

“Scourge Pricing”: *Understanding & Challenging Uber’s Business Strategy*

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What is “Gig” Work? And is it Even “New”?

- 5 common key features:
 1. No commitment to continuing work (“on call”).
 2. Piece-work compensation.
 3. Worker assumes responsibility for providing equipment, workplace (“home work”).
 4. Triangulated relationship with an intermediary.
 5. Assumption of digital mediation.
 - What job doesn't have it??

Home Work



Piece Work



On-Call Work



Labour Hire



Structural & Institutional Disempowerment of Workers

- Because of economic conditions, regulatory openings, willingness (desperation?) of workers, and technology, employers have created a hyper-flexible system of just-in-time, precarious work.
- Technology facilitates this, but hasn't caused it.
- Erosion of institutions which supported higher and more equal wages explains low earnings & rising inequality
- Uber the battering ram for normalizing expansion of gig work model

Understanding Uber

- Icon of the gig economy.
 - But not *typical* of the gig economy.
- “To bet against Uber is to bet against the future.”
 - Paul Barter in Nicoll (2016).

Uber's Business Model

- Aggregates a large, decentralised, low-margin industry.
- Customers use company app to arrange a ride (or delivery).
- Drivers provide the vehicle & all operating costs (depreciation, maintenance, fuel, taxes).
- All payments processed through the app.
- Uber deducts fees and commissions, pays remainder to drivers.
- Drivers are not “employees.”

Regulatory & Political Strategy

- Initially was simply an illegal taxi operation.
- Popularity with consumers, fear of being “old-fashioned” stayed the hand of regulators.
 - Uber aggressive in wielding political power.
 - Losses to established businesses still being challenged.
- Initial tax evasion supplemented low driver incomes.



Uber's Expansion

- App is popular with consumers.
 - Convenience?
 - Cost.
- 3.9 million drivers in over 60 countries.
- 5.2 billion “trips.”
- Early capitalisation to subsidise losses, finance expansion.
- Growth into other business lines (Uber Eats, Uber Freight, Uber Bus, other mobility).
- Cumulative losses exceed \$15 billion.
 - Lost 60c (US) per trip in 2018.

Not Employees? Top-Down Control of Drivers

- Uber hires (and fires) the drivers.
- Uber sets rates/revenue shares.
 - And can unilaterally change them.
- Uber controls all payments.
- App tells drivers who to pick up, where to take them, how to get there.
- Consumer ratings via app are important: affect job allocation, dismissal.
- Workers “choose” when and where to work.

Table 1

Uber v. Taxi Fare Comparisons

City	Sydney		Melbourne		Brisbane		Perth		Adelaide		Canberra	
	UberX	Taxi	UberX	Taxi	UberX	Taxi	UberX	Taxi	UberX	Taxi	UberX	Taxi
Call out/ booking	\$0.55	\$2.50 ¹	\$0.55	\$2.00	\$0.55	\$1.50	\$0.55	\$1.50 ¹	\$0.55	\$1.50	\$0.55	\$0.00
Flag fall	\$3.50 ²	\$4.60 ²	\$3.00 ²	\$5.20 ²	\$2.50	\$2.90	\$2.00	\$4.20	\$3.20 ²	\$4.70 ²	\$2.35	\$5.00
Per km	\$1.45	\$2.19	\$1.15	\$1.62	\$1.15	\$2.17	\$1.00	\$1.72	\$1.00	\$1.87	\$1.35	\$2.06
Per Minute	\$0.40	\$0.94	\$0.35	\$0.57	\$0.38	\$0.82	\$0.32	\$0.82	\$0.40	\$0.66	\$0.45	\$0.87
Total	\$27.35	\$38.44	\$22.75	\$29.10	\$22.91	\$34.08	\$19.59	\$31.07	\$22.55	\$31.45	\$26.30	\$34.27
Taxi Premium		40.5%		27.9%		48.8%		58.6%		39.5%		30.3%

Source: Author's calculations as described in text. Based on representative urban fare of 10 km taking 22 minutes.

