

Gig economy risks for small business owners

The gig economy is not only benefiting individuals but also businesses that are embracing this technologically enabled approach to unlock new revenue streams. Some small business owners have successfully used it to secure new clients, while millennials are particularly open to this model of working from a flexibility perspective.



Source: [Unsplash](#)

The gig economy is a labour market characterised by freelance, flexible, on-demand work, often involving connecting with clients or customers through an online format. It is, in essence, a departure from the norm nine-to-five job format making work more adaptable to the needs of the business and demand for flexible lifestyles. Examples include rideshare services such as Uber and vacation rentals such as AirBnB; not to mention the many grocery, prepared food and parcel delivery services that have become an integral part of most people's lives during South Africa's various lockdowns. You can also make use of a professional writer, a lawyer or an architect through the gig economy.

Changing workforce dynamics

As the gig economy gains momentum, many SMEs are opting to utilise specialised skillsets that are readily available in the gig economy framework on a project-to-project basis, to complement its people strategy. And while it affords an SME the ability to utilise specialised skills without having to commit to aspects related to long-term employment, there are some inherent risks that the business may face.

“It doesn't matter whether the work is performed by a full-time employee or an individual contracted through a work-on-demand platform, your SME remains liable for the quality of work delivered, non-delivery or any cyber-related incidents, especially in the professional services space. It is important to investigate the related risks and to check whether your covers are sufficient,” says Clayton Ellary, from Aon South Africa's Commercial Risk Solutions Division.

While a recent [Fair Work report](#) on the best and worst practices in the gig economy in South Africa suggests that more reforms are still needed to move towards a fairer and more decent digital labour platform economy; there is no doubt that digital labour platforms hold the potential to reduce extremely high unemployment rates in South Africa.

According to Ellary, knowing the risks that commonly affect your industry and investigating the right types of coverage to suit your risk profile is important. “At the same time, this isn’t always straightforward. If you’re among the small business owners who provide some of your services through the gig economy or utilise skills from the gig economy, it may well affect the types of risks your business is exposed to. It will be well worth the effort to review your risk exposure with the aid of an expert broker to confirm the types of insurance coverage that might suit your business needs best.”

Professional indemnity

No professional relishes the thought of making a mistake or being accused of being negligent in the execution of their professional duties. In fact, you may not even have made a mistake for a claim of negligence to be brought against you, however, you’ll still need to defend any such claims to resolution, which can be a costly affair, both in time and financially. It is when things go awry and a claim is lodged that the real value of professional indemnity (PI) insurance and professional advice are truly appreciated.

“Professional Indemnity (PI) insurance provides the insured party with indemnity in respect of legal liability arising out of the practice of their profession – think engineers, architects, draftsmen, healthcare professionals, tax practitioners, lawyers. Indemnity cover will include the professional’s own legal costs, as well as any compensation to the claimant and/or legal costs that are up to the limit of indemnity of the policy providing all parties with peace of mind and financial protection in the event of a claim. PI cover is a non-negotiable for any professional operating in an increasingly litigious society and business environment,” says Ellary.

Cyber risk

Many small and medium businesses assume that they are not likely targets for a cyberattack, believing that only large corporates, banks and government institutions appeal to cybercriminals. As a result, their security measures are typically nowhere near the levels needed to avert a focused cyber hack, making them easy pickings for a cyber breach.

“A cyber breach has the potential to inflict enormous reputational damage, cause major interruption to normal business operations and income potential, and can also have legal ramifications if personal and financial information is compromised in context of the Consumer Protection Act (CPA), the Electronic Communications and Transactions Act (ECT) and the Protection of Personal Information Act (PoPIA). It is critical to speak to an expert in the cyber risk insurance space to put the correct cyber risk insurance coverage in place that suits the needs of your SME,” says Ellary.

The gig economy for small business owners

“There is simply no one-size-fits-all approach to risk and insurance for your small business. It all depends on the size of the company, nature of its business and its unique levels of exposure. In this regard, consulting with a professional risk advisor is an invaluable exercise in assessing your exposures, developing a risk mitigation strategy and transferring that risk to an insurer in order to protect your reputation, data, clients and

bottom line in the gig economy,” Ellary recommends.

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