Taking stock of the first decade of regulating pay for gig passenger drivers

Working draft

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June 6, 2025

Acknowledgments

Michael Reich and I have collaborated on the studies that shaped the "independent" pay standards discussed in the paper. I have benefitted greatly from his insights and wisdom. Ongoing research on New York City drivers conducted in conjunction with Michael, Dmitri Koustas and Xingxing Yang has informed my understanding of current industry conditions. My understanding of the evolving policy landscape has also benefited from discussions with regulators in New York City, Minnesota, and Seattle, and discussions with researchers and organizers from around the country. Any errors are my responsibility.

ABSTRACT

The defining feature of online platform gig work is workers' status as independent contractors without benefit of the full gamut of labor standards and protections afforded employees. The passenger transportation and delivery labor platform companies that engage the majority of gig workers have aggressively resisted regulatory efforts to classify their drivers as employees. This was best typified by their spending over $200 million in 2020 in support of Proposition 22, a statewide ballot initiative to overturn California state legislation (AB 5) that would have classified their workers as employees.

Led by Uber, labor platform companies used the threat of similar ballot initiatives in Washington State and in Massachusetts—two states with some of the most labor-friendly legislation in the country—to muscle through watered-down pay standards to their liking. Side-stepping the employment classification issue, New York City, Seattle, and Minnesota established minimum compensation standards for transportation network company (TNC) drivers in response to organizing pressure from drivers.

To date, the not-so-nascent TNC industry has some form of independent government pay regulation in only four states (NY, WA, MN, and MA). While the TNC-sponsored Prop 22 promised driver benefits in California, the state lacks explicit enforcement authority. Driver organizing efforts to establish pay standards are underway in a handful of other jurisdictions, including Chicago, Portland (OR), Denver, and Connecticut. All face stiff TNC resistance.

Given the way the TNCs operate and the state of fragmented regulatory efforts for pay standards and related issues over the past dozen years, four summary observations can be made:

- Workers remain ICs with very few of the usual worker protections; no protections are automatic, and those that have been secured have been on a piecemeal basis;
- Two large TNCs wield duopsonistic labor control over gig drivers both because they dominate the TNC market and because the heavily immigrant driver workforce faces limited employment options;
- The TNC companies exercise algorithmic management and wage-setting through the app controlling pay and access to work opportunities;
- Even where regulations are most advanced and driver compensation has benefitted, fair pay is under threat and in areas lacking regulation, abuses are common.

This paper reviews the development of the TNC industry, its business model, and the duopsonistic economic conditions and algorithmic management and wage-setting affecting its independent contractor workforce. Features of various minimum pay standards and other existing regulations are examined. Several current policy issues are considered, including unionization, algorithmic pay setting and the challenges in regulating the supply of drivers. Company practices such as lockouts and deactivations that limit access to the labor platforms are discussed. A final section summarizes and highlights regulatory challenges.

Introduction

Gig work through online labor platforms emerged in the U.S. in many cities about a decade ago. While the extent of gig work is sometimes exaggerated, the number of workers using online labor platforms, particularly in ridesharing and delivery work, has increased significantly. Using tax data, Garin et al. (2023) show that the number of platform workers rose from about two million in 2019 to about five million in 2021. Over 85 percent of the 2021 number consisted of workers on transportation or delivery platforms.[1] While the numbers are larger today since rideshare has recovered from pandemic-depressed trip volumes and restaurant food delivery levels have registered continued growth (albeit much less than in 2020-21), the great majority of online platform workers are concentrated in the transportation sector.

The defining feature of online platform gig work is workers' status as independent contractors without benefit of the full gamut of labor standards and protections afforded employees. The passenger transportation and delivery labor platform companies have aggressively resisted regulatory efforts to classify their drivers as employees. This was best typified by their spending a reported $220 million in 2020 in support of Proposition 22, a statewide ballot initiative to overturn California state legislation (AB 5) that would have classified their workers as employees. After four years of court challenges, the State Supreme Court upheld Prop 22 in July 2024. However, no state entity enforces the minimum pay, health care stipends or other coverage the proposition promised.[2]

Led by Uber, labor platform companies used the threat of similar ballot initiatives in Washington State and in Massachusetts—two states with some of the most labor-friendly legislation in the country—to muscle through watered-down pay standards to their liking. Side-stepping the employment classification issue, New York City, Seattle, and Minnesota established minimum compensation standards for transportation network company (TNC) drivers in response to organizing pressure from drivers. In 2018, 2020 and 2024, Michael Reich and I completed studies that informed the pay standards in these three jurisdictions.[3]

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[1] Andrew Garin, et al 2023. While most of the transportation platform workers had gross earnings under $20,000 in 2021, the number with gross earnings equal to or greater than $20,000 nearly exceeded the total number of workers on all non-transportation platforms.

[2] Levi Sumagaysay, "California companies wrote their own gig worker law. Now no one is enforcing it," Cal Matters, September 4, 2024.

[3] James A. Parrott and Michael Reich, *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, Center for New York City Affairs, July 2018; James A. Parrott and Michael Reich, *A Minimum Compensation Standard for Seattle TNC Drivers*, Report for the City of Seattle, Center for New York City Affairs, July 2020; James Parrott and Michael Reich,

Thus, to date, the not-so-nascent TNC industry has some form of government pay regulation in only four states (NY, WA, MN, and MA). While the TNC-sponsored Prop 22 promised driver benefits in California, the home state of the TNCs and by far the largest TNC market, the state lacks explicit enforcement authority. Driver organizing efforts to establish pay standards are underway in a handful of other jurisdictions, including Chicago, Oregon, Colorado and Connecticut—all face stiff TNC resistance.

Given the way the TNCs operate and the state of fragmented regulatory efforts for pay standards and related issues over the past dozen years, four summary observations can be made:

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- The TNC companies exercise algorithmic management and wage-setting through the app controlling pay and access to work opportunities;
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This paper reviews the development of the TNC industry, its business model, and the duopsonistic economic conditions and algorithmic management and wage-setting affecting its independent contractor workforce. Features of various minimum pay standards and other existing and proposed regulations are examined. Several current policy issues are considered, including unionization, algorithmic pay setting and the challenges in regulating the supply of drivers. Company practices such as lockouts and deactivations that limit access to the labor platforms are discussed. A final section summarizes and highlights regulatory challenges.

The emergence of TNCs

The TNCs quickly spread in the wake of the 2008 financial crisis, enabled by GPS, secure online payment and other technologies, and widely available smartphones. Ample supplies of venture capital willing to incur substantial losses for the first few years in pursuit of a big payday selling the companies to public investors enabled Uber and Lyft to develop the large scale that network economies required. (Parrott and Reich, 2018)

Transportation Network Company Driver Earnings Analysis and Pay Standard Options, Prepared for the Minnesota Department of Labor and Industry, March 8, 2024. (Hereafter, DLI report).

Leaving aside Uber's restaurant delivery service for the moment, the business models pursued by Uber and Lyft share several features. Uber and Lyft provide passenger transportation services through a smart phone-based app that uses a matching algorithm to connect riders and drivers. Network effects increase with the scale of the driver and rider groups at any one time. Both treat drivers as independent contractors and drivers own or rent their vehicles. Both manage driver activity through an app, and set prices and driver pay.

That the TNC business model requires large scale for their networks to operate makes it inevitable that high market concentration will result. While in 2019 there were four TNCs in New York City performing at least 10,000 trips daily—the threshold for "high-volume" for-hire vehicle pay regulation—by 2022, only Uber and Lyft remained. Uber holds about three-fourths of the market and Lyft one-fourth—market shares that roughly exist in many large U.S. cities.[4]

In providing personal transportation services, the TNCs directly competed with local taxi services. Although taxi services have long been highly regulated by local governments, the TNCs ignored or circumvented taxi regulations, relying on aggressive legal and lobbying strategies and often misleading public narratives regarding drivers and their earnings opportunities.[5] Following the playbook of the tobacco and gun industries, by the end of 2017, the TNCs had secured state legislation pre-empting local regulatory authorities and codifying the IC status of their drivers in 41 states.[6]

With drivers absorbing vehicle costs, the platform-based TNCs leveraged their relatively low fixed costs over a larger scale by recruiting more drivers to reduce passenger wait times and maximize revenue. This dynamic created inherent tensions between the TNCs and the drivers. As the companies sought to flood the streets with drivers and cars, earnings opportunities for drivers became more limited as the growth in passenger demand, which was rapid in the early years, has leveled off in the past two-to-three years after recovering from pandemic-depressed levels. Yet, under the TNC business model, the TNCs have no incentive to limit the number of vehicles when the supply of vehicles exceeds the extent of passenger demand for rides.

