

Compensation Resolution Townhall Presentation

Background:

Informational town hall to hear ideas on how to further develop details related to the recent Transportation Network Company Driver Advisory Committee recommendation for improved compensation. (March 18-21, 2024)

The DAC passed a recommendation in 2023 requesting a fixed percentage of revenue from all rides which was sent to the PBOT Director and returned to the committee for more rationale and details, which died in subcommittee (Fees and Fares Subcommittee) chaired by and staffed by Taxi owners).

SUMMARY OF CONTENTS (Brief High-Level Overview):

1. Justification:

- *WHY? erosion of driver pay; algorithms & their negative impacts; drivers deserve fair compensation*
- *NUMBERS—past/present per-mi. & min. rates, inflation/housing increases; TNC profits (not sharing wealth)*
- *DEACTIVATION PROTECTIONS—Ethnic disparities; appeals w/ representation & TNC cooperation*
- *SERVING THE COMMUNITY— drivers are essential workers; providing safe, reliable, high quality mobility services*

2. Goals and Definitions:

- **WHY?** Improve unsafe work environment for driver & overall public safety; fair share of wealth; living wage; sustainability; cost-reduction benefits (injury & insurance premium reductions)
- **FAIR COMPENSATION:**
 1. **Safety**- effects/dangers to public safety of driving long hours due to low pay; mental health effects
 2. **Equitable**- rider fare divided fairly between driver & TNC (accounting for not just TNC expenses, but driver expenses & risks and services provided)
 3. **Transparent**- clear understanding & accounting of how much driver will be paid of total rider fare (more detailed breakdown of fees, esp. Commercial insurance, in-app immediately after each trip; for both driver & rider)
 4. **Sustainable**- adjusts for increases in inflation/cost of living/expenses & fees; ensure drivers will continue to earn a living wage
 5. **Seniority**- pay structure based on (years/experience) of service; benefits to general public, riders, PBOT & TNC's for new drivers w/ veteran driver mentorship
 6. **Categorical**- ensures different pay scales that reflect standard vs. premium ride types (UberX & Lyft standard vs. Comfort, Comfort Electric, Premier, XL, etc...)

3. Compensation Goal/Calculation To Achieve:

- **Overall Target of Wages & Compensation**-per mi./per min vs hourly targets?
- **Categories/Comparisons**-Employee Wages and Independent Contractors in comparable industries
- **Definitions**-Net wages after expenses (capital invested, assets, fuel, insurance, depreciation and other operating costs)
- **Calculations, assumptions, formulas**-Calculations and assumptions used to formulate specific compensation goals

1. Justification: The need for fair pay and deactivation protections for Portland TNC drivers (led by Kerry Harwin)

Over the past five years, Portland area TNC drivers have been hit by a massive erosion in pay. In 2016, a Portland driver could expect to earn \$1.85 per mile and \$0.15 per minute driven with a passenger. Today, that pay rate has fallen by more than half to \$0.70/mile and \$0.24/minute. During this same period, consumer prices have risen by about 24% and housing costs in the Portland metro area have increased at an even sharper rate.

This shocking reduction in driver pay has been accompanied by changes to the TNC business model that enable further pay reductions by decoupling rider fares and driver pay from miles and minutes driven. For more than five years, rider fares have been determined by price setting algorithms that determine the [highest fare a given rider is likely to pay](#)¹. Notably, this has led to apparently discriminatory pricing patterns, with [higher fares observed when trips originate in areas with disproportionately low income or Black populations](#)², areas which typically are able to access fewer public and private transportation alternatives.

Over the past year, the major TNCs have begun to introduce similar mechanisms to calculate driver pay, leading to [algorithmic pay discrimination](#)³. Driver pay setting by black box algorithms have already been demonstrated to lead to [different pay being offered for the same ride to two drivers sitting side by side](#)⁴, ostensibly based on patterns of ride acceptance. This allows TNCs to finetune the pay offered to drivers to the lowest possible pay that each driver will accept while remaining on the road.

Algorithmic pay discrimination has additional impacts that hurt both drivers and riders. TNC operations have always functioned with the understanding that riders will be connected with the nearest driver. But when TNCs are able to boost their revenue by selecting not the closest driver, but the driver that accepts the lowest pay, passengers lose because they're forced into higher waiting times and drivers lose money when they're forced to take long trips (generally unpaid) to pick up a passenger.

A per mile and per minute minimum pay standard, which accounts for the high proportion of earnings that go to service the expenses inherent to being a TNC driver (vehicle maintenance, fuel, insurance, and others), ensures that Portland drivers will not become another test bed for algorithmic pay erosion.

