Note: Numbers do not add to 100 per cent as some couriers chose not to answer this question.

1) Calculated as 26 and 15 per cent of 375,000 couriers. This number may be even higher since some couriers only sporadically log into the apps and are thus not captured. See Appendix slide 13 for details. 2) See Appendix slide 13 for details.

Source: Copenhagen Economics based on courier survey results.

Thousands of couriers would lose income and may be discouraged from the work force

As a gross impact, we found that between 100,000 and 250,000 couriers in Europe could be displaced and lose the opportunity to work as a delivery person when employers determine the couriers' working hours and times (see previous slide). In the following, we analyse the net impact, which is the key effect.

We find that **up to 75,000 couriers could be entirely discouraged from the workforce if policy initiatives were to curtail flexible work** both in the delivery sector and elsewhere. Correspondingly, **up to EUR 800m in couriers' earnings are at stake.**

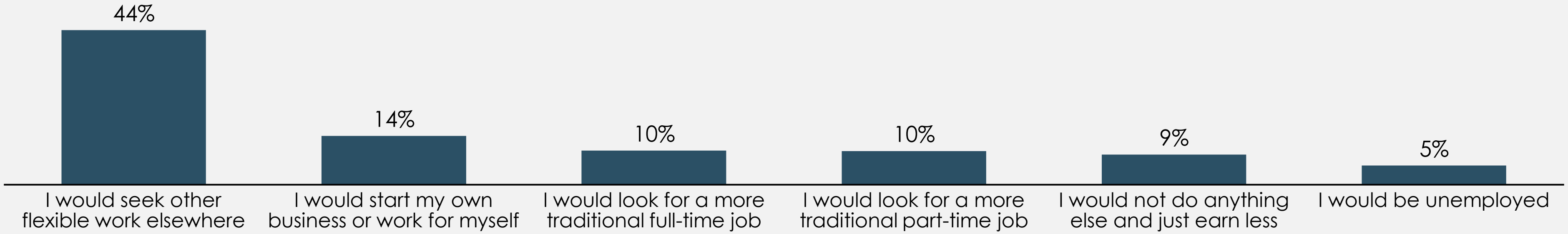
We asked couriers what they would do if they could not work as a courier and how their income would change. Of those couriers who would likely not work as a delivery person (if delivery work would entail working a fixed number of pre-determined hours), 9 per cent would do nothing else and 5 per cent would be unemployed, see figure below. This suggests that **14,000** (lower bound scenario) or **35,000** (medium scenario) **couriers in Europe could be discouraged from the work force**.[1]

An additional 40,000 couriers could be affected by the policy shift if policy initiatives would also curtail other types of flexible work. Thus, the **total number couriers discouraged from the workforce could be as high as 75,000** (upper bound scenario).[1] Over half of couriers would seek flexible work elsewhere (44 per cent) if delivery work were not a possibility, see figure below. This confirms that couriers actively seek flexible work. If delivery work would become inflexible, those couriers that chose delivery work because of its flexibility would lose out. Whether or not they would be able to replace flexible courier work with other flexible work is also not definite; particularly if other existing forms of flexible self-employed work would also be reclassified as employment. Besides, more traditional full-or part-time work may only be an alternative for some of these couriers.

We estimate a lost earning associated with the couriers discouraged from the workforce. Based on the survey evidence, **EUR 160m** (lower bound scenario) **or 300m** (medium scenario) **of couriers' earnings in Europe are at stake** if policy initiatives were to curtail flexible work in this sector.[2] If policy initiatives would also curtail other types of flexible work and if the only alternative option for workers who seek flexible work would be to leave the workforce, then an additional EUR 500m earnings are at stake. Thus, the **total couriers' earning's loss could be as high as EUR 800m if policy initiatives were to curtail flexible work** (upper bound scenario).[2]

Alternatives to delivery work for those couriers who would commit fewer or no hours at all

Percent of respondents



Note: Numbers do not add to 100 per cent as some couriers chose not to answer this question.

1) See Appendix slide 13 for details. 2) Calculated based on the average monthly earning of EUR 1,025, see Appendix slide 14 for details.
Source: Copenhagen Economics based on courier survey results.

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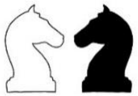
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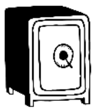
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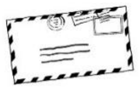
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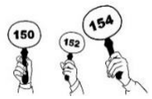

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