Taxi cost excludes night or weekend surcharges; all costs exclude airport fees, tolls, or other charges.

1. Representative booking fee (not regulated).
2. Includes levy for taxi license compensation.

Table 2

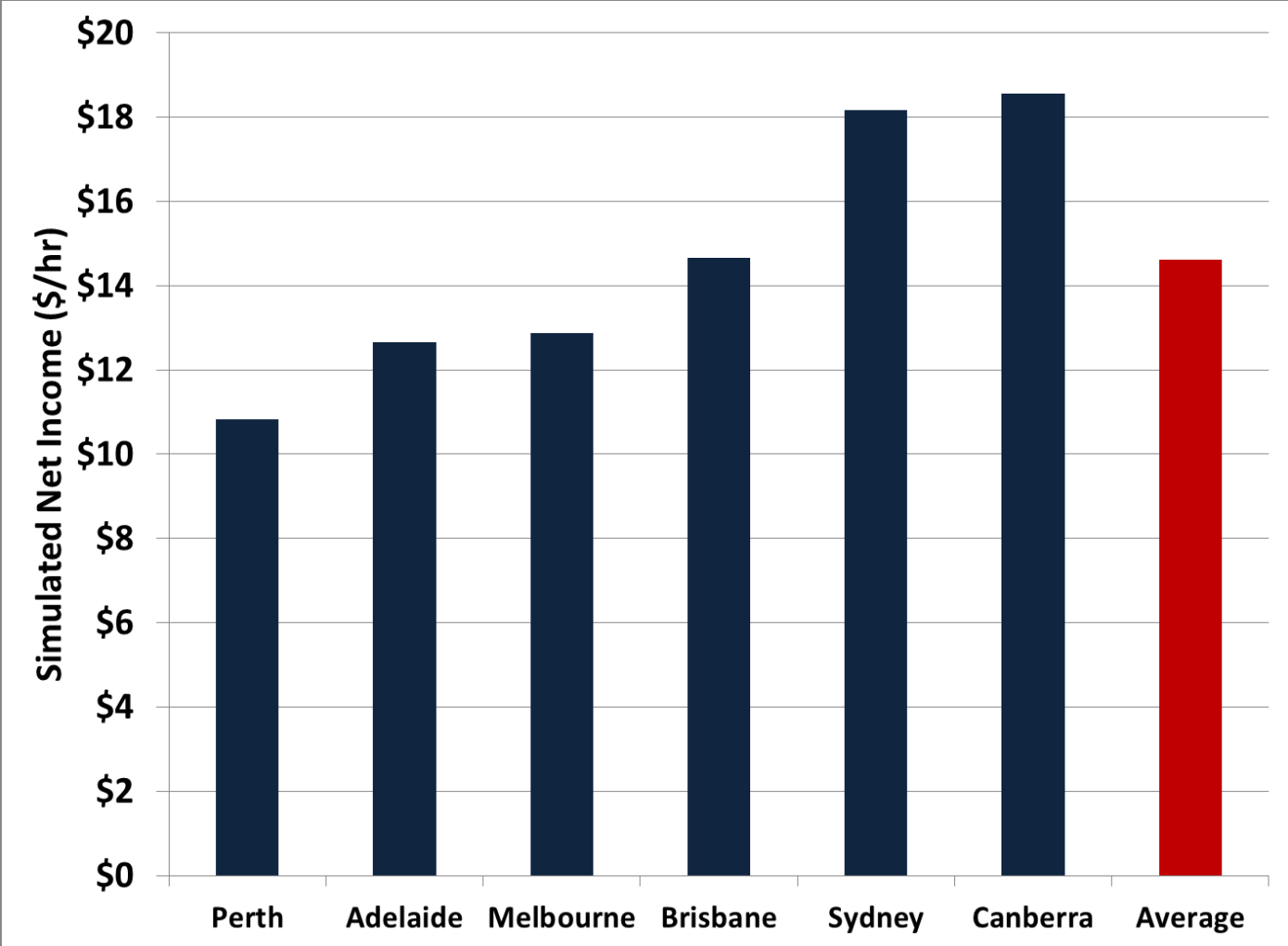
UberX Driver Simulated Net Incomes

City	Sydney		Melbourne		Brisbane		Perth		Adelaide		Canberra		Average
	\$	% of total	\$	% of total	\$	% of total	\$	% of total	\$	% of total	\$	% of total	\$/%
Gross Fare	\$27.35		\$22.75		\$22.91		\$19.59		\$22.55		\$26.30		
To Uber	\$7.65	28.0%	\$6.38	28.0%	\$6.42	28.0%	\$5.51	28.1%	\$6.33	28.0%	\$7.36	28.0%	28.0%
To Government ¹	\$2.14	7.8%	\$1.81	8.0%	\$0.92	4.0%	\$0.68	3.5%	\$1.80	8.0%	\$1.17	4.4%	6.0%
Petrol/Vehicle Expenses	\$7.26	26.5%	\$7.26	31.9%	\$7.26	31.7%	\$7.26	37.1%	\$7.26	32.2%	\$7.26	27.6%	31.2%
Net to Driver (Before Inc.Tax)	\$10.30	37.7%	\$7.30	32.1%	\$8.30	36.2%	\$6.14	31.3%	\$7.17	31.8%	\$10.52	40.0%	34.8%
Time Spent (min)	34		34		34		34		34		34		
Hourly Wage	\$18.18		\$12.88		\$14.65		\$10.83		\$12.65		\$18.56		\$14.62

Source: Author's calculations based on assumptions described in text.

1. Includes driver's net GST payments (less GST credits on input purchases) and taxi compensation levy only; does not include personal income tax, petrol taxes, or GST paid directly by Uber and input providers.

Net Uber Incomes by City



The Driver Subsidy to Uber

- Australia national minimum wage (2018): \$18.93.
- “Award rates” even higher: \$30 weighted average (incl. penalties).
- 20% below minimum wage, 50% below award wage.
- Underpayment of Uber drivers constitutes a subsidy to the firm:
 - \$8-9 for a typical fare.
 - 37% of full cost (equivalent to advantage vis. taxis).
 - On top of additional subsidy from Uber itself.
- Consumers benefit from this exploitation, too.

Concerns for Workers' Rights

- No transparency, recourse in dismissal.
