The Plight of Full-Time Gig Worker Rideshare Drivers:

An Evaluation of the Current Implementation of the Gig Economy in the Rideshare Sector

By: Reid William Schreck

A thesis submitted to the University of Michigan

in partial fulfillment of the requirements for the degree of

BACHELOR OF ARTS WITH HONORS

Philosophy, Politics, and Economics

College of Literature, Science, and the Arts

April 2022

ACKNOWLEDGMENTS

My profound admiration and deepest gratitude go to Professor Dan Lowe, who selflessly expended his time and energy to guide me through the gauntlet of creating an honors thesis. I will forever value his insights and teachings as I continue on in my educational and professional journeys. I also want to express my great appreciation and respect for Professor Mark Mizruchi who fostered my interest in and love for business organizations and relationships, which I intend to study and explore further in an interdisciplinary approach along with my forthcoming study of the law. To my girlfriend Jessica and family, who have supported me unconditionally on this long and arduous journey, words are not enough to express my thanks.

Table of Contents

Introduction

Is the gig economy good for gig rideshare workers? I originally approached this thesis regarding the current state of the gig economy and how it comes to impact the lives of gig worker rideshare drivers, specifically full-time rideshare drivers, believing that the benefits to existing and potential new gig workers would far outweigh the potential detriments. By way of disclosing my pre-thesis perspective, I hope to draw a stark contrast between my previously held beliefs and the harsh realities that my research and analysis have illuminated. I have been drawn to far different conclusions than I originally anticipated and, in the end, decided that the current treatment of full-time rideshare drivers within the gig economy is unjustifiable as they are potentially being taken advantage of within the current labor arrangements with rideshare platform companies. Nonetheless, I remain hopeful that implementation of certain proactive measures may well alleviate my concerns.

After addressing historical backgrounds, underpinnings for and developments of the gig economy and gig workers, costs and benefits of gig work, and the current objectionable conditions under which many full-time rideshare drivers find themselves, I propose a policy that aims to improve the standings of these drivers within the labor relationship with their gig platforms by improving drivers' terms of compensation and increasing transparency between the platform companies and drivers to better equip these drivers with material information needed to make a reasonably informed personal decision regarding whether platform work will truly be financially beneficial for these workers. While some may try to justify the treatment of rideshare drivers by contending they enjoy dramatic increases in flexibility, freedom, and autonomy when compared to employees, my research and analysis has led me to the conclusion that *full-time* rideshare drivers, who complete a majority of the work within the rideshare sector, overall do not enjoy sufficient freedom to outweigh their costs, risks, and lower than expected compensation, contrary to advertisements released by platform companies suggesting greater freedoms and compensation than currently exist. As I shall contend, full-time rideshare gig workers are faced with inadequate compensation and an unjustifiable loss of freedom resulting from their labors absent certain guarantees, protections, and access to critical information.

Chapter 1 - History of American Labor Markets

Section 1.1 - Labor Market Developments

Markets have historically been used for the buying and selling of a range of goods and services. Many great economists, philosophers, and political thinkers have concerned themselves with theorizing how to best develop such markets, at times focusing specifically on labor markets. These individuals concentrated their efforts on addressing some of the most important questions having to do with labor markets such as what well-functioning labor markets should accomplish, what limitations within labor markets need to be addressed, and how labor markets can be formed to protect the interests of workers and corporations. Foremost among them, Adam Smith, the famed Scottish economist and philosopher of the late eighteenth century, drafted some of the most robust early responses to these questions in his work *An Inquiry into the Nature and Causes of the Wealth of Nations* in an attempt to frame how we should fundamentally view labor markets.

Section 1.1.1 - Labor Market Developments: Early Industrial Revolution

Toward the end of the eighteenth century, Smith took an interdisciplinary approach to answering these questions and attempted to weigh the costs and benefits of the most influential developments appropriately when considering labor markets at that time. Smith recognized the general principle that an increase in the division of labor tends to increase productivity (Smith 1776). However, as a result of this division of labor, Smith found himself concerned with the idea that if labor were to become divided into too many repetitive, menial tasks, it could lead to a "drowsy stupidity," that is, the decline of individual intellect and the loss of the ability to be creative and innovative (Smith 1776). From this, it becomes clear that to address these types of questions sufficiently one must consider not only the various rights and protections afforded under different forms of labor markets but also the effects that the relationship between laborers and the work they perform may have on the participants within these labor markets.

Classical economic theory suggests that perfectly competitive markets will produce efficient allocations of resources based upon the laws of supply and demand acting within the respective market; however, a brief look at the historical lack of efficiency of labor markets will reveal that this theoretical ideal has yet to be fully achieved. The practical challenges associated with attempting to develop an efficient labor market are immense. For instance, it is both difficult and costly to transmit all necessary information to all participants completely and instantly. As a result, relevant parties are often forced to rely on incomplete information when attempting to make decisions. This may lead to outcomes where individuals fail to make welfare-promoting decisions they otherwise might have made had the necessary information been more efficiently transmitted to them at the outset. Practical challenges such as these often produce a natural level of friction within labor markets that inhibits the efficient allocation of labor units and resources. This market friction can lead to the manifestation of various forms of labor market shortcomings such as instances where job opportunities are not being efficiently filled by available labor units or outcomes where workers are under- or over-compensated for their time and effort.

