

Regulating the pay of independent contractor app-dispatched FHV drivers in New York City

Research and Practice in Progress Briefing, Local Government in NY

Rockefeller Institute of Government

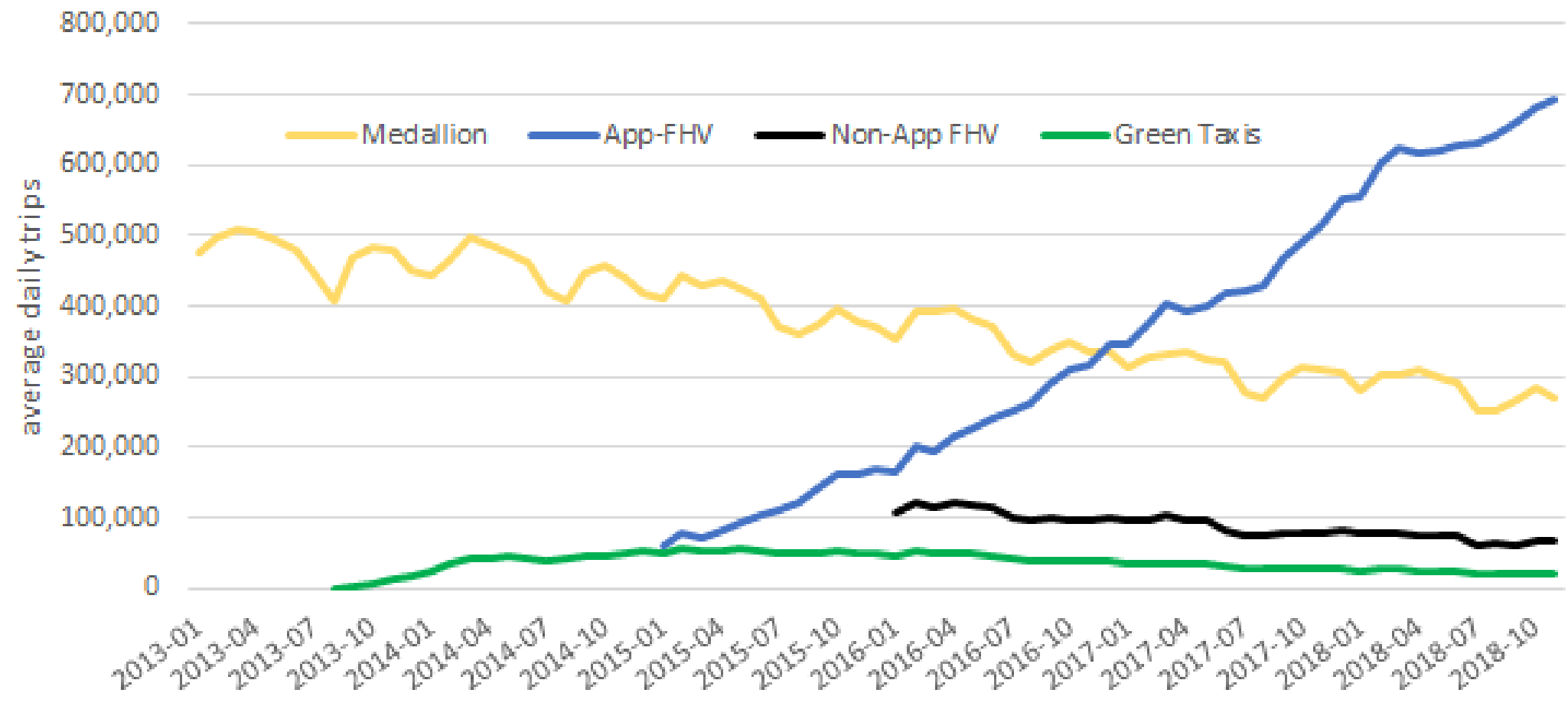
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Average Daily NYC Trips, 2013-2018



Source: TLC data through Nov. 2018

NYC Taxi and Limousine Commission

Extensive authority under NYC Charter over taxis and all forms of For Hire Vehicles (FHVs, incl: livery, black, green taxis, app-dispatched)

Authority includes regulating driver earnings and requiring companies to provide data

To expand service outside Manhattan, TLC created Street Hail Liveries (“green taxis”) in 2012 after extensive study

Considerable work to expand wheelchair accessible vehicles (WAVs), and develop driver fatigue rules

TLC acted in 2013 to expand driver healthcare-related services, but action thwarted by legal challenge

Uber campaign thwarted consideration of FHV growth limit in 2015
City Council adopted legislation in 2018 to impose one-year cap on # of licensed vehicles and called for study to inform future growth regulation

Regulating app-dispatch FHV in NYC

Drivers—labor supply

App business model

Design of the pay standard

Analyzing driver earnings vs. the standard

Impact of increased driver pay on drivers,
passengers, businesses

Status of regulation and related developments

NYC driver characteristics

90%+ male and foreign-born, largely from India, Pakistan, Bangladesh, Dominican Republic and Haiti

Mostly without a 4-year college degree

Many support families; half have one or more children

40% enrolled in Medicaid, another 14% without any health insurance

App-dispatch drivers

Drivers face limited better-paying job opportunities

Most male immigrants in the non-4-year college degree 25-34 age cohort have jobs with median pay of \$25,200

60-65% are full-time drivers whose sole job is driving

80% acquired vehicle for main or significant purpose to drive for a living; many pay high lease costs