As discussed later, drivers absorb the costs of excess supply with driver compensation typically falling below minimum wage levels after accounting for vehicle expenses. Thus, from a

[4] As of March 2024, Uber held 76 percent of the U.S. TNC market while Lyft held 24 percent. Bloomberg Second Measure. April 15, 2024.

[5] For example, in a January 2017 FTC settlement, Uber agreed to pay $20 million to settle charges that it had exaggerated driver earnings potential in recruiting drivers. Uber had claimed on its website that the annual median income of New York City drivers was over $90,000. Federal Trade Commission, "Uber Agrees to Pay $20 Million to Settle FTC Charges that It Recruited Prospective Driver with Exaggerated Earnings Claims," January 19, 2017.

[6] Joy Borkholder, Mariah Montgomery, Miya Saika Chen, and Rebecca Smith, *Uber State Interference: How Transportation Network Companies Buy, Bully, and Bamboozle their Way to Deregulation*, National Employment Law Project and Partnership for Working Families, January 2018.

regulatory viewpoint, the TNC business model generates at least three market failures related to traffic congestion, excess environmental costs, and subminimum driver compensation.

Driver labor pool with limited employment options

The TNC industry emerged in the wake of high unemployment from 2008/09 Great Recession, when job growth remained sluggish. The rapid expansion in urban markets across the U.S. by Uber and Lyft attracted tens of thousands of drivers, both because of the prospect of attractive gross earnings as well as limited employment options for men of color with limited formal education, many of whom are immigrants.[7] The companies touted the gross earnings potential without pointing out the considerable vehicle expenses drivers would be responsible for, and stressed unlimited flexibility in driver's choice of when to work without noting that earnings potential was largely a function of rush hour demand and peak weekend evening periods and of the balance between passenger demand and the supply of drivers at any given time.

In the industry's early years, the companies provided signing bonuses to new drivers and offered incentives for those reaching ambitious trip targets, such as providing 50 trips in a week. But following their IPOs in early 2019 and the early recovery stages following the pandemic, both major TNCs have reduced driver incentives.[8]

In jurisdictions that Michael Reich and I have studied, we found that the rideshare companies were able to expand rapidly in metropolitan areas with strong employment growth by tapping into a workforce drawn mainly from immigrant, non-white males without a four-year college degree.[9] See Figure 1. While these four jurisdictions are selective, they do reflect some geographic diversity and appear to be somewhat representative given what we know anecdotally about driver demographics in other parts of the country.

[7] Between 2011-21, American Community Survey data indicate that the number of independent contractors in the transportation industry rose by 51-125 percent in six large industrial states. In the 15 largest cities, growth over this period ranged from 54-198 percent.
[8] For example, in NYC, incentive payments were 6.3 percent of driver pay in the second half of 2021 but averaged one percent in 2023 and 2024.
[9] For example, cite page in MN report on immigrant workforce.

Figure 1

Demographic characteristics of Taxi and TNC drivers vs. all workers								
Note: occupation determined by primary job								
	NYC		Seattle (King County)		Minnesota		Massachusetts	
Characteristic	Drivers	All workers	Drivers	All workers	Drivers	All workers	Drivers	All workers
Male	95%	51%	89%	55%	91%	48%	86%	51%
Person of color	90%	66%	73%	37%	71%	19%	60%	28%
Foreign-born	85%	46%	72%	27%	61%	11%	63%	22%
No 4-year degree	82%	50%	70%	49%	79%	57%	78%	48%
Yrs. for Am. Community Survey	2018-22		2016-18		2017-21		2017-21	

Source: American Community Survey, various years.

From the American Community Survey (ACS) data for the taxi driver occupation who drive as their primary job (most of whom are TNC drivers rather than traditional taxi drivers), we found that driving is not particularly lucrative for drivers with many living in poverty or near-poverty and relying heavily on public assistance programs. For example, in Seattle, drivers were four times as likely to receive SNAP, or food stamps, as all workers, and for the four jurisdictions, drivers were two-and-a-half to five times as likely as all workers in each area to receive Medicaid or to not have any health insurance. See Figure 2.

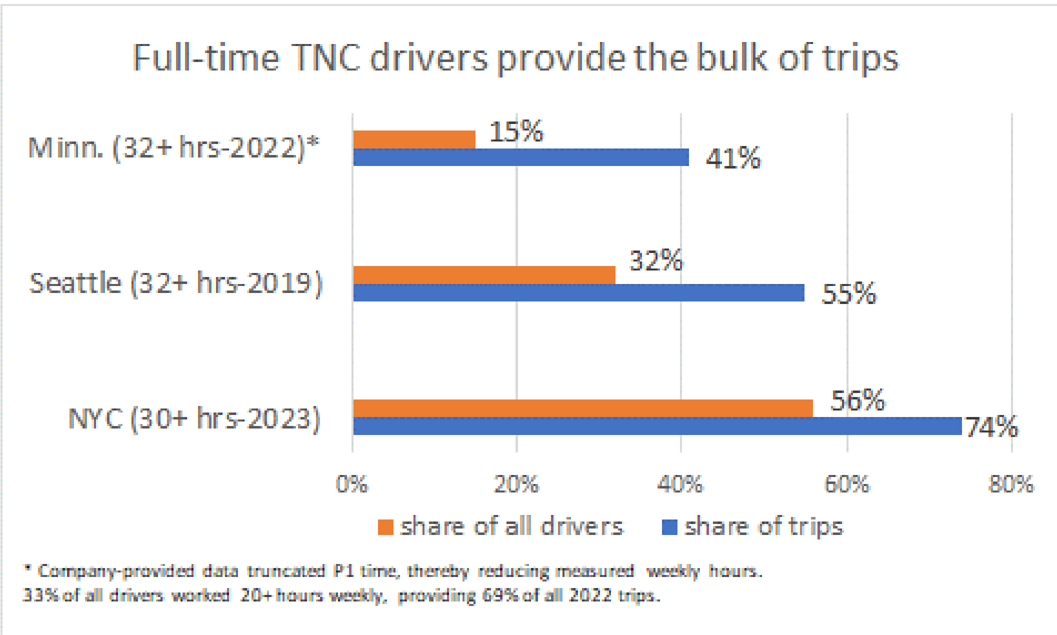
Figure 2

Public assistance and health insurance characteristics of Taxi and TNC drivers vs. all workers								
Note: occupation determined by primary job								
Characeristic	NYC		Seattle (Kings Co.)		Minnesota		Massachusetts	
	Drivers	All workers	Drivers	All workers	Drivers	All workers	Drivers	All workers
Food stamp recipient	22%	13%	30%	7%	18%	8%	18%	5%
Receiving Medicaid	46%	16%	37%	6%	28%	9%	42%	12%
No health insurance	14%	8%	9%	3%	15%	5%	10%	3%

Source: American Community Survey, various years.

Generally, according to ACS data, the cohort of foreign-born, non-college educated males face limited employment opportunities. For example, for the entire cohort of foreign-born males with less than a four-year college degree in Massachusetts, the median income for the 2017-21 period was $38,700 (in $2021), and in the transportation sector that includes drivers, the median income was $32,400. For this cohort, the transportation sector, of which Uber is part, had the second highest number of workers—close behind the construction sector.[10]

While the TNC industry attracted many part-time drivers, full-time drivers account for the bulk of trips. See Figure 3. In New York City, for example, company data for 2023 showed that 56 percent of drivers worked 30 hours a week or more and that this group of drivers provided 74 percent of all Uber and Lyft rides.[11]

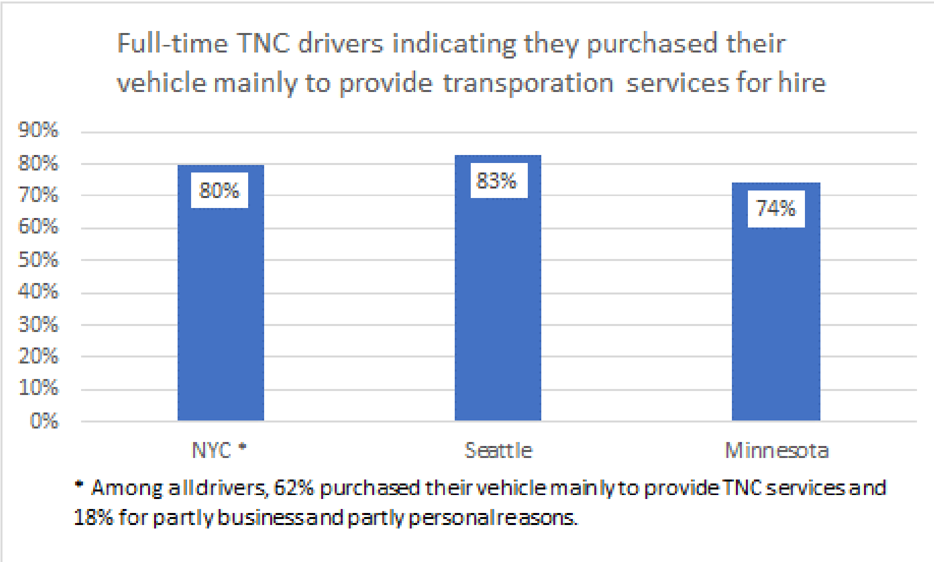


Source: Analysis of TNC trip data.