Section 1.1.2 - Labor Market Developments: Early 20th Century

Despite such inefficiencies and shortcomings within labor market systems, the ability demonstrated by labor markets to adapt and respond to developing legal frameworks as well as evolving social and historical frameworks throughout American history has been remarkable. Over the last two hundred years, labor markets were able to accommodate massive reallocation of labor units from agriculture to manufacturing, and subsequently from manufacturing into service fields (Rosenbloom 2021). In addition to accommodating major transitions between industries, labor markets have also supported major geographic reallocation of labor across states and regions within the United States in order to meet the changing needs of the nation (Rosenbloom 2021).

As labor markets continued to adapt, corporations began to recognize they could achieve increased productivity by investing in the development of their workers' skills and establishing long-term employment relationships with these workers. With growing awareness that there were large costs associated with high rates of labor-turnover, organizations began creating more centralized and formal hiring, firing, and promotion processes and establishing internal promotion tracks in order to retain workers for longer periods of time. This allowed corporations to benefit from the increased productivity and efficiency resulting from worker specialization (Rosenbloom). Due in large part to these reasons, the most common type of labor relationship that exists between workers and corporations today is long-term, full-time employment.

Workers classified under the law as employees have been granted numerous legal protections surrounding working conditions, collective bargaining, and minimum wages, but such protections did not come quickly or easily. In the post-industrial revolution era, employees who wanted to ensure that their interests were adequately represented and protected within society fought for the right to collectively bargain. This right to collectively bargain for employees originally came in the form of the National Labor Relations Act of 1935, also commonly known as the Wagner Act, which "guaranteed the basic rights of employees to organize into unions, collectively bargain for better working conditions, and take collective action by striking if necessary" (FindLaw 2017). While the rights guaranteed within the Wagner Act were later modified and reduced by the subsequent 1947 Taft-Hartley Act, this general development in favor of providing employees with the power to collectively bargain represented the beginning of a historical period dominated by organized labor movements. However, such unionization and collective bargaining efforts have been and continue to be met with strong resistance and hostility from many employers.

Section 1.1.3 - Labor Market Developments: Emergence of the Gig Economy

One of the more recent significant developments within American labor markets is the growth of platform-based companies in the gig economy that create new labor markets through which gig workers can market their assets and services. As part of an important United States Congressional Research Service report, the gig economy was defined as "...the collection of markets that match providers to consumers on a gig (or job) basis in support of on-demand commerce. In the basic model, gig workers enter into formal agreements with on-demand companies (e.g., Uber and TaskRabbit) to provide services to the company's clients." (Donovan 2016).

Legally and practically one can see the nature of the labor relationships between platform companies and gig workers is very different from the nature of standard long-term employer-employee relationships. Platform-based companies such as Uber, DoorDash, and Airbnb have formed as derivatives of the sharing economy movement that emerged in 2008. The sharing economy movement focused on connecting people to allow individuals to better utilize their otherwise unused resources and assets (Vallas and Schor 2020). By way of example, the sharing economy movement made it easier for people to rent out unused rooms or offer transportation services using personally owned vehicles. Gig workers that interact with these platform-based companies are currently legally classified as independent contractors, and their work is often characterized by short-term engagements, also referred to as "gigs." These gig workers may experience increased flexibility and autonomy when considering that they typically own the assets being used on the job and often get to decide when and how they will work. However, gig workers also have to cover depreciation expenses as well as maintenance and operating costs and they are not afforded many of the protections and rights given to employees such as a minimum wage, health insurance, and workers' compensation insurance.

One of the primary focuses and functions of labor markets is to connect workers to available jobs in accordance with supply and demand. In response to the social, political, and legal developments that have occurred throughout the years within the American society and economy, the ways in which labor markets have connected workers to jobs have changed considerably. However, it would be a mistake to assume these changes within labor markets represent linear improvement and progression towards the overall goal of producing efficient markets. As opposed to something like technology, which always seems to progress toward more advanced iterations, with labor markets we often see certain trends and developments come and go. For instance, the prioritization of worker retention and investment in worker training and specialization during the 20th century appears now in the 21st century to be decreasing in response to the emergence and growth of the gig economy. Within the gig economy, workers for the most part require little or no substantial training and platform companies often do not seem to be very concerned with high rates of labor-turnover. Also, within the gig economy, platform companies are not attempting to secure long-term labor relationships with any one gig worker. Similarly, gig workers are able to source offers from and complete work contracts under competing platform companies on a granular level.

In light of the complex change that occurs within labor markets, in order to properly evaluate how these developments impact workers in various labor markets, it is then necessary to

(1) determine how the nature of the relationship between workers and hiring entities has changed and (2) evaluate how the effects of the labor market impact workers. When evaluating the effects of the growing gig economy labor model on workers, my addressing the above points is intended to better inform any analysis surrounding (1) the benefits and costs experienced by gig workers both as *individuals* and as *a growing class of workers* and (2) the ways in which the rights of these independent contractors can be better protected within the existing gig economy labor market. In subsequent chapters, comparisons are drawn between the effects of the hiring arrangement on workers under both the standard employment model and the gig economy labor model. These comparisons will serve to further highlight the fundamental differences between the two labor models and inform crucial aspects of an evaluation of the gig economy.

Section 1.2 - The Growth of the Gig Economy Model

Uber, founded in March of 2009 in San Francisco, California, is a revolutionary ride-hailing platform company that since its inception has connected more than three million drivers to those in need of transportation services, resulting in the completion of more than five billion rides. While Uber and other rideshare companies are certainly revolutionizing how people domestically and abroad are getting from point A to point B, a core aspect of their current business model depends upon the classification of a majority of their labor force, more specifically the millions of drivers that are actually fulfilling these transportation requests, as *independent contractors* rather than as *employees*.