Most have a Camry or similar; 20% of trips by SUV; 10-15% of new cars are hybrids

FHV app business model

Drivers treated as indep. contractors; licensed by TLC; workers comp thru Black Car Fund

Drivers supply own vehicles, responsible for all vehicle costs

Compete on service quality, price, convenience and availability

Initially charged drivers fixed commissions, now variable

Use financial incentives and algorithmic management with drivers

Use pricing promotions with passengers

Impact on drivers from adding 66,000 net new drivers 2013-2017



- Attrition—20% leave within 1st 6 months, 30% within 1st year
- Hourly earnings under considerable pressure; hundreds attend April 2017 TLC hearing on driver pay
- To get more trips, many drivers begin working for multiple apps (nearly half by end of 2017)
- Great pressure on medallion drivers from loss of trips but huge sunk costs for owner-drivers and fixed lease costs for others
- Rash of driver suicides late 2017 into 2018; mounting driver demonstrations

Pay standard design considerations

Driver expenses

Drivers are treated as independent contractors, not employees

Waiting (cruising) and pick-up time

Tension between labor supply and company competitiveness concerns

FHV expense model (revised Nov 2018)

- Includes all licensing, vehicle registration/license/tax and TLC-related requirements
- Cost of acquiring vehicle (purchases or lease)
- Commercial insurance, fuel, maintenance, cleaning
- Expenses weighted by vehicle type based on trip shares
- Annual average expenses of \$22,100 (63.1 cents/mile, 35,000 miles)
- 2019 IRS business mileage allowance = 58 cents/mile



Driver Pay Standard Applied to a Typical Trip

A typical FHV trip might be 7.5 miles and 30 minutes.

The driver minimum pay standard (not the passenger fare) would be calculated under the pay standard (assuming an industry-wide average utilization of 58%):

$$\frac{(.631 * 7.5 \text{ miles})}{.58 \text{ utilization}} + \frac{(\$0.287 * 30 \text{ minutes})}{.58 \text{ utilization}} = \$23.00$$

Note: this is the minimum pay standard per trip, not the passenger fare; the company and driver can always agree that driver pay for any trip should be higher.

The driver pay standard ensures that the driver can cover vehicle expenses as well as get paid at least the independent contractor equivalent of \$15.00 an hour.

TLC website

Driver Pay for Drivers

- TLC's driver pay rules apply to any driver working for a High-Volume For-Hire Service (Uber, Lyft, Via, and Juno). For more information visit [High-Volume For-Hire Service](#). These rules establish a minimum per-trip payment to drivers; they do not establish a *minimum* wage or set the exact driver payment or passenger fare.

The rules also add protections for drivers who lease a For-Hire Vehicle. These rules require that:

Leases be written in plain language and specify all costs to drivers;

- Where the owner of the vehicle is a different person than the driver of the vehicle, the rules require that the owners pay drivers' earnings quickly; and

- Owners provide drivers with receipts itemizing all payments, deductions and charges.

The rules also benefit yellow and green taxi drivers with lower credit card surcharges, greater financial transparency, and increased payments for owning and driving accessible vehicles.

The approved rules can be found in [Driver Income Rules 04-Dec-2018](#) (PDF). For more information email driverpay@tlc.nyc.gov.

[Driver Pay](#)

Driver Pay Calculator*

Trip miles:

Trip minutes: Trip seconds:

Did part of the trip take place outside of New York City?

Choose a company:

Do you have a wheelchair accessible vehicle?

* For drivers paid on a per-trip basis. The comparison provided by this calculator is designed to be informational and educational only, for illustrative purposes. This model is provided as a rough approximation and the TLC cannot guarantee accuracy or completeness. Complete income calculations or comparisons may require additional information which is not gathered in this calculator. The figures produced by the calculator are hypothetical only and may not be applicable to your individual situation. The TLC is not responsible for the consequences of any decisions or actions taken in reliance upon or as a result of the information provided by this tool.

Per-trip
earnings
analysis

Mean gross hourly pay	\$ 23.42
Median gross hourly pay	\$ 22.18
Mean after-expense hourly pay	\$ 14.90
Median after-expense hourly pay	\$ 13.70
% of trips below \$17.22 minimum	72.8%
Mean after-expense hrly pay, trips < min	\$ 11.34

Source: Authors' analysis.

Note: analysis for 3rd week, Oct. 2017

Earnings before & after pay standard

Mean gross trip pay on a weekly basis--before pay standard	\$714.02
Mean gross trip pay on a weekly basis--after pay standard	\$898.60
% change gross pay due to pay standard	25.9%
Mean after expense pay on a weekly basis--before pay standard	\$413.18
Mean after expense pay on a weekly basis--after pay standard	\$597.76
% change net pay due to pay standard	44.7%

Source: Authors' analysis using revised expense model, updated Dec. 2018.

Note: mean 32 mean weekly hours

- If drivers paid less than per-trip standard, companies must compensate drivers for any shortfall
- Companies can continue to use their own driver pay methods—as long as it generates at least the minimum

Pay standard impact



- Drivers—pay & labor supply
- Companies—driver management/utilization, fares, & commissions
- Passengers—wait times & fares
- Congestion

Status and related developments

Pay standard effective Feb. 1, 2019

MTA surcharge (\$2.50/\$2.75/\$0.75 shared rides) took effect Feb. 1 after court challenge

Study of medallion values and owner-driver debt

Study to inform TLC management of HV app growth

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Thank you

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