From driver survey responses, we found that most full-time drivers purchased their vehicles primarily for the purpose of trying to make their living from TNC driving. In New York City, 80 percent of drivers purchased their vehicle mainly to drive for a living, and in Seattle, 83 percent of survey respondents. See Figure 4.

[10] Parrott analysis of Bureau of the Census American Community Survey data, 2017-21.
[11] Parrott 2024 TLC Expense report.

Figure 4



Source: Driver surveys in connection with Parrott-Reich NYC, Seattle and Minnesota reports.

For the committed (non-casual drivers), the considerable personal investment in a vehicle likely contributes to the monopsony control exercised by the companies. New cars depreciate quickly and drivers feel pressured to continue driving to cover their expenses even if driver pay per trip declines. The irregularity of gig work and frequent changes in pay methods and rates reinforces research findings that many drivers have very imperfect estimates of their earnings and expenses leading them to overestimate their after-expense earnings to an extent that it leads them to make sub-optimal employment choices.[12]

TNC algorithmic labor management and control

With network scale, adding more revenue-producing trips generates a rising profit rate since marginal revenues can then readily exceed marginal operating costs. This duopolistic market structure yields considerable fare pricing power, constrained mainly by the elasticity of consumer demand. This pricing power is coupled with duopsonistic leverage over drivers, strengthened through algorithmic labor management.

The TNCs have structured the driver interface on their apps to shape and direct the work activity of their drivers. Drawing on vast quantities of real-time data, algorithmic management allows considerable control over legions of drivers spread across a city.[13] This algorithmic labor

[12] Pedro Pires, "How Much Can You Make? Misprediction and Biased Memory in Gig Jobs," December 27, 2024.
[13] Min Kyun Lee, Daniel Kusbit, Evan Metsky, and Laura Dabbish 2015. "Working with Machines: The Impact of Algorithmic and Data-Driven Management on Human Workers," *Association for Computing Machinery*.

management involves a broad-ranging scope for data surveillance of driving behavior such as speed, acceleration and braking, and the use of financial and behavioral incentives to direct and control driver activity such as surge pricing and "forward dispatch" that dispatches the next ride to a driver before the current trip is completed to keep the driver engaged so they don't turn off the app and end their work shift.

As early in TNC history as 2017, New York Times economics writer Noam Scheiber observed: "Because it [Uber] mediates its drivers' entire work experience through an app … it is engaged in an extraordinary behind-the-scenes experiment in behavioral science to manipulate them [drivers" in the service of its corporate growth."[14]

However, TNC algorithmic management is essentially one-way "take it or leave it" management. Since the apps are not interactive, drivers are not able to interact with a management representative, greatly limiting their ability to address problems or appeal algorithmically imposed deactivation or other penalty.[15]

In its 2022 *Policy Statement on Enforcement Related to Gig Work*, the Federal Trade Commission wrote about gig companies in a manner that is applicable to Uber and Lyft, describing the extensive management control exercised through the app:

> [Gig] companies frequently promote gig work as a flexible opportunity for people to set their own hours and work on their own terms. … Yet in practice these firms may tightly prescribe and control their workers' tasks in ways that run counter to the promise of independence and an alternative to traditional jobs. … Gig workers often do not have the information they need to know when work will be available, where they will have to perform it, or how they will be evaluated. Behind the scenes, ever-changing algorithms may dictate core aspects of workers' relationship with a given company's platform, leaving them with an invisible, inscrutable boss. Workers have little leverage to demand transparency from gig companies. … Mandatory arbitration and class-action waivers are also increasingly common among gig workers, meaning that most efforts to vindicate workers' rights occur in nonpublic, isolated proceedings.[16]

In an observation that is clearly applicable to duopolists Uber and Lyft, the FTC highlighted the consequences of this sort of labor platform management for workers:

> Gig companies in concentrated markets may be more likely to have and exert market power over gig workers or engage in anticompetitive unilateral or

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[14] Noam Scheiber, "How Uber Uses Psychological Tricks to Push Its Drivers," *The New York Times,* April 2, 2017.

[15] Ryan Calo and Alex Rosenblat, "The Taking Economy: Uber, Information, and Power," *Columbia Law Review*, 207, p. 1661.

[16] Federal Trade Commission, *Policy Statement on Enforcement Related to Gig Work,* September 2022, pp. 4-5. https://www.ftc.gov/legal-library/browse/policy-statement-enforcement-related-gig-work

> coordinated conduct. Such conduct may eliminate or further weaken competition among existing gig companies for workers' services or prevent new gig companies from getting off the ground or being able to enter the market. The resulting loss in competition may enable gig companies to suppress wages below competitive rates, reduce job quality, or impose onerous terms on gig workers.[17]

Thus, several features of the TNC labor market contribute to a lack of effective agency on the part of drivers. As ICs, drivers have no labor standards protections and no job security or right to organize. The business model and duopsonistic control exercised by the dominant firms require drivers to provide their own vehicle and assume responsibility for all expenses. The TNCs have no incentive to limit the number of vehicles when supply exceeds the extent of passenger ride demand, often pushing net driver pay below minimum wage levels. Despite an illusion of "flexibility" and "being one's own boss," the companies exercise extensive algorithmic management control and utilize their command of data and reward and discipline mechanisms to control driver behavior. Drivers have little recourse to complain or to engage their "managers" to appeal deactivation.

Through their aggressive lobbying, the TNCs have beaten back all attempts to classify drivers as employees. However, determined driver organizing has broken through in establishing independent pay standards in New York City, Seattle and Minnesota. We turn now to those.

Regulating driver pay

Despite the rapid growth in the number of gig drivers from 2014-19 and the fact that independent contractor drivers lacked Fair Labor Standards Act coverage, the right to union representation, and a host of other customary labor protections, drivers' organizing efforts have resulted in relatively few worker-oriented regulations. Minimum driver pay standards took effect in New York City in February 2019, and in Seattle in January 2021. In 2022, the TNCs succeeded in pre-empting Seattle's authority to regulate TNC driver pay and passed state legislation that continued the Seattle standard but under statewide authority and added a TNC-proposed pay standard for the rest of Washington State.[18]

Other than Minnesota adopting a statewide pay standard in 2024 as the result of a worker campaign, no other city or state has since then instituted a bottom-up driver pay standard. As noted earlier, facing a statewide ballot initiative threat from the companies, Massachusetts settled a major worker misclassification lawsuit against Uber and Lyft in a June 2024 agreement

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[17] Ibid, p. 6
[18] Camille Squires, "How Washington state brokered a truce between Uber and its drivers," Quartz, April 5, 2022.

where the state dropped the lawsuit in exchange for the companies dropping a Prop 22-like ballot initiative and establishing a $32.50 per engaged hour (P2P3) pay standard.[19]

Core components of driver pay standard

Taxis have long based passenger fares on a minimum fare plus per mile and per minute rates. Up until the past three-to-four years, TNCs also relied primarily on a similar "rate card" fare structure, sometimes with a "surge" factor during periods (or areas) of peak demand. (More recently, TNCs appear to be using more variable pricing approaches that take into account other factors besides distance, time and the supply-demand balance.)

In the jurisdictions shown in Figure 5 with independent regulated TNC minimum driver pay standards, the core components are a per-trip minimum, a per-trip *minute* minimum, and a per-trip *mile* minimum. The per-trip minute minimum is determined in a manner intended to compensate drivers for all of their working time on the app at an hourly rate at least equal to the local minimum wage for employees. A similar determination is made for the per-mile minimum. This scaling up of passenger or trip minutes and miles is computed by dividing each by the utilization rate defined as the share of all working time on the app with passengers in the vehicle or the share of all miles driven while on the app that are traveled with a passenger in the vehicle. The utilization factor used to scale up passenger minutes and miles can be incorporated in a *static* or *dynamic* manner.

In the original formulation of the New York City pay standard, utilization was incorporated directly into the pay standard as a denominator term in the per minute and per mile components. That was meant to function dynamically to incentivize the TNCs to more efficiently utilize the time and vehicles of their drivers, maintaining or increasing utilization.