As the economy continues to grow and develop, corporations often attempt to find ways to modify their business models and practices in an attempt to increase shareholder value by increasing profits, improving the quality of goods and services, and improving efficiency within the larger corporate structure (Ho 2009). This is precisely what companies like Uber are attempting to do by classifying their drivers as independent contractors as opposed to employees. Platform companies within the gig economy are disrupting existing businesses and sectors of the economy and providing workers with a new way to market their goods and services. Although rideshare companies, delivery services, and room rentals are what most people think of when talking about the gig economy, large technology companies have begun adopting similar labor models to that of rideshare companies, classifying large portions of their workers as independent contractors. This may signify an even larger evolution to come surrounding common business practices and labor market interactions. As the gig economy continues to grow rapidly and expand, it has become more important to evaluate its current manifestation.

With the rapid development of technology, the growth of gig economy work has been largely facilitated by the creation and development of business models surrounding platforms. These platforms are often presented in the form of software applications that offer to connect sellers to buyers of various goods and services. This emerging format for the delivery of goods and services is proving to challenge existing business models, labor management practices, and political and legal regulations. With many popular labor platforms being presented by companies such as Uber, Lyft, Airbnb, and SpareHire, workers are now being provided with a new, flexible avenue through which they can seek work opportunities and make money.

Although data surrounding gig work is still limited, preliminary research based upon survey data collected within the United States and five European countries suggests that approximately 20-30% of the working-age population are currently engaged in some form of independent work (McKinsey 2016). Each year, a growing number of working-age individuals are engaging in some form of independent work. In addition, the survey data shows that more than half of the individuals who engage in independent work hold a permanent employment position elsewhere, implying that a majority of individuals currently engaging in independent work may be doing so to supplement or bolster their existing primary source of income from their traditional employment arrangement rather than to serve as their main income source (Taylor 2017).

The participants within the gig economy labor model include the companies providing the platforms that allow for the connection of supply and demand for various goods and services, the buyers of the goods or services provided by the platform, and the sellers of the goods or services being offered on the platforms. The companies that provide the platforms for the exchange of goods and services attempt to retain control over the exchange markets created by their platforms while distancing themselves somewhat from the gig workers who utilize the platforms to sell their goods and services. This is done in an attempt to justify the continued classification of those gig workers as independent contractors under the law as opposed to statutory employees. This legal classification allows platform companies to be able to monitor and control the labor markets from a distance while not having to pay for or be obligated to ensure many of the rights and protections customarily afforded to employees.

The classification of the gig workers, or sellers, within the gig economy labor model as independent contractors, as opposed to employees, remains one of the most contentious aspects of the entire model. There is considerable worry surrounding whether these gig workers have been legally misclassified as independent contractors and, as a result of this misclassification, been unjustly denied access to protections provided to employees such as minimum wage laws, employment insurance, and the ability to collectively bargain through unionizing. In order to prevent possible exploitation of this class of workers, careful evaluation must be done to determine where gig workers fall within the current legal distinctions between employees and independent contractors.

Chapter 2 - Informational Background

This chapter presents relevant legal distinctions between employees and independent contractors, demographics and motivations of participants in the gig economy, and pertinent financial details surrounding engagement with gig work. Although there are many different sectors of the gig economy, the data and analysis within this thesis fall primarily on the experiences of rideshare drivers, which will be utilized to identify and quantify some of the more significant costs and benefits of working as a rideshare driver within the current gig economy.

Gig workers are generally legally classified as independent contractors. With gig workers contracting out and providing their services to businesses on an individual task-by-task basis, it is easy to see how it might be appealing to classify such workers as self-employed independent contractors who could potentially benefit from increased flexibility and autonomy due to the nature of gig work. A main differentiator from both traditional employment as well as other forms of independent contractor work is the unique triangular nature of the interactions between the platform company, the gig worker, and the end consumer of the goods or services. The efficient coordination of gig jobs by platform companies within this triangular relationship significantly reduces the workload of having to market oneself to, seek out, and form relationships with clients within the gig economy. As a result, there are often reduced entry costs for those who hope to work within the gig economy when compared to entry costs for other forms of independent contractor work (Donovan et al. 2016).

This efficient coordination was made possible by marked improvements to information and communication technology that is able to collect and process real-time data. The development of platform companies in response to the sharing economy movement as well as the rapid development of information and communication technology has thus led to the creation of a new form of labor relationship between gig workers and companies. This new labor relationship, however, has made it unclear how gig workers should be classified under the law. Due to this confusion, it has also become more difficult to apply current regulatory measures that were introduced before the gig economy had formed. As such, it is important to clearly establish the existing legal distinction between employees and independent contractors in order to allow for an evaluation of the applicability of current laws, rulings, and regulations to workers within the gig economy.

