

Calculating fair remuneration in the gig economy

In today's economy, with its variety business models, it's impossible to take a one-size-fits-all approach when deciding what is fair pay for workers.



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The gig economy (also known as the 'sharing' economy) has been in the media quite recently. Issues related to Uber drivers in the United Kingdom, for example, is just one example of how the digitisation of services, globalisation and the rise of independent contractors are changing the way we differentiate between 'employees', 'service providers' and 'contractors'.

Cathie Webb, Director of the South African Payroll Association, says owing to available business models today varying greatly, it would be nearly impossible to create a one-size-fits-all approach that would apply to all workers. Despite this, the focus, should be on ensuring that people are compensated fairly and legally protected in our changing, increasingly flexible economy.

Why payment and accountability becomes a complex issue

"The reason why it's difficult to create a clear-cut payment strategy for gig workers is because there are different types of working situations. A worker could be using an international app to find work and deliver products or services and there wouldn't necessarily be a local intermediary company involved, which would make payment accountability a more complex legal issue," says Webb.

The United Kingdom recently ruled that Uber drivers aren't 'self-employed' and should earn the national living wage. This decision has been appealed and negotiations are ongoing, but it highlights the way that many businesses may need to change their models and definitions regarding 'employee' vs 'contract worker'.

Other examples of the gig economy are running smoothly. Etsy allows craftsmen to market their products to an audience that they wouldn't normally be exposed to and Fiverr.com enables professionals to share their skills in an international marketplace.

"These are easier gig economy scenarios because an invoice is sent to a customer and the intermediary or website takes a cut. This is like paying rent for a shop floor space," says Webb.

Clarity in work contracts are needed

In South Africa, the national Income Tax Act has guidelines to establish whether a person is in standard or non-standard employment, along with guidelines as to how these workers should be compensated and taxed. One of the key elements is ensuring that the employment contract is correctly formulated.

"Essentially, if someone is giving one's capacity to serve at the disposal of the company, that person is an employee. If the person is producing a product or providing a service for a company, then the person is a private contractor. This detail should be clearly defined in the contract between the two parties," says Webb.

There are also many other guidelines by the South African Revenue Service that can be used to test whether a person is an independent contractor or an employee. The number of hours spent on the company's premises, the amount of supervision that is required by the company, and whether the contractor employs additional people, for example, can indicate whether a worker should be submitting invoices each month or should be paying to Pay As You Earn (PAYE) tax.

"This is a complex issue and there will undoubtedly be many more conversations around the compensation and benefits that apply to gig economy workers. What needs to be determined is whether the gig economy worker is as free as we believe to manage their own output, deliverables, and earnings," concludes Webb.

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