Thus, the New York City pay standard requires minimum driver pay to be at least:

Driver trip pay =
[(trip minutes * per minute rate)/time utilization)] +
[(trip distance * per mile rate)/distance utilization]

The TLC provided a driver pay calculator on its website where the driver could enter the miles and minutes for a given trip to determine that the minimum trip pay had been received.[20]

The Seattle and Minnesota pay standards used a study period utilization rate in a static manner to scale up the per minute and per mile rates.

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[19] Settlement Agreement Between the Attorney General and Uber Technologies, Inc. and Lyft, Inc., Andrea Joy Campbell, Attorney General for the Commonwealth of Massachusetts v. Uber Technologies, Inc and Lyft, inc., Commonwealth of Massachusetts, Superior Court C.A. No 2084CV0159-BLS1, June 27, 2024.
[20] https://a156-nauf.nyc.gov/mrequpl/drvvcalc.html

Convention for denoting three TNC time segments:	
Period 1 (P1) = time when driver is logged into the app waiting for a dispatch, including returning from the previous destination to a busier area;	
Period 2 (P2) = time when driver is on their way to pick up a passenger after accepting a ride offer; and	
Period 3 (P3) = time when a driver is transporting a passenger from pick-up to drop-off.	
Total working, or on-app, time = P1+P2+P3	Total miles = miles driven during P1+P2+P3

The pre-regulation TNC practice has been to compensate drivers only for P3 time and distance. The New York City, Seattle and Minnesota pay standards require payment for total working time and total miles. The TNC-influenced pay Massachusetts and New York State outside of NYC standards compensate drivers for P23 (i.e., P2 + P3) time without separate provision for expenses. California's Proposition 22 and the Washington State outside of Seattle pay standard compensate drivers for P23 time and P23 miles.

The per-trip mile minimum is meant to compensate drivers for all of the miles driven while drivers are on the app available for ride dispatches at a rate intended to be locally comparable to the IRS business mileage rate. All of the pay standards in these jurisdictions are indexed for inflation. Among the independent pay standards, the New York City and Seattle pay standards are applied on a per trip basis but the Minnesota standard is applied to time and distance logged on a pay period basis not to exceed 14 days; if aggregate trip payments for a pay period fall below the amount specified by the pay standard, an additional payment must be made to make up the shortfall.

Figure 5 shows the 2025 rates for per minute and per mile pay components for the three areas with independent pay standards. The applicable W-2 employee minimum wage is also shown. In light of the drivers' independent contractor status, drivers do not automatically receive benefits that employers are mandated to provide their employees. The final column in Figure 5 indicates whether any benefits are included in the pay standard. Some benefits such as the employer share of payroll taxes for Social Security and Medicare are included in the per minute rate, while others, such as occupational accident insurance, are paid directly by the TNCs.[21] [22]

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[21] The New York City TLC does not have clear statutory authority to require that TNCs or taxi companies provide health insurance to their drivers. TNC drivers do receive very limited health benefits through the Black Car Fund.

[22] Under a November 2023 settlement with the New York State Labor Department, all New York State Uber drivers (and Uber Eats delivery workers) have unemployment insurance (UI) coverage as a result of scores of administrative rulings in cases brought by individual drivers with the assistance of the New York Taxi Workers Alliance. As part of the settlement, Uber agreed to pay UI payroll taxes prospectively and retroactively back to

Figure 5
Independent TNC driver pay standards, 2025 rates

		minimum rates						
	1st year	per-trip minute	per-trip mile	trip minimum	2025 minimum W-2 wage	Standard applied	De-activation protection	included benefits
New York City	2019	$0.605	$1.414	--	$16.50	per trip	no	Employer payroll tax, PTO *
Seattle	2021	$0.68	$1.59	$5.95	$19.97	per trip	yes	Employer payroll tax, paid sick time, health ins. payment; workers comp paid by TNC
Minnesota	2024	$0.31	$1.28	$5.00	$15.97 in the Twin Cities; $11.13 in the rest of the state	per 2-week pay period	yes	Occupational accident ins. paid by TNC

** All NYS TNC drivers have workers' comp coverage through the statewide Black Car Fund financed by a 2.5% fee added to the passenger fare.*

*** For NYC, Seattle & Washington assumes P1 = 30%, P2=12%, avg. P123 mph=20. For Minnesota assumes Twin Cities P miles and minute shares from Minnesota DLI report, Exhibit 14, P123 mph=26. Mileage expense factors: NYC 82 cents; Seattle 76 cents; Washington 70 cents; Minnesota 63.8 cents.*

Based on the Parrott and Reich analysis of pre-policy driver pay in each of the three areas with independent pay standards, Figure 6 shows that the percentage of trips that paid below the proposed pay standards ranged from 73-84 percent.

Figure 7 shows the 2025 rates for four pay standards established through the direct influence of the TNCs. As noted earlier, the Proposition 22 ballot initiative was secured in California through a massive advertising campaign costing on which the Uber, Lyft and other large gig companies spent over $200 million. The Washington and Massachusetts pay standards were established following TNC company threats to bankroll similar state ballot initiatives. In the Washington case, the TNCs succeeded in having the state strip the City of Seattle of authority to administer the minimum pay standard it enacted in 2020 but kept the Seattle rate structure intact while specifying a reduced rate structure for the rest of the state (but one that is far better for drivers than Prop 22).

2014. A federal court decision during the pandemic based on the administrative record that Uber drivers were employees and eligible for regular UI, drivers were able to receive regular state UI benefits that had a higher maximum than federally-funded pandemic unemployment assistance. New York Governor Kathy Hochul Press Release, "Governor Hochul Announces Unprecedented Settlement Agreement between the NYS Department of Labor and Uber," November 2, 2023. https://www.governor.ny.gov/news/governor-hochul-announces-unprecedented-settlement-agreement-between-nys-department-labor-and-Uber.

Figure 6
Pre-standard driver pay for areas with independent pay standards

area	Pre-standard after-expense median hourly earnings *	time period for pay analysis	% of drivers or trips paid below proposed minimum standard **
New York City	$14.25 ($15.88 average)	Oct. 2017	73%
Seattle	$10.03	Dec. 2019	84%
Minnesota--Twin Cities metro	$13.63	2022	75%
Minnesota--balance of the state	$8.12	2022	81%
* NYC and Minnesota analyses based on analysis of company earnings data; Seattle analysis based on driver survey responses. Expenses based on area-specific expense analysis.			
** Enacted Minnesota pay standard 3.8% higher than proposed base minimum standard.			
Sources: NYC (Parrott and Reich 2020, p. 29); Seattle (Parrott and Reich 2022, p. 55); Minnesota (Minnesota Dept. of Labor and Industries, p. 9).			

The TNC threat for a Massachusetts Prop 22 ballot initiative resulted in the State Attorney General agreeing to a legal settlement under which the Attorney General would drop its fairly strong employee misclassification case in exchange for the TNCs withdrawing a ballot initiative whose language had already been approved to appear on the November ballot.[23] The Massachusetts pay standard referenced in Figure 7 was part of the Attorney General's settlement.[24]

A recent preliminary analysis of drivers' pay data available through Gridwise found that driver pay from the first few months of the Massachusetts pay standard had not risen from the pre-standard experience and that there was some indication that high-paying trips had diminished and that some drivers needed to work more days since there had been a decline in average trips per day.[25]

[23] Jennifer Smith, "Campbell explains why she settled Uber, Lyft case on eve of likely court victory," Commonwealth Beacon News, July 10, 2024.
[24] The Massachusetts $32.50 (for P23 time) pay standard took effect on August 1, 2024. With a January 1, 2025 inflation adjustment, the Massachusetts pay standard is currently $33.35. It also includes occupational accident insurance paid by the companies, earned sick time, and stipends for health insurance and paid family/medical leave. The Attorney General did support a successful ballot initiative giving Massachusetts TNC drivers as independent contractors the right to organize and bargain collectively.
[25] Based on preliminary analysis of Gridwise data from 1,949 Massachusetts Uber and Lyft drivers by Matt Schumwinger of Big Lake Data, personal communication, May 2025.

The pay standard that affects New York State drivers outside of New York City came about as a result of a last-minute addition to a settlement by the State Attorney General in a very drawn out $328 million wage theft case. The Taxi Workers Alliance that had worked for years to reach the back-pay settlement was not consulted regarding the TNC pay standard.[26]

With the exception of the Washington standard, the three other TNC-influenced pay standards did not include sufficient state enforcement authority.