Section 2.1 - Legal Distinctions Between Employees and Independent Contractors

The classification of workers as either independent contractors or employees is critical to determining whether that worker is entitled to wage protections, employer contributions to Social Security and Medicare, reimbursements for operating expenses, health insurance, and workers' compensation insurance benefits just to name a few (Dolan 2018). Whereas workers classified as employees often receive or may access these benefits directly from or through their employer, independent contractors are generally responsible for bearing the burden and expense of obtaining and paying for these services and protections for themselves. United States courts have attempted to clarify the distinction between independent contractors and full-time, regular employees by outlining a number of tests and factors to determine the nature of the relationship between the worker and the hiring organization (LawTeacher 2019). The *control test* assesses the degree of control the hiring entity is able to exercise over its workers and the nature, manner, and means by which the work is to be performed (LawTeacher 2019). The *integration test* determines whether the laborer's work is an integral part of the business or merely an accessory to the business (LawTeacher 2019). The *multiple factor test* attempts to identify specific criteria, such as the number of working hours, methods of appointment and termination, types of wages, and the right of suspension and dismissal that will help the courts ascertain whether a worker should be classified as an independent contractor or an employee (LawTeacher 2019).

The higher the degree of control and integration found when considering the relationship between the laborer and hiring entity, the more likely it would be for the courts to determine that there exists an employment, as opposed to an independent contractual, relationship between the hiring entity and the laborer. However, with the rise of the gig economy model, the line is getting harder to draw regarding whether relationships between hiring entities and workers ought to be classified as contractual relationships as opposed to employment relationships. In many fields of business currently encompassed by the gig economy, such as the rideshare and delivery service fields, although the worker may use their own equipment and enjoy some degree of choice in setting working hours and conditions, the contracted work may be controlled in a number of ways through conditions set by the platform company (Dolan 2018). In some instances, gig work can closely resemble standard employment in terms of similarities with predetermined pay rates and established restrictions on how the work has to be performed. The misclassification of gig workers as independent contractors, as opposed to employees, could cost the government billions of tax dollars and deprive these workers of potentially deserved employee-entitled benefits and legal protections within their existing roles (Brown 2020).

One of the most impactful worker misclassification lawsuits to date was *Dynamex Operations West, Inc. v. Superior Court of Los Angeles* (2014) (superseded by grant of review). The ruling in this case had narrowed the scope as to which workers in California qualify for independent contractor status. Under the narrower interpretation outlined in the court’s opinion, many platform companies would no longer have been able to classify their gig workers as independent contractors under the law. The sentiment behind this California court ruling was echoed and reinforced by California Assembly Bill 5 (AB5), which was signed into law by Governor Gavin Newsom in September 2019. Assembly Bill 5 "requires the application of the 'ABC test' to determine whether California workers should be classified as employees or independent contractors for purposes of the Labor Code, the Unemployment Insurance Code, and the Industrial Welfare Commission (IWC) wage orders" (California Department of Industrial Relations 2019). Under the ABC test, which got its name from the three elements of the test — parts (A), (B), and (C), a worker is by default considered an employee, not an independent contractor, unless the hiring entity can successfully demonstrate that (A) the worker is free from the control and direction of the hiring entity, (B) the worker performs work outside the usual course of the hiring entity's business, and (C) the worker is engaged in an independently established trade or business of the same nature as that involved in the work performed (California Department of Industrial Relations, 2019).

Rideshare companies found themselves unable to demonstrate under the new California law that their drivers should be classified as independent contractors under the ABC test. With the sizable profit motive to preserve the classification of their drivers as independent contractors, rideshare companies joined by other gig economy companies such as DoorDash banded together to support the passing of Proposition 22, an initiative on the November 2020 California state ballot. This proposition, which passed with 59% of voters supporting the measure, exempted app-based transportation and delivery companies from having to comply with Assembly Bill 5. This exemption allowed rideshare companies to continue classifying their drivers as independent contractors. However, this exemption also requires rideshare companies to provide drivers with new protections such as a baseline pay of 120% of the local minimum wage rate for each hour driving with a passenger, \$0.30/mile reimbursed for each mile driven with a passenger, and health insurance stipends for drivers who average more than 15 hours per week driving. However, this is far from the end of the story for California gig workers, as a California state trial judge found two sections of Proposition 22 to be unconstitutional, leaving the measure as a whole to be unenforceable. As expected, an appeal has already been announced, so we will have to continue to wait and see how these legal matters will be resolved in California.

With the potential limitations of the current employment law framework in its ability to properly address the existence of gig workers who may be acting outside of more traditional labor models, people are attempting to determine how best to deal with these potential limitations. Some have suggested that existing laws should be modified while others believe that it would be better to define a new classification of worker status distinct from both employment and independent contractor status in order to allow for the development of more specifically tailored solutions to existing problems within the gig economy. For example, former U.S. Secretary of Labor Seth Harris and economist Alan Krueger have argued in their joint publication that gig workers ought to fall into a new labor classification that they have termed “independent workers” (Harris and Krueger 2015). Independent workers would encompass those who “typically work with intermediaries who match workers to customers” (Harris and Krueger 2015). By doing so, Harris and Krueger believe this classification would relieve many of the issues courts currently face when having to frame decisions in ways that will not lead to confusing or contradictory precedents being set for future cases involving independent contractors who fall outside of the purview of the gig economy. By classifying and addressing gig workers as a distinct working class under the law, rights to things such as collective bargaining and minimum wages could be afforded to gig workers without having to affect the established legal status of independent contractors not connected with the gig economy.

Another factor that complicates how gig work is addressed under the law is the fact that there are significant differences in the motivations for people participating in gig work, making it somewhat impractical to adopt a homogenous view of the class of gig workers for the purpose of developing solutions. For this reason, it may even be desirable to further distinguish gig workers as a new class under law by developing sub-categories along easily identifiable factors. This could hypothetically be done by creating two categories based on whether or not the worker depends upon the gig economy as their primary source of income. Clearly defined legal sub-categories could allow courts and policy makers to address more precisely concerns with distinct, identifiable groups currently under the larger gig economy. However, identifying individuals that fall within such sub-categories could prove quite difficult in practice.

