An Earnings Standard for New York City's App-based Drivers: July 2018 Economic Analysis and Policy Assessment

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Why did we select this research?

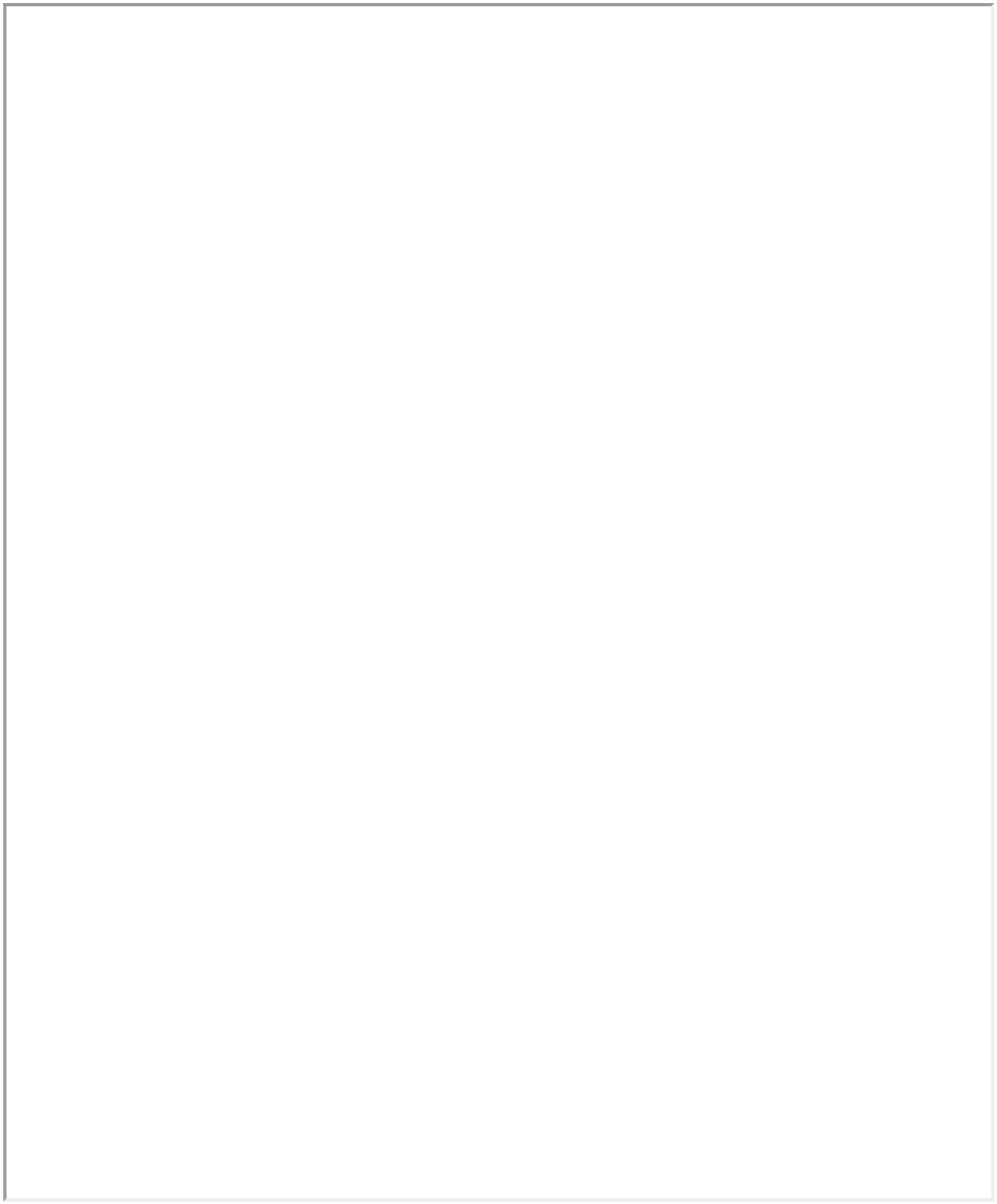
The concerns about reports of low earnings (after costs) among drivers working for the large app-based for-hire vehicle (FHV) companies, have sparkled to the New York City Taxi and Limousine Commission (TLC) the wish to establish a minimum driver pay standard. The policy would set an earnings floor of $17.22, the independent contractor equivalent of a $15 hourly wage, with an allowance for paid time off. Hourly pay is low in large part because the industry depends upon a ready availability of idle drivers to minimize passenger wait times.

Key findings:

- The transportation app industry in New York City shares characteristics of the industry in other dense world-class cities, such as London, Paris, and San Francisco.
- The policy design is innovative because the companies for the first time will pay a cost to maintain increasing pools of low-utilized drivers; the policy compels the companies to allocate rides in a manner benefitting the drivers. This policy will also be a model in setting the first pay standards for independent contractors in the United States.
- Inefficiencies and inequities: incentives to increase the number of drivers without regard for the consequences on driver pay; low driver utilization per driver working hour; and commissions that generate large mark-ups over local operating costs for the dominant industry firms. Only recently have the

companies begun to increase their proportion of shared rides.

- Pay standard includes a paid time off component, in consideration of the long hours worked by many drivers, and the beneficial effect paid time off would have on passenger, pedestrian, and driver safety (the pay increase would amount to about $6,345 per year for drivers now below the standard, equivalent to a 22.5 percent increase in their net compensation, after paying for vehicle expenses).



Reference:

Parrot, J. A., & Reich, M. (2018). An earnings standard for New York City's app-based drivers: Economic analysis and policy assessment. *Report for the New York City*

Taxi and Limousine Commission. https://static1. squarespace. com/static/53ee4f0be4b015b9c3690d84, *5*, 1530542764109.