Figure 7
TNC-influenced driver pay standards, 2025 rates

	1st year	per-P23 hour	per-P23 miles	2025 minimum W-2 wage	included benefits
California (Prop. 22)	2021	$20.70-$22.40 in major cities	$0.35	$16.50 (statewide); in major cities: $17.25 (San Diego) to $18.67 (SF)	occupational accident ins.; partial health ins. paymt. if wkly hrs threshold met
		per-P3 minute	per-P3 miles		
Washington State (outside of Seattle)	2023	$0.39	$1.34	$16.66	Paid sick time; workers comp paid by TNC
		per-P23 hour	no separate expense factor		
New York State (outside of NYC)	2024	$27.58		$16.50 in major NYC suburban counties; $15.50 in rest of NYS	paid sick time *
Massachusetts	2024	$33.35		$15.00	paid sick leave; occupational accident ins.; partial health ins. paymt. if wkly hrs threshold met

** All NYS TNC drivers have workers' comp coverage through the statewide Black Car Fund financed by a 2.5% fee added to the passenger fare.*
*** Assuming P1 = 30%, P2=12%, P3=58%; avg. P123 mph=24, 70 cents IRS business expense mileage rate.*

Figure 8 shows estimates of after-expense hourly wage comparisons for both the independent and the TNC-influenced pay standards referenced in Figures 5 and 7. Figure 8 includes the ratio of the after-expense hourly pay to the respective local minimum wages for employees. The differences are stark between the minimum wage ratios for the independent standards (1.13-1.35 compared to the TNC-influenced standards (0.15-0.93). On a simple average basis, the

[26] The case stemmed from actions occurring from 2014-2017 under which Uber and Lyft deducted sales taxes and mandated payments to the Black Car Fund from drivers' pay. While the companies had agreed in 2017 to properly deduct those payments directly from passenger revenues, the State's legal machinery took another six years to force the companies to pay restitution to drivers. People of the State of New York Office of the Attorney General Labor Bureau in the Matter of The Investigation of Letitia James, Attorney General of The State of New York Of Uber Technologies, Inc. *Assurance of Discontinuance, AOD No. 23-040*. November 1, 2023.

average of the former is nearly three times the average of the latter group. Note that these are not comparisons to the "employee-equivalent wage" that factors in the mandated costs for the employer-share of payroll taxes, paid sick time, or unemployment and workers' comp premiums. Rather, Figure 8 just shows the comparison to the cash minimum wage amount received by employees. The Jacobs, et.al. report analyzing TNC and delivery worker pay in five metro areas estimated that these mandated employer costs add 13.6-19.2 percent to the statutory minimum wage level to arrive at the employee-equivalent minimum wage level.[27]

Figure 8
After-expense hourly pay under independent and TNC-influenced driver pay standards

	Effective after-expense hourly pay *	
	amount	relative to local min. wage **
Independent pay standards		
New York City	$21.05	1.28
Seattle	$26.91	1.35
Minnesota	$18.01	1.13
TNC-influenced pay standards		
California (Prop. 22)	$4.17	0.19
Washington St. (outside of Seattle)	$15.42	0.93
New York St. (outside of NYC)	$2.51	0.15
Massachusetts	$6.55	0.44

**After-expense hourly pay calculated with these assumptions:*

P1=30%, P2=12%, P3=58% except for Minnesota where Twin Cities P segment mile and minute shares based on Minnesota DLI March 2024 report, Exhibit 28.

Average P123 mph=20 for NYC and Seattle; P123 mph=26 for Minnesota; P123mph=24 for all other.

Per mile expense rates based on local studies for NYC (82 cents), Seattle (76 cents), and Minnesota (63.8 cents). IRS rate of 70 cents for all others.

** Strictly local minimum wage without adjustments for employer share of payroll tax or other mandated employer-borne costs (e.g., UI).

The minimum pay standard rates under the New York City, Seattle and Minnesota standards are each set based on utilization during the base period analyzed. Effective hourly pay depends on utilization. While the TNCs are free to pay more than the per trip minimums in order to effectively respond to rider demand or incentivize drivers, everything else being equal, if actual

[27] Jacobs, et.al. (2024). Note that a more recent estimate by Jacobs and Farmand (2025) puts the Chicago employer-mandated costs at 19.8% rather than the 16.6 percent in the 2024 report.

utilization rises indicating that the share of each on app hour with a passenger in the vehicle rises, effective driver pay will rise. If utilization falls, driver pay per hour will decline.

As assessment of the Seattle TNC pay standard covering the period from the fourth quarter of 2021 through the fourth quarter of 2022 found that average gross hourly pay declined from $46.11 for the fourth quarter of 2021 to an average of $26.00 during the last quarter of 2022. Pay declined because average P3 utilization fell from 49 percent to 42.7 percent between the two fourth quarters as many more drivers were attracted back to TNC work in the recovery from the pandemic. Under the original Seattle ordinance passed in 2020, the City's Office of Labor Standards was to adjust utilization in November 2023; however, with the State's preemption of local TNC regulation effective January 2023, utilization rates have yet to be adjusted.[28]

In New York City, median gross hourly pay was $33.70 in 2023. While this was up 15.6 percent from 2019, the first year of the NYC pay standard, basically reflecting the annual inflation adjustments to the pay standard, the 2023 median was down about four percent from 2021. To attract drivers back as trip demand recovered from the pandemic, the companies increased incentives in 2021 and 2022 but those have since tapered off. From 2021 to 2023, driver hours rose faster than trip demand and utilization declined.[29]

Independent studies of driver pay

Several studies of TNC driver pay using company or driver data via Gridwise show a fairly consistent picture of low after-expense hourly pay.[30] These analyses make reasonable assumptions to approximate total driver working time and vehicle expenses. The Manzo and Young, et.al. studies used company data available from the respective cities; the other three studies utilized driver data via Gridwise.

A recent New York Times article focused on the plight of TNC drivers at LAX airport in Los Angeles, interviewing several drivers regarding deteriorating earnings opportunities in recent years. The article cited Gridwise data indicating that average hourly earnings for Uber drivers in Los Angeles had declined by 21 percent since 2021.[31]

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[28] City of Seattle, Office of Labor Standards, *Seattle's Transportation Network Company Minimum Payment Ordinance: Impacts and Analysis*, May 2024.
[29] Author's preliminary analysis.
[30] Gridwise is a third-party app that drivers use to track their activity and expenses. It is not affiliated with any TNC.
[31] Eli Tan and Kellen Browning, "At LAX Airport, Uber Drivers Wait, And Wait. And Wait," The New York Times, May 14, 2025.

Figure 9
TNC driver pay analyses, areas without independent pay standards

Areas with TNC-influenced pay standards	After-expense median hourly earnings	Time period for pay analysis	Data source
California--LA and SF metro areas (under Prop 22)	$7.12	Jan. 2022	Jacobs, et.al. (2024)
Massachusetts (pre-pay standard)	($10.92 average)	Feb. 2024	Big Lake Data (2024)
Areas without pay standards			
Chicago	($13.77 average)	Jan.-Jun. 2021	Manzo, et.al. (2022)
Chicago	$10.85 ($11.27 average)	Jan. 2022	Jacobs and Farmand (2025)
Toronto *	CAD $7.94	2023	Young, et.al. (2024)
	CAD $5.97	Jan.-Apr. 2024	
* For Toronto's 2023 median, 95.8% of drivers were paid below the Ontario CAD $16.55 minimum wage; for 2024 median, 98.8% of drivers paid below the minimum wage.			

Chronically low pay by the TNCs is compounded by several instances of non-compliance with labor and other regulations. For example, in November 2023 Uber and Lyft reached a settlement with the New York Attorney General's office to pay drivers $328 million in back pay because the companies had been deducting sales tax and Black Car Fund fees from drivers pay rather than the companies paying those charges directly to the State and the Black Car Fund.[32] In the same month as that backpay settlement, the Governor of New York reached a settlement with Uber following over 200 individual driver cases before the State Unemployment Insurance Appeals Board that drivers should be considered employees and not independent contractors. Uber agreed to under which the company would pay past and future unemployment insurance

[32] People of the State of New York Office of the Attorney General Labor Bureau in the Matter of The Investigation of Letitia James, Attorney General of The State of New York Of Uber Technologies, Inc. *Assurance of Discontinuance, AOD No. 23-040*. November 1, 2023.

payroll taxes for all Uber (and Uber Eats) drivers and couriers retroactively to 2013, when it began operating in New York State.[33]

It was reported this past spring that California's Justice Department, and the cities of San Francisco, Los Angeles and San Diego, were in negotiations to settle a lawsuit against Uber and Lyft regarding backpay claims likely exceeding $1 billion for unpaid wait time, expenses and not meeting minimum wage standards covering an estimated 250,000 drivers for the 2016-2020 pre-Proposition 22 period.[34]