Although there are benefits and legal protections exclusive to employees, there seem to be potential benefits associated with being classified as an independent contractor such as getting to control when, where, and how you choose to work without being under a middle manager. It is clear that there are legitimate arguments being raised both by groups for and against preserving the classification of gig workers as independent contractors under the law. While "the issue of how gig work is treated legally – and the broader question of what rights and entitlements these workers should receive" remains largely unsettled, I intend to focus my analysis on the current state of gig work in order to inform the development of my policy recommendation as to how to better protect the interests of rideshare drivers (Healy et al. 2017). Currently, comprehensive data on rideshare drivers within the gig economy is not available, making it harder to consider the impacts of various costs and benefits on these workers. As a result, a breakdown of the demographics and motivations of the participants within the gig economy becomes important as it will serve to inform future analysis and evaluations.

Section 2.2 - Breakdown of Gig Economy Participants

Despite there being no wide scale census information pertaining to the participants within the gig economy, some individuals working within this space have taken it upon themselves to collect and present survey data in the hopes of providing better understanding on aspects of this labor model. One of the most fundamental questions is what drives an individual to pursue work within the gig economy. Based on a study of New York City rideshare drivers over the course of a year, unsurprisingly it was found there are strong direct correlations between increased financial incentives and whether, and for how long, a worker decides to engage in gig work (Allon et al. 2018). In addition, the more an individual works within the gig economy space, the more likely it will be that they will continue to work and work for longer periods of time (Allon et al. 2018).

It is estimated that currently within the United States roughly 36% of the labor force, representing upwards of 56 million Americans, have engaged in some form of freelance work. Based on estimations that have been conducted by Alan Krueger and Seth Harris back in 2015, gig workers who have worked under a platform company represent a smaller percentage of the working population, comprising approximately 0.4% of the 2015 U.S. employment population (Donovan et al. 2016). Although the *exact* size of the gig economy remains undetermined, many believe that this sector is poised to grow rapidly over the coming years as an increasing number of businesses are recognizing the potential improvements to efficiency and profitability associated with adopting these types of labor schemes into their existing business models.

The improved speed with which real-time information is now able to be communicated has allowed for a different form of worker monitoring to develop, one that removes costly middle managers from the hierarchy of control and instead relies upon the evaluations and ratings by customers for whom gig workers provide services in order to inform gig platforms' discipline and dismissal decisions regarding their independent contractors (Todolí-Signes 2017). From this, it becomes clear that despite gig workers' ability to control how they approach their work, these monitoring mechanisms effectively constitute a regulatory system that does constrict how a gig worker must approach their work if they hope to continue their engagement with the platform company. In later chapters, I will analyze the extent to which this result-based monitoring system infringes upon the flexibility and freedom advertised by platform companies as one of the major benefits of engaging in gig work. Both how much control is *regularly exercised* by companies as well as how much control companies *would be able to exercise* under the monitoring framework must be considered as they may significantly affect the laborers' ability to engage in available gig work.

Although information is still limited, new survey data gathered from workers within various areas of the gig economy has revealed quite a few identifiable trends that stretch across the gig labor market. In the United Kingdom, a study found that the average age of workers within the gig economy tended to skew younger, with 56% falling into the 18-to-34-year age range (BEIS 2018). Additionally, almost two-thirds of respondents reported that their earnings from the gig economy represented less than five percent of their total income over the past 12 months (BEIS 2018). Only nine percent reported earning "a large majority of their income (greater than ninety percent of their total income) in the gig economy" (BEIS 2018). This suggests that most gig workers are working to supplement their primary source of income, with a relatively small percentage treating gig work as their main source of income. Based on answers collected from the sample population, forty percent of those who considered gig work as their primary income source reported that they were having a hard time getting by financially — more than those who did not consider gig work as their main source of income (BEIS 2018).

A common response among study participants who participated in the gig economy was that they struggled to save money (BEIS 2018). Based on anecdotal evidence, many gig workers found themselves in precarious financial situations, struggling to plan for the future. About a quarter of gig workers believe their emergency savings would not last them one month (BEIS 2018). Statista reports reveal only sixteen percent of gig workers surveyed have access to employer-sponsored retirement plans, whereas around fifty-two percent of full-time employees surveyed had access to such retirement plans (Statista 2018). It seems plausible that many may view the gig economy as a temporary work arrangement until they are able to secure a better compensated job. Despite these potential drawbacks, it is undeniable that the added flexibility regarding work hours and low barriers to entry with these on-demand gigs has opened up new opportunities for work for people who would be otherwise unable to pursue more traditional forms of employment. One critical component that needs to be addressed in order to ensure that gig workers are being treated fairly is to determine the wages and costs experienced by the average gig worker. Doing so will allow for judgments to be made about the acceptability of current gig arrangements.

Section 2.3 - Gig Economy Wages and Costs

The wages and costs for gig workers vary heavily based on industry and location. Also, with many utilizing the gig economy as a way to earn extra money in addition to their primary source of income and with workers within the gig economy being able to contract with multiple platform companies, it becomes more challenging to determine the average and upper bounds of what one could expect to make exclusively through gig work. That having been said, a research poll found that eighty-five percent of gig workers make less than $500 per month from their gig jobs (Edison Research Poll 2018).

