Uber versus Taxi: A Driver's Eye View

Last Modified on 05/07/2018 4:16 pm CEST

Authors: Joshua Angrist, Sydnee Caldwell, and Jonathan Hall
Date published: October 2017
Research commissioned by: Massachusetts Institute of Technology and Uber

Why did we select this research?

Drivers who drive only a few hours should find leasing unattractive, but high-hours drivers earn more by paying a fixed lease rather than proportional fees. The paper takes this insight to compare the economic benefits and costs of ride-share work and traditional taxi driving. Specifically, it has been asked how much Uber drivers must be compensated for the loss of ride-share work opportunities if the goal is to leave them as well off as they were when they were driving for Uber. This provides interesting insights on drivers' behavior in relation to ride-hailing transport.

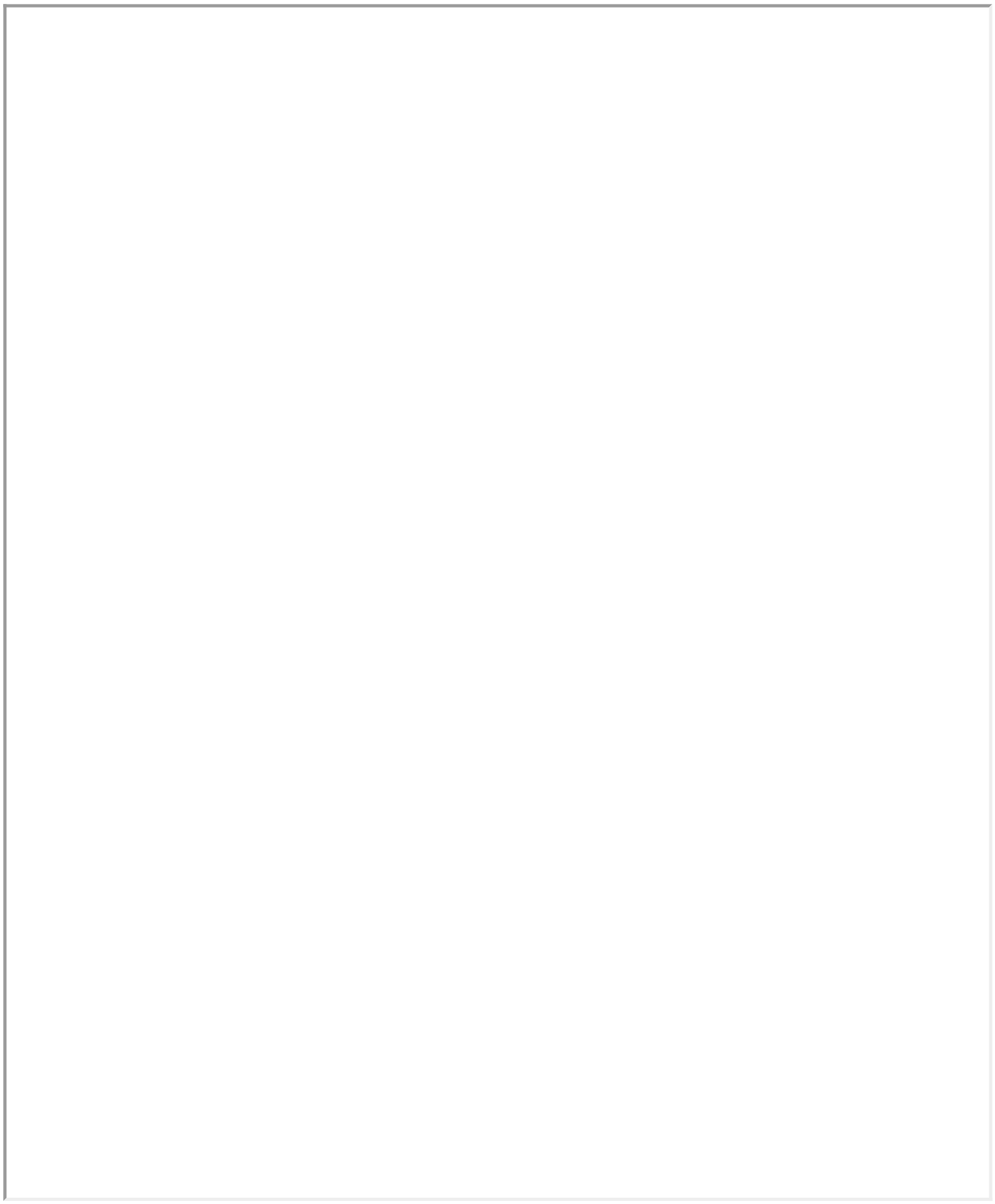
Key findings

Driver surplus from ride-hailing is decreasing in the temporal arch taken into account, which makes Taxi contracts more attractive since elastic drivers gain more from higher wag. In principle, the experimental Taxi scheme evaluated here creates enough additional surplus to allow drivers and platform owners to negotiate a lease-based contract.

The notion of an efficient bargain between workers and firms in an industry with rents has occupied labor economists for decades. As is the case with any system that taxes output, the social cost of the Uber contract arises from the wedge the Uber fee inserts between wages and effort.

Looking down the road, a natural direction for further research on ride-hailing labor markets is an exploration of how the Taxi-Uber contractual contrast varies as a function of market structure, such as the presence of competing ride-hailing services. More competition presumably means a more elastic labor supply response to individual platform operators, which should make Taxi contracts more

attractive.



Reference

Angrist, J., Caldwell, S., & Hall, J. Uber versus taxi: A driver's eye view.

Retrieved from: https://voxeu.org/article/uber-versus-taxi-driver-s-eye-view.