The current landscape for regulating TNCs

Despite the aggressive legal and regulatory resistance of the TNCs, drivers are organizing where they can to urge local legislators to implement and expand protective regulations where legislatures are not firmly behind the companies or where state laws haven't pre-empted local action. Legislation to establish minimum pay regulations has been introduced or is under active consideration in Chicago, Oregon, Connecticut, and Denver.[35]

Data transparency

Greater TNC data transparency with drivers and regulators has been a major issue in many jurisdictions.[36] Last year, Colorado enacted a law mandating data transparency regarding TNC passenger fares and driver pay.[37]

In May 2024, the Minnesota legislation enacting the minimum driver compensation standard required the companies to provide drivers with travel time and distance and driver pay for any possible ride assignments, as well as relevant details for completed trips including the passenger fare, and on a weekly basis, the total amount of time the driver was logged into the TNC app. On the other hand, the Massachusetts AG settlement only requires the companies to

[33] The amount of the Uber UI settlement was not disclosed. The New York Taxi Workers' Alliance worked with legal services attorneys for several years to secure favorable rulings from State UI Appeals Board administrative judges regarding employee classification for UI purposes that established UI eligibility in New York State. These actions culminated in a November 2023 agreement between the New York State Labor Department and Uber for the company to "Governor Hochul Announces Unprecedented Settlement Agreement Between the NYS Department of Labor and Uber," November 2, 2023, https://www.governor.ny.gov/news/governor-hochul-announces-unprecedented-settlement-agreement-between-nys-department-labor-and.

[34] Levi Sumagaysay, "California in settlement negotiations with Uber, Lyft in massive wage-theft case, Cal Matters, March 27, 2025.

[35] OR: Mia Maldonado, "Oregon bill would implement protections for Uber, Lyft drivers," News from the States, April 28, 2025; CT: Daniel Ocampo and James Bhandary-Alexander, "CT Must Join Other States in Protecting Ride Hail Drivers, Hartford Courant, May 19, 2025;

[36] Varun Nagaraj Rao, Samantha Dalal, Dana Calacci, and Andres Monroy-Hernandez, "Call for Transparency in Rideshare Platform Operations," Worker's Algorithm Observatory, Princeton University Center on Information Technology Policy, June 2024.

[37] Uber's request for a preliminary injunction was denied but the company is moving forward with a lawsuit challenging the data transparency law.

provide prospective trip and earning details, and driver information on completed trips but not a record of all time logged into the app or passenger fare.

NYC's second generation pay standard regulations and lockout restrictions

Responding to pressure from the New York Taxi Workers Alliance (NYTWA) representing both taxi and TNC drivers, but also from the Machinists' Union-affiliated Independent Drivers Guild, the New York City Taxi and Limousine Commission has proposed what might be considered a "second generation" of pay and related regulatory changes building on the TLC's 2019 pay standard. These proposals include an updating of the TLC's vehicle expense factor, revisions to the pay standard to reflect a reduction in driver utilization (the P3 share of a driver's app-on time), and measures to restrict company actions to "lockout" drivers from the platform.[38]

While the New York City driver pay standard is adjusted annually for changes in the consumer price index, changes in the composition of the fleet since 2019 (more SUVs, fewer sedans) and a rising share of electric vehicles (boosted by the phasing-in of a TLC requirement that all TNC vehicles be electric by 2030) necessitated an updating of the expense factor. The proposed expense revision involves a composite expense factor reflecting higher costs for the one-third of vehicles that are rented.[39]

To incentivize the TNCs to self-regulate the supply of drivers and vehicles to reflect changes in consumer demand for rides, the original TLC pay regulation called for the "utilization rate" in the pay standard components for time and distance to be regularly adjusted based on recent trends. If driver utilization declined, having utilization in the denominator of the pay formula would require the companies to increase driver pay. Utilization rate adjustments were not made during the pandemic or during New York City's gradual recovery from Covid-era business restrictions. Because utilization rates started declining as the number of full-time drivers exceeded the recovery in rider demand, NYTWA pushed for updating the utilization rate. The TLC proposal lowered the time utilization measure from .58 to .533, but also included for a revision to the distance utilization measure of .685 (from .58).[40]

In the lead-up in late 2023 and 2024 to the TLC's consideration of pay standard revisions and a likely change in the utilization rate used in the pay formula, Uber and Lyft began manipulating

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[38] New York City Taxi and Limousine Commission, Proposed Rule for Public Hearing—Driver Pay (High-Volume For-Hire Vehicle) February 5, 2025, posted January 3, 2025, https://www.nyc.gov/assets/tlc/downloads/pdf/proposed_amendment_of_driver_pay_rules_for_hvfhs.pdf As of this writing (late May 2025), the TLC has not yet voted on the proposed rule changes.

[39] James A. Parrott, Revised Expense Model for the NYC Taxi and Limousine Commission's High-Volume For-Hire Vehicle Minimum Pay Standard, Center for New York City Affairs, December 2024. https://www.nyc.gov/assets/tlc/downloads/pdf/driver_expense_report.pdf or https://www.centernyc.org/reports-briefs/revised-expense-model-for-the-nyc-taxi-and-limousine-commissions-high-volume-for-hire-vehicle-minimum-pay-standard

[40] New York City Taxi and Limousine Commission, Proposed Rule for Public Hearing—Driver Pay (High-Volume For-Hire Vehicle) February 5, 2025, posted January 3, 2025, https://www.nyc.gov/assets/tlc/downloads/pdf/proposed_amendment_of_driver_pay_rules_for_hvfhs.pdf

driver's ability to access ride dispatches, either by involuntarily logging them off, or by preventing them from logging on. While this practice clearly contradicted the companies' public rhetoric about the unlimited "flexibility" enjoyed by drivers, the companies did this to manipulate the measured utilization rate since these "lockouts" involved a forced reduction in driver time on the app. The TLC's proposed rule statement noted:

> Instead of not onboarding new drivers, the companies have for many years continued to onboard new driver, increasing driver supply without ensuring adequate trips for those new drivers. In response to this driver oversupply caused by the companies' onboarding practices, and to raise utilization rates to the level required by the current rules, the companies have restricted platform access for drivers … These platform restrictions elevate the utilization rate but prevent drivers from working and earning the daily income they were expecting to earn and ultimately may reduce driver hourly income, in clear conflict with the intent of local law and the agency's pay rules.[41]

Beginning in the spring of 2024, both Uber and Lyft engaged in this lockout practice. A Bloomberg News data research team documented the experience of scores of drivers adversely affected by the New York City lockouts. Bloomberg reporters developed a WhatsApp tipline that enabled 800 drivers to share 5,300 screenshots showing when and where they were locked out. Lockouts occurred at all hours of the day and in areas of high demand as well, prompting the companies to increase fares when demand exceeded the supply of drivers on the platform.[42]

Based on a preliminary analysis of selected weeks, TNC data show a decline in the number of driver sessions and session hours for mid-2024 compared to comparable weeks a year earlier. This results from fewer log-ons and shorter session-time from involuntary log-offs.

To restrict lockouts, the TLC has proposed that the companies provide 72-hours' notice to any driver of its intent to restrict that driver's access to the platform, and that once a TNC has permitted a driver to log into the platform to accept trips, that the company may not log the driver off for the next 16 hours.[43] The TLC would also expand its TNC data submission requirement to include detailed information on driver lockouts.

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[41] Ibid., p. 5.
[42] Natalie Lung, Leon Yin, Aaron Gordon, and Denise Lu, "How Uber and Lyft Used a Loophole to Deny NYC Drivers Millions in Pay," Bloomberg News, October 10, 2024.
[43] Many drivers may work 4-6 hour shifts and take time off between a morning and an evening shift. TLC January 3, 2025 rule proposal, p. 7.

TNC driver labor supply limits

A critical aspect of regulating TNC driver pay and working conditions is an effective mechanism to regulate the supply of drivers. To the extent that a pay regulation improves the take-home earnings of drivers, more drivers are likely to be attracted to that line of work. Indeed, the classic early Uber-supported research documented the result that an increase in driver hourly pay would be offset within a matter of weeks as additional drivers were attracted to the platform.[44] (This research exercise was an example of Uber's ability to conduct real-world social science experiments. Jonathan Hall was Uber's chief economist at the time.)