One adverse impact on gig workers' income in the rideshare sector results because rideshare drivers often spend large amounts of time between completing trips either waiting for a new ride request or driving to the next pickup location, for which they are not compensated. In the case of rideshare drivers, it becomes more difficult to determine which one of multiple companies should be paying drivers for this inevitable down time as drivers may remain active on both Uber and Lyft, the two largest rideshare platforms at the moment. Without considering these uncompensated idle periods, potential new drivers looking at the advertised hourly wages posted online for these rideshare positions may incorrectly assume they will earn more than they actually will collect. It appears likely that many of the hourly wage estimates for rideshare positions fail to represent the impact of idle times and operating expenses such as gas and vehicle maintenance costs, instead choosing only to highlight what a driver could expect to make before adjusting for all of these other factors.

A separate study conducted in the Denver, Colorado area has attempted to clarify the monetary differences between advertised pre-tax hourly wages and the net pre-tax earnings for rideshare drivers within the gig economy. Vehicle expenses and operating costs both represent costs that regular employees would most likely not have to consider bearing when evaluating whether a work opportunity is financially beneficial. Based on data collected in 2016, the study found that while companies such as Uber and Lyft advertised attractive potential hourly earnings figures of $25-$30 after determining actual net pre-tax earnings accounting for expenses incurred, drivers may actually be making anywhere between $5.72-$10.46 per hour before taxes (Henao and Marshall 2016). With the state minimum wage for Colorado in 2016 set at $8.31 per hour, we can clearly see that even some of the projected pre-tax hourly rates fall below the state's minimum wage threshold. As seen from the study, rideshare drivers' post-tax income is even lower. Some might not consider the possibility of gig drivers potentially earning less than minimum wage to be objectionable because of added flexibility provided by the work arrangement; however, it is still important to consider in terms of the larger scheme of the economic and social experiences, functioning, and survival of workers within the gig economy.

A substantial burden in reserving and depositing income and employment taxes without the benefits of withholdings by or contributions from an employer also falls upon gig workers. Workers within the gig economy are personally responsible for determining how they will manage their budgets and withhold funds from what they have made for the purpose of paying taxes. Independent contractors are required to report income on IRS tax form Schedule C, meaning they must be prepared to pay *quarterly* estimated income taxes, as well as self-employment taxes that cover their Social Security and Medicare taxes. This presents another challenge for those who choose to engage in gig work. These rideshare drivers must ensure that they are informed and fully understand the obligations associated with preparing, filing, and paying these taxes in order to avoid penalties.

Within the rideshare sector, it has been found that a minority of drivers working full-time within the gig economy are completing more than half of the ride requests, even though full-time rideshare drivers only comprise approximately one-third of the drivers. Although some looking at the gig economy may see that a large percentage of gig workers have full or part-time employment and seem to be using gig work to supplement their existing income, one must look carefully at the financial conditions for the full-time drivers who are actually contributing the most to the sector in terms of labor units. These full-time drivers do not have access to employer-provided social safety nets such as unemployment insurance or retirement plans. Gig drivers are also not presented with a more traditional path to advancement or promotion in their field, with advertised wages for rideshare drivers having stagnated the past few years relative to inflation that has otherwise led to pay increases for many other workers. Calculating opportunity costs for what full-time gig workers stand to lose out on by not instead engaging in full-time employment arrangements further suggests this group has potential for being exploited.

The following table utilizes data from the U.S. Bureau of Labor Statistics on the median usual weekly earnings of full-time wage and salary workers grouped by age ranges (U.S. Bureau of Labor Statistics 2021). The estimate for rideshare driver wages adjusted for expenses comes from an Economic Policy Institute report that calculated the average hourly rate for a rideshare driver to be $11.77 (Economics Policy Institute 2018). For the projections, the following assumptions were used: both groups are working 40 hours per week, both groups are working 50 weeks per year, the average wage for the rideshare drivers does not increase based upon age or time spent driving.

Age Ranges	Full-Time Pre-Tax Rideshare Driver Wages (Post-Expenses)	Median Pre-Tax Earnings for Full-Time Wage and Salary Workers
20-24 Years	$470.80/week, $11.77/hr. $23,540/year Total: $117,700	$667/week, $16.675/hr. $33,350/year Total: $166,750
25-34 Years	$470.80/week, $11.77/hr. $23,540/year Total: $235,400	$960/week, $24/hr. $48,000/year Total: $480,000
35-44 Years	$470.80/week, $11.77/hr. $23,540/year Total: $235,400	$1,127/week, $28.175/hr. $56,350/year Total: $563,500
45-54 Years	$470.80/week, $11.77/hr. $23,540/year	$1,152/week, $28.80/hr. $57,600/year

	Total: $235,400	Total: $576,000
55-64 Years	$470.80/week, $11.77/hr. $23,540/year Total: $235,400	$1,145/week, $28.625/hr. $57,250/year Total: $572,500
Grand Total:	=$1,059,300	=$2,358,750

Over the course of a lifetime, the difference in total earnings is dramatic, especially when considering that for these gig workers obtaining costly health, retirement, and social insurance equivalent to those granted or available at low cost to full-time employees would further reduce the total amount these rideshare drivers would be able to consider as disposable income.