¹ <https://www.forbes.com/sites/nicolemartin1/2019/03/30/uber-charges-more-if-they-think-youre-willing-to-pay-more/?sh=1e2e9fab7365>

² <https://arxiv.org/abs/2006.04599>

³ <https://www.cbsnews.com/news/algorithmic-wage-discrimination-artificial-intelligence/>

⁴ <https://www.youtube.com/watch?v=MfFujBOIY6A>

As drivers experience pay cut after pay cut, Uber has recently announced [a stock buy-back program that plans to repurchase up to \\$7 billion in UBER stock](#)⁵. Corporate executives often claim that stock buy-backs demonstrate confidence in the future of their company. That may be true in some cases, but another fact is almost always true: buy-back programs push up stock prices, putting money directly into the pockets of those same executives, who often receive much of their compensation in the form of stock options.

In this case, Uber's buy-back plans were announced shortly ahead of \$136 million in Uber stock options granted to CEO Dara Khosrowshahi. [With \\$1.4 billion in profits](#)⁶ At the same time that passengers are paying more and drivers are earning less, it's clear that executive profits are being placed ahead of ensuring that drivers are paid an equivalent of at least minimum wage.

Amid this ongoing attack on driver pay, TNC drivers in Portland and elsewhere continue to experience arbitrary and unjustified terminations from their jobs, known in the industry as "deactivations". Incorrect background checks, minor paperwork violations, simple technology failures, and discriminatory rider complaints can all lead to drivers being deactivated, often with no attempt made by TNCs to verify the purported reason for deactivation.

Portland's Ombuds program offers a better approach for deactivated drivers than most American cities. However, the program lacks the staff capacity to provide meaningful representation to most deactivated drivers, a mechanism to inform deactivated drivers of their appeal rights, or a mandate that TNCs cooperate with the appeal process.

A recent study of Pacific Northwest drivers conducted by the University of Washington found that a clear and mandatory appeals process (with representation for drivers by a worker-led body with culturally competent support and outreach) led to [a reversal of 80% of contested deactivations](#)⁷. This points both to the arbitrary nature of many deactivations and the need for formalized routes for deactivation appeal with representation from a driver led body.

⁵ <https://www.investors.com/news/technology/uber-stock-buyback-plan/>

⁶ <https://investor.uber.com/news-events/news/press-release-details/2024/Uber-Announces-Results-for-Fourth-Quarter-and-Full-Year-2023/default.aspx>

⁷ <https://osf.io/preprints/socarxiv/w6z8e>

2. Goals and Definitions: (led by Scott Floyd)

SAFETY. The safety of the public, the safety of the riders, and the safety of our drivers.

1. TRAINING. This is a real issue that needs to get resolved. I am sure most of you already know that one of the biggest ride share operators only requires new drivers to take a simple test that is given in the corporate office here in Portland. When the new inexperienced driver shows up, they give them the answers to the test.

Now I love having the answers to test questions during the test. I am old and have memory issues. But it may not be the smartest way to guarantee the safety of our community. Now I realize everyone coming into rideshare has a clean criminal history and is already a licensed driver. The problem is not bad drivers, the problem is Uber and Lyft work through an interactive AI. Driving other people while working with an AI is totally different than driving across town for pleasure or work.

At our next meeting in May, I would like to get the Advisory Committee approval to begin work on a comprehensive new training program that can guarantee the safety of our riders and our drivers.

2. The last issue that I am very passionate about is FAIR COMPENSATION. Now you might be wondering why money has anything to do with Safety.

Right now, when drivers need more money, let's say enough to pay rent and buy groceries. We work more, and we continue to work more until we are exhausted. I stop at eight hours, I am fortunate enough to have other income. After eight hours I am spent, and start making wrong turns. This goes to the core of Safety. I have never known anyone who does their best work when exhausted and starving.

All of us deserve enough money to survive. Especially in Portland we are proud to have a minimum pay rate that is enough for basic survival. I am not the person to determine how much that should be, But I can tell you a couple things I have learned from driving. I make around \$8.00 per hour. That's the high number, it does not include tires, shocks, wipers, and other maintenance items. I can't factor those in; if I do I am forced to confront the reality of slave labor.

I am asking the Advisory Committee, and the City of Portland to consider a base rate amount that Drivers need to survive. How we got to this point I do not know. I think GREED mostly. This year Uber is projected to bring in something like 65 BILLION Dollars. That's 65 Billion, mind blowing numbers.

I suspect the TNC can afford to pay us a fair wage, and still make plenty of money.

I know these issues are complicated and hard, but I have to try harder, I have to do better. I can't sit back and turn a blind eye to the struggles of my fellow drivers. Our pain is real, all we are asking for is enough money to survive.