While the per minute and per mile rates incorporated in the Minnesota pay standard were based on 2022 utilization rates, we cautioned about the need for periodic analysis of the relation of trip demand to driver supply and earnings in order to make appropriate and timely adjustments to the compensation standard. We had already seen that between the first quarter of 2023 and the first quarter of 2024 that the number of drivers registered to pick up or drop off passengers at the Minneapolis Airport rose by 26.4 percent while the number of airport trips increased by 17.5 percent.[45]

In addition to incorporating utilization in the denominator of the pay standard components to incentivize the TNCs to self-regulate driver supply, responding to pressure from NYTWA, the New York City Council legislated a vehicle cap in 2018. However, a rush of vehicle registrations preceded the effective date of the cap, creating a considerable overhang in the number of authorized vehicles that has had limited effect on the ability of the TNCs to on-board additional drivers. The vehicle cap does not apply to wheelchair-accessible vehicles and has been porous at times when the TLC has acted to issue new licenses for electric vehicles. As of April 2025, there were 82,584 vehicles authorized to provide High-Volume For-Hire Vehicle (HV-FHVs) services in New York City, and 80,267 vehicles that performed at least one trip that month.[46] Although the total number of authorized vehicles is considerably lower than in 2019, the number of trips in April 2025 was about nine percent lower than in April of 2019.

A limit on the number of drivers rather than vehicles would also have limited the growth in a third-party rental market for authorized HV-FHVs. Fleet owners control about 30 percent of the total number of authorized vehicles and rent them to drivers, usually on a weekly basis which makes them subject to New York's 20.875 percent combined sales and short-term vehicle

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[44] Jonathan Hall, John Horton, and Daniel Knoepfle, "Labor Market Equilibration: Evidence from Uber," August 1, 2018, Uber Blog, https://www.uber.com/blog/research/labor-market-equilibration-evidence-from-uber/. The Hall, Horton, Knoepfle working paper was initially released in October 2017.

[45] James A. Parrott, Michael Reich, and Xingxing Yang, The Economic Situation of Gig Passenger Drivers in Minnesota," IRLE-CWED Working Paper, October 8, 2024, p. 17. https://irle.berkeley.edu/publications/working-papers/the-economic-situation-of-gig-passenger-drivers-in-minnesota/

[46] NYC TLC website, TLC Factbook, https://www.nyc.gov/site/tlc/about/data-and-research.page. Of the 82,584 authorized vehicles, 7,475 were WAVs and 12,912 were electric vehicles.

rental tax. The New York taxes account for a large share of the 30 percent cost differential incurred by renters compared to drivers who own their vehicles.[47]

Algorithmic pay setting

The TNCs' duopsonistic labor market power together with algorithmic management and control of their independent contractor drivers have exemplified the TNC-driver relationship from the start. Another dimension has evolved in recent years with the observation that the TNCs leverage their algorithms, and the behavioral learning they make possible, to individually determine trip and pay offers for drivers, factoring in not only the usual supply and demand conditions but also personalized data such as reservation wages to minimize their labor costs. Veena Dubal and others refer to this as "algorithmic wage discrimination."[48]

This capability then allows the TNCs to estimate the reservation wages of individual drivers and, in certain circumstances, to essentially auction off trip offers to the lowest bidder. This capability also enables the companies to reward drivers who the companies determine contribute the most to company profitability based on such factors as high passenger rating, low reservation wage, and low insurance costs. The extreme information asymmetry makes algorithmic management and pay-setting opaque to the driver.

This auctioning off of ride opportunities may not occur in situations with limited driver supply availability, but can certainly occur where driver density permits. It is not surprising, then, that the TNCs abhor efforts to limit the supply of drivers since more drivers provide the companies more latitude to drive down their labor costs. The fact that drivers bear sole responsibility for vehicle costs and that they are not paid while waiting for a dispatch puts the TNC business model on steroids.

The only general circumstances that can limit this algorithmic pay setting are minimum compensation standards. Where pay standards are implemented on a trip basis, such as in New York City or Seattle, the pay standard establishes a floor for reservation wages. In Minnesota, where the pay standard is implemented on a two-week pay period basis, the TNCs have some latitude to reduce pay to reservation wage levels on occasion and thereby limit hourly earnings opportunities for other drivers at the company's discretion. Unless the state is authorized to revise the pay standard, the companies are free to reduce utilization.

Unless there are limits to algorithmic pay setting, driver pay is likely to erode further. The Biden Administration's FTC appeared to be moving in the direction of developing a more complete understanding of TNC pay practices but that progress likely has now come to a complete halt.

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[47] James A. Parrott, Revised Expense Model for the NYC Taxi and Limousine Commission's High-Volume For-Hire Vehicle Minimum Pay Standard, Center for New York City Affairs, December 2024.

[48] Veena Dubal, "On Algorithmic Wage Discrimination," Washington Center for Equitable Growth, Working Paper series, July 2023. p. 5. See also, Zephyr Teachout, "Algorithmic Personalized Wages," Politics & Society, 2023.

Unionization

While preliminary data indicate that the driver pay standard agreed to in the Attorney General's June 2024 settlement of its misclassification lawsuit against Uber and Lyft has not lifted driver pay, as many as 80,000 Massachusetts drivers stand to benefit from the passage of a ballot initiative last November that gives drivers the right to unionize and negotiate for better pay, benefits, and working conditions. Following years-long efforts in Washington State and California, this was the first time TNC drivers had secured the right to unionize. The App Drivers Union, backed by 32BJ Service Employees International Union and the International Association of Machinists, have been collecting authorization cards from drivers.[49] The mobilization of drivers in a unionizing context has the potential to alter the policy landscape and the balance of power between the TNCs and their drivers.

SEIU Local 1 and Machinists Local 701 have formed the Illinois Drivers Alliance and are pushing for state legislation giving TNC drivers collective bargaining rights and are working with the Chicago Gig Alliance in support of a minimum driver pay ordinance that could be voted on this summer. In Minnesota, SEIU Local 26 is supporting state legislation that would permit TNC drivers to unionize.

What's the relation between driver pay and passenger fares?

The TNCs routinely claim that regulations to benefit drivers will inevitably push up passenger fares and deprive low-income riders of access to affordable transportation. An Uber economist recently wrote on Medium, "After a decade of [New York City] government layering taxes on top of regulations, Uber and Lyft prices have become unsustainably high for the City's riders … the increased regulatory burden has pushed prices to a point where people are becoming less willing to spend on Uber rides, with low-income riders being the most impacted group." [50]

In fact, a close look at the same publicly available data cited by Uber's economist shows that the TNC gross "company take" from passenger fares has increased several times faster than per trip driver pay over the past five years. TNCs cover their expenses, including among other things insurance costs and the costs of operating the app, out of their gross commission with profits being the residual. Figure 10 shows six-month per trip averages for Lyft and Uber base passenger fares (excluding tolls, taxes and fees) and driver pay (excluding tips). TNC gross commission ("company take") is calculated as the residual after subtracting driver pay from base passenger fares.[51] Driver pay per trip rose by 27 percent from the second half of 2019 through the second half of 2024. This was roughly in line with the 21 percent increase in the

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[49] Ross Cristantiello, "Uber, Lyft drivers announce formation of new 'App Drivers Union,' Boston.Com, Dec. 4, 2024.
[50] Rodrigo Moser, "Increased Regulation is Threatening Good Jobs in New York City," Medium, November 11, 2024. https://medium.com/uber-under-the-hood/increased-regulation-is-threatening-good-jobs-in-nyc-319b96d6479f
[51] While the TLC weekly data series begins in February 2019 when the TNC pay standard began, data are incomplete for several weeks during the first half of 2019.

New York metro area CPI-W and a seven percent increase in average trip minutes and miles. Base passenger fares rose 43.4 percent over this period (a little over 1.5 times the driver pay increase, but the company take per trip rose nearly six times as fast as driver pay.