Some policymakers who now recognize such potential shortcomings are attempting to devise ways to ensure gig workers are able to make a known consistent amount of money per trip. This amount would be sufficiently high to offset the costs of operating expenses and idle periods, which would remove some of the uncertainty associated with assessing whether driving for a rideshare company would be a good financial decision. For example, the New York City Taxi and Limousine Commission, an agency of the New York City government that regulates medallion taxis and app-based rideshare companies, adopted new rules in 2018 in order to significantly increase driver earnings for *High-Volume For-Hire Services*. This new pay standard attempts to ensure drivers are compensated for all time spent on the road, and that all major expenses experienced by drivers are covered (Driver Pay - TLC 2018).

Generally, the New York City pay structure aims to make it so drivers receive gross earnings greater than or equal to $27.86 per hour, which is equivalent to a net income of $17.22 per hour after expenses (Zickuhr 2021). From efforts such as these, we are able to see that flexible work arrangements and minimum wages are not mutually exclusive. After this new pay system was implemented, it was found that from June 2018 to June 2019, the average earnings per trip for drivers in New York City rose from $14.87 to $16.20 per hour, and overall the pay system served to normalize pay rates throughout the week, removing potential wage uncertainty that used to occur with surge pricing systems that would scale the pay rates for trips to the level of demand on the platform at any given time and day (Zickuhr 2021). Such a system could potentially be employed to reduce income volatility for workers throughout the gig economy. Now that there is a better general understanding of some aspects of the financial situation of gig workers, the focus of this thesis can shift to thinking about some of the main pros and cons of gig work in terms of their costs and benefits in order better to inform a decision as to whether the present implementation of gig work is acceptable.

Chapter 3 - Costs and Benefits of Gig Work

Turning now to the existence and wider implications of the gig economy labor model in terms of the main costs and benefits experienced by gig workers, the focus becomes determining the various ways in which these costs and benefits come to impact the lives of workers. On the one hand, a significant potential benefit of engaging in gig work is an increase to one's negative freedom, sometimes referred to as negative liberty, where others' interference with an individual's actions has been reduced. On the other hand, potential costs arising from gig work appear in the form of increased levels of vulnerability for some workers and reduced ability to collectively bargain for improved work conditions for others. Although making determinations on the relative normative weights of such costs and benefits for the purpose of later evaluations will be difficult, arriving at a deeper understanding of the practical implications of these primary costs and benefits should provide us with a more informed position as to whether or not current implementations of the gig economy are objectionable.

Section 3.1 - Effects on Negative Freedom for Rideshare Drivers

For a number of gig economy workers, a highly desired benefit of their independent contractor status with the gig platform is *negative freedom* from the oversight and possible oppression of an overly demanding, insensitive, or incompetent manager that has little or no concern for the gig worker's concerns. "Negative freedom, roughly speaking, is the kind of freedom implied by the phrase 'leave me alone.'" (Miller 2003). Although a psychological or sociological study would be necessary to affirm conclusions that may be drawn, the nature of the individuals who gravitate to gig work appear to include those who believe themselves ready, willing, and able to manage their own affairs and most work-related decisions without the intercession of bosses guiding or even dictating their every move. Rideshare drivers, in particular, are given and retain the ability to accept or reject any ride assignment offered to them for any reason whatsoever, which greatly increases the amount of control over their work lives and reduces the stress often created by work governed by others. This apparently appeals to and appears to benefit virtually all such gig workers, including free spirits, those adverse to external interference regarding how they approach their work, and others juggling financial endeavors. Although, with such unfettered potential benefits come some decidedly unwelcome costs.

Adam Smith believed that free labor markets would inevitably lead to more equal social relations among men. Smith thought that free labor markets would result in a reduction of "servile dependency upon their superiors" for workers due to the emergence of a labor market system which supports voluntary interactions between parties that are based upon a contractual agreement to receive some wage for their work or services (Smith 1776). Accepting Smith's contributions suggests that the reduction of servile dependency upon superiors is something that we should regard as valuable, and an improvement on a worker's negative freedom, when considering relationships within and effects of labor markets. From this, we are left to determine under what conditions labor markets might be able to achieve even more egalitarian outcomes where workers are no longer subjected to unchecked authority in the workplace.

Uber certainly seems to claim it provides egalitarian labor opportunities, by advertising on its website to offer potential new drivers an opportunity for them to finally be their own boss and earn extra cash. Uber also claims it provides drivers with new levels of freedom and flexibility in terms of how they are able to decide "when and how often [they] drive" and "how and when [they] want to cash out" (Uber 2021). Although to become an Uber driver one must have an eligible vehicle, Uber allows drivers to use their own personal vehicle so long as it is clean, serviceable, and meets the minimum safety requirements. Operating in this way potentially gives gig drivers freedom not afforded to typical employees as the independent contractor gig workers are now in control of their labor, in terms of when and how they choose to work, as well as their capital, as Uber drivers own their motor vehicles. If found that these significant increases in freedom and autonomy hold true in practice for a majority of rideshare gig workers, it becomes important to evaluate whether the promotion of the gig economy might lead to more egalitarian labor relationships by providing workers with an appealing alternative option under which they can be better protected from dictatorial authority in the workplace.

Based on these advertisements from rideshare companies, if there were to be some increase to freedom for gig drivers, it would likely come in the form of increases to desired negative freedom. This potential increased negative freedom would result due to reduced interference from the platform corporation with the actions of gig workers, as such companies may at first seem not to exercise as much control over the manner and means under which the gig work is performed as would otherwise be exerted by management over employees.