- No review of customer ratings.
 - Racism.
- No transparency or review over algorithm assignments.
- Dependence on ratings intensifies work, adds cost.
 - Cannot complain.
 - Expectation to provide “extras.”

Concerns for Workers' Rights

- Weak limits on hours.
 - Must log off for 6 hrs after 12; up to 114/week.
 - Work for multiple apps.
- Safety.
 - Must operate app while driving.



- No entitlements (workers' comp, sick pay, holiday, super).
- Net pay often below minimum wages.

Uber's Initial Public Offering (IPO)

- Raise \$10b; value company at \$70 billion (down from initial estimate of \$100b)
- Rush to market:
 - Keep up with competitors like Lyft.
 - Sense that growth is slowing (Latin American expansion failed)
- At least they're honest!
 - “Our business would be adversely affected if Drivers were classified as employees instead of independent contractors.”
- Why do investors buy it?
 - Expectation (hope?) of future profitability.
 - Key roadblock: pitching to same group of investors but at higher price.



An Uncertain Outlook for Uber

- Revenue growth slowing.
- Operating losses will remain substantial, likely to widen.
- Competition growing.
- Regulatory constraints rising.
 - Including labour issues.
- Legal challenges accumulating.
 - Autonomous car accidents, crimes by drivers.
- Changing public sentiment?
 - Campaigns to regulate on-demand “gig” work

Take-home Points

- Uber drivers are effectively employees, but not recognised as such by Aus regulations
- Compensation is poor, conditions are bad; undercuts taxi incomes
- Taxi industry worked hard to formalise better paid, better regulated industry
- Uber is not a progressive tech phenomenon: production is low-tech and very labour-intensive.
- Uber's "bubble" may be deflating

Thank You!

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