Thank you for allowing me to share my passion and my goals for the future.

-Scott/Driver

3. Compensation Goal vs Developing Calculation To Achieve Identified Compensation Goal (led by Phil Berger)

Categories: Employee Wages and Independent Contractors. Each of the questions below are answered differently as Employee vs IC.

Consider if it should include only similar work that entails driving, or those with similar earning styles similar to ours? Bus Driver, Maid Service, Fundraiser buying water bottles and reselling them at a community event. (We can discuss if you want)

Should we be looking at similar types of pay structures (salary vs hourly vs commission vs per-piece)? My opinion is that we are currently not being paid as hourly, we are being paid on per-piece (manufacturing term).

Initial Capital Investment and ongoing fixed and variable expenses: different considerations for Employees vs ICs. The Vehicle payment/depreciation or rental costs are Fixed, most other expenses are variable based on how much you work, mostly miles. Define what is supposed to be included in the IRS .655 per mile standard mileage allowance for vehicle expenses. This rate is probably a low, conservative estimate that the government is grudgingly allowing.

Time frames being considered: You need to make assumptions about whether one Compensation Goal reflects all types of drivers or whether the trade off of complexity is worth improved accuracy. When someone rents a car for \$400 per week do they “deserve” to cover the expense and make a profit of an assumed % if they do 40 hours (\$10 per ride), 50 rides (\$8 per ride) or 10 rides (\$40). And what if we choose to base it on hours instead of rides since we cannot control # of rides? Discuss how “Utilization” affects the calculations.

We pay the TNCs a fee specifically for their matchmaking service, so one could argue utilization is their responsibility, and their lack of efficient performance should not affect our under utilization. Perhaps a negotiated assumption about an established overall average number of rides per hour can be agreed upon to use in a formula that instead of \$ per hour, is based on \$ per ride.

And of course the next step is translating the Expected Wage to any proposed Compensation Formula (currently based on a pickup fee, plus mile and minute rates per ride, and a variety of bonuses or incentives that are not necessarily linked directly to a specific ride and what the rider paid. Long conversation with many considerations.

Why do the TNCs get a percentage of the ride if their costs are presumably fixed for their matchmaking service. Should we be paying a fixed fee for their service, especially since we bare the burden of increased time and costs for longer rides, both per minute, per mile, and any additional health, safety and financial risk from accidents driving longer rides (assuming incidence of crashes are greater in long rides with faster speeds, more lane changes, highway merges and exits, lights, stop signs etc).

It was brought up that a large chunk of the fees the TNCs charge us is to cover their insurance costs of the drivers. Perhaps we can request that we'd like the bidding process to be made public since it directly affects thousands of drivers in the PDX area, and not so indirectly

Rider Fares as well. This unfortunately may lead to a discussion of the anti-trust issue, and whether increased government regulation is necessary when one or two companies control 99% of the market share?

Guaranteed minimum wages (per ride or per hour, perhaps tiered for under 35 hours, 35-45, and 45+) which do not include tips, and a discussion of which if not all bonuses or incentives offered should also not be included in the minimum guaranteed rates.

Sustainability: This word seems to have had a few different meanings to those in attendance: Used to mean sustain a standard of living, but also a mechanism to keep it sufficient over time as economic situations change. So it includes assumptions about the original agreed upon Expected Wage but also periodic (annual) cost of living adjustments to keep pace with inflation, or better yet to also build in promotions/raises for long term drivers.

Do the TNCs, the City and the general public value experienced drivers? Is driver retention important to them? Should a tiered compensation system be considered? Long conversation but very relevant if safety for all is of paramount importance.

What would be the effect on capping new TNC driver licenses? Or allowing only a certain number on the road based on the number of expected riders (or whatever criteria gets agreed upon) to improve driver utilization as a driver retention incentive? Can the entire community agree to be in favor of experienced drivers vs churning newbies? Imagine if airlines churned new part time pilots?

Driving is dangerous. Accidents occur often, statistically it's calculable. Lost wages and costs of repairs could be built into the formulas and allocated from the annual costs to the per hour or per ride costs.

Finally, a discussion about what an appropriate markup is for independent contractors, since that's how we are currently classified and will be for the foreseeable future. Money markets pay 5% with little to no risk. Conservative mutual funds pay more, as do other passive investments that don't require the upfront investment of a vehicle and the time commitment to earn. I have no idea what kind of markup is appropriate. It certainly isn't 5% or 10% or even 17.5% if you consider I'm paying both halves of FICA. Personally, I'd like to make at least \$30-35 per hour after expenses.