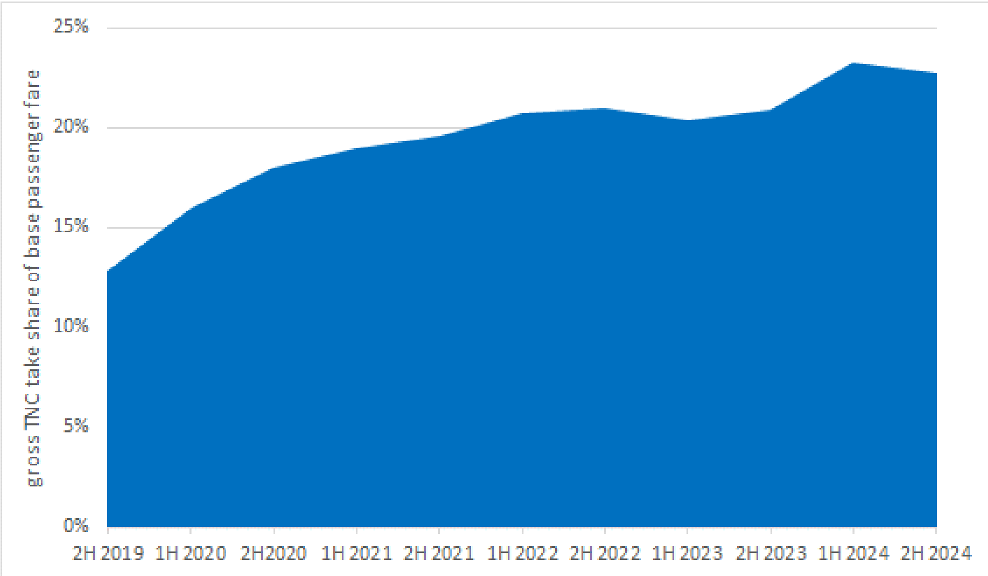
Figure 10
New York City TNC per trip passenger fares, driver pay and company take, 2H 2019-2H 2024

	per trip		
	base passenger fare	driver trip pay	company take
2H 2019	$18.73	$16.32	$2.40
1H 2020	$17.41	$14.63	$2.78
2H2020	$18.32	$15.02	$3.29
1H 2021	$20.76	$16.83	$3.93
2H 2021	$23.19	$18.64	$4.55
1H 2022	$23.09	$18.30	$4.79
2H 2022	$24.35	$19.24	$5.11
1H 2023	$23.77	$18.93	$4.84
2H 2023	$25.43	$20.11	$5.31
1H 2024	$25.57	$19.63	$5.94
2H 2024	$26.85	$20.73	$6.11
2H 2019-2H 2024			
difference	$8.12	$4.41	$3.71
% change	43.4%	27.0%	154.3%

Source: Author's analysis of NYC Taxi and Limousine Commission data.

A "gross take rate" can be calculated as the share of the base passenger fare kept by TNCs. From the second half of 2019 to the second half of 2024, the take rate rose by 10 percentage points (or 77.4 percent), from 12.8 percent to 22.8 percent. Figure 11 shows that the New York City TNC take rate rose fastest during the early pandemic period (through the second half of 2021) and since the second half of 2023.

Figure 11
New York City TNC gross take rate as a share of base passenger fares



TNC trips in New York City are subject to the sales tax and together with other government-imposed fees (the Black Car Fund fee, tolls and a congestion charge) accounted for about one-sixth of the gross passenger fare. These government charges rose by one-third over this five-year period with their combined share of gross passenger fares and fees declining from 17.4 percent to 16.3 percent. The Black Car Fund provides workers' compensation to TNC drivers.

A $2.75 per trip Manhattan congestion charge to fund the Metropolitan Transportation Authority (MTA) was instituted in 2019 for trips south of 96th Street in Manhattan—this was at the same time as the pay standard was implemented. This January, a separate $1.50 Manhattan Congestion Relief Zone charge for TNC trips (yellow taxis pay $0.75) below 60th Street in Manhattan began as part of the broader congestion pricing plan affecting all private cars and trucks to relieve traffic congestion and to also raise funds for the MTA capital plan.

Average tips for TNC drivers typically are on the low-side. For the second half of 2024, tips averaged $1.15 per trip, with the tip share of combined driver pay plus tips averaging 5.5 percent, up from 3.8 percent in the second half of 2019.

Autonomous vehicles adding to the regulatory challenges

Complicating the challenge of establishing fair pay and treatment for TNC drivers is the looming advent of autonomous vehicles. The technology is advancing rapidly and Waymo, Tesla and other companies are expanding their testing and offerings. The Wall Street Journal recently reported Waymo's exponential growth, providing 10 million paid rides in self-driving cars during the first five months of 2025, 10 times the number in 2023 and twice the total for 2024.[52]

Waymo already operates in San Francisco, Los Angeles, and Phoenix, and will partner with Uber in expanding to Austin and Atlanta. Riders will be able to request a Waymo self-driving vehicle through the Uber app. Tesla is planning to operate in Austin by the end of the year, and reportedly will start shipping self-driving vehicles this summer. Tesla CEO Musk has said that it plans to enlist Tesla owners to allow their vehicles to be utilized to carry rideshare passengers.

It's not clear where the financing will come from to operate autonomous vehicle fleets, but it would require thousands of autonomous vehicles in major cities to fully serve current TNC rider demand given that passenger wait times are usually in the 5–6-minute range. The transition will not occur overnight and it is likely that since some portion of rider demand will need to be served by human drivers for some time, the need to ensure fair treatment for drivers will continue.

Summary and conclusion

This paper has examined the first decade in which the TNCs have largely saturated large urban markets. Two forms of regulating driver pay exist. New York City, Seattle, and Minnesota have established minimum pay standards independent of the TNCs and seek to have drivers compensated for all of their working time on the platforms and to have driver expenses reimbursed at rates derived from a locality-specific analysis of vehicle expenses. Pay rates were set in the independent jurisdictions based on an analysis of utilization, and are intended to approximate at least the local minimum wage and the employer share of payroll taxes.

TNC-influenced pay standards that exist in California, Washington State outside of Seattle, Massachusetts, and New York State outside of New York City grew out of a statewide ballot initiative (Proposition 22 in California) bankrolled by the TNCs, or the threat of Prop 22-like ballot initiatives in Washington and Massachusetts. The suburban and upstate New York Standard was a hastily conceived last-minute add-on to a 2023 massive wage theft settlement with the State Attorney General's office.

The TNC-influenced pay standards take various forms but compensate drivers for only a portion of working time on the app, always excluding payment for driver waiting time (P1) and in the case of the Washington standard, not paying for dispatch or pick-up time (P2). The Massachusetts and New York standards don't specify an expense reimbursement factor, and the Prop 22 reimbursement rate is less than half that provided in the independent standards or

[52] Ben Cohen, "It's Waymo's World. We're All Just Riding in It," The Wall Street Journal, May 30, 2025.

the IRS business mileage rate. Seemingly, the internal justification for the specific pay rates for the TNC-influenced standards is that they yield gross pay below existing pay levels.

Comparing the after-expense hourly pay under the seven pay standards shows that the areas with independent standards compensate drivers a little above the local minimum wage while the TNC-influenced pay standards average less than half (43 percent) of the local minimum wage.

The TNCs have marshalled considerable legal and lobbying resources to preserve the remain independent contractor treatment of their drivers. This status strips workers of any labor and safety net protections. The seven pay standards provide a few benefits, but usually little more than paid sick time in the case of the TNC-influenced standards.

The two large TNCs wield duopsonistic labor control over gig drivers due to their market power and because the heavily immigrant driver workforce faces limited employment options. The TNCs exercise extensive algorithmic management and pay-setting through the app controlling pay and access to work opportunities, with drivers rarely afforded any room for resolving work-related issues.

Maintaining the IC status of drivers is paramount to the TNC model that minimizes pay and shifts the costs of vehicles and of industry-wide inefficiencies to drivers. The companies seek to expand labor supply without limit to drive down pay and can be cavalier about fostering an excess supply of drivers since they do not pay for driver waiting time or vehicle expenses. No employer could afford to behave that way. The companies use algorithmic pay-setting to reduce pay offers, find individual drivers' reservation wages and punish drivers who reject low pay offers.

Even where regulations are most advanced and driver compensation has benefitted, effective hourly driver pay suffers when passenger utilization declines. For the independent pay standards to deliver on their promise, periodic adjustment for utilization changes is needed.

In many cities, it appears that passenger fares have risen faster than driver pay, with the TNCs commanding a growing share of the total fares. New York City data confirm this trend with base passenger fares per ride rising 43 percent since 2019 while driver pay rose by 27 percent. The result is that TNC take rate per trip rose more than three times as fast as passenger fares with the industry-wide take rate nearly doubling from 12 to 22 percent.

New York City passenger demand has continued to rebound from the pandemic and through the first four months of 2025 average monthly trips was 92 percent of the 2019 level for the same months. Trip demand generally has risen more in the boroughs in the last three years (Bronx, Staten Island, Brooklyn, and Queens) with more moderate-income levels and greater price-sensitivity than in higher-income Manhattan.

A host of regulatory challenges face the TNC industry in 2025, including the need for data and pay transparency, and updated expense reimbursement and utilization measurement for the areas with independent pay standards. Probably the biggest issue that needs to be addressed is how to effectively limit the supply of drivers in order to halt the ongoing erosion in driver pay occurring in many areas. Effective minimum pay standards applied on a trip basis and appropriate supply limits would obviate much of the concern raised by algorithmic pay setting (and would lessen the incentive the companies now have to drive pay lower by discriminating among drivers.)

More and more drivers are coming together in worker organizations to seek the right to unionize and collectively bargain to improve their pay and working conditions. Since state-enabling legislation is needed, unionization is an option that will likely be pursued in only a limited number of states.

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