Section 3.2 - The Effects On Vulnerability for Rideshare Drivers

While the benefit of increased negative freedom is promising, there are distinct costs associated with the gig economy model for many rideshare drivers. Some of the main costs have been identified by political philosophers Friedemann Bieber and Jakob Moggia (2021), specifically, the damage done to a worker's planning agency — an individual's ability to direct agency towards the pursuit of a long-term overarching goal. Bieber and Moggia argue that platform companies that work with rideshare drivers shift their business risk "by demanding greater flexibility of their workers, thereby exposing [these drivers] to increased personal risk" (Bieber and Moggia 2021). Businesses are able to achieve this risk shift by utilizing short-term contracts, uncertain work hours, fixed pay for each individual gig, flexible scheduling, and requiring workers to bear the cost for any health or insurance coverage they need or elect to obtain. Corporations who rely on standard employment are not able to achieve these risk shifts largely due to the legal protections and social insurance programs afforded to their workers. As a result, gig drivers are forced to contend with income volatility and potential *under*employment. The effects of this risk shift contribute to the erosion of workers' planning agency, potentially leaving many unable to develop and enact long-term plans for their life as a result of uncertainty regarding future work status and income levels, placing these drivers in precarious financial positions within society.

The precarity and uncertainty experienced by rideshare drivers, especially full-time rideshare drivers who depend on this gig work as their primary source of income, are often greater compared to the precarity and uncertainty experienced by standard employees. Regular employees are entitled to established minimum wages, expected set working hours, and other legal protections not given to independent contractors. As a result of these protections combined with the fact that standard employment is typically characterized by long-term work engagements with paths toward internal promotions and advancement, employees seem to be afforded greater ability to successfully exercise their planning agency. As opposed to rideshare drivers, employees do not have to market themselves constantly in search of additional contract work in order to make enough money to support themselves financially nor do they have to struggle to the same extent with uncertain future income levels and work status.

In addition to high levels of risk and uncertainty leading to an increase in vulnerability for the average rideshare driver, these drivers must also contend with the informational inefficiencies and asymmetric information prevalent throughout the gig economy. Some may look at the existence of the gig economy and determine that because individuals are voluntarily taking on gig work, then these individuals must have determined that there is a rational reason for this in terms of the relative costs and benefits. Because nobody is forced to enter into gig work, it is tempting to see gig work as an additional flexible opportunity for people to seek out work, thereby adding to choices available and generally benefiting workers. The problem with this line of thinking is that it assumes (1) that people are working with adequate information when they enter into work within the gig economy and (2) that the existence and rapid growth of the gig economy is not in practice reducing the available option set of attainable job opportunities.

It has been shown that in certain areas of the gig economy, such as rideshare, there are many costs to the worker that are often not clearly communicated or representative of the true costs that will be incurred. In the case of rideshare, these costs may include having to pay for expenses such as gas, phone chargers, maintenance, or cleaning supplies for their car. These drivers also have to worry about the depreciation that accumulates due to the increased usage of their personally owned assets. While companies like Uber often boast of high earnings ranging from \$20-\$30 dollars that one can achieve by driving with the company in major cities such as Los Angeles, New York, and Chicago, these wage levels have not been adjusted for expenses, let alone unexpected, uncontrolled, or rampant inflation of the cost of those expenditures, and can thus be misleading for potential new gig workers as they research their options.

Based on survey data and calculated estimates presented earlier, the true wage levels adjusted for expenses are on average far lower, with drivers making anywhere from \$6-\$12 dollars per hour. In the case of full-time rideshare drivers who do not have access to any employer-based benefit programs such as medical, disability, workers compensation insurance, and unemployment insurance programs, these individuals may initially believe that with the high advertised wages they will be able to afford such social protections without reducing their discretionary income to unacceptably low levels, but this may not be the case. These drivers may actually be subject to precarious work arrangements that negatively impact their equality of access to essential goods and services. If this information were to be known among potential new gig workers, they might make different more welfare-promoting decisions with regard to their work arrangements. This intuition that drivers may in fact be entering into less than desirable work arrangements might be supported by the fact that rideshare companies' retention rates for drivers are incredibly low. It was found that in 2015 and 2016 nearly seventy percent of ride-hail drivers in the U.S. stopped driving within six months of starting (De Ruyter and Brown 2019). It is possible this is simply a result of the temporary nature of the work and the fact that many individuals treat gig work as a way to briefly supplement their income; however, it may also point to the fact that once drivers realize the true financial implications of working as a ride-hail driver over an extended period of time, they choose to leave the sector.

To the second point about whether the emergence of the gig economy is actually adding to the available option set of attainable job opportunities, there is also the worry that corporations will continue to divide up larger jobs into finite gig work tasks as they continue to realize the potential for increased efficiency and cost savings to them. This could lead to an outcome under which available sets of standard employment opportunities are reduced, potentially leaving individuals with no other option but to engage in various forms of gig work in order to support themselves financially. This concern further undermines the idea that simply because individuals today are voluntarily engaging in rideshare work the overall existence of the gig economy must then represent a positive development that has increased the option set for rational actors.

Section 3.3 - The Effects On Bargaining Power for Rideshare Drivers

This precarious and vulnerable nature of rideshare work is often exacerbated and perpetuated by the fact that as a *class of workers*, these drivers frequently lack bargaining power. Within the gig economy labor market, platform companies have made efforts to separate and individualize their labor forces. Without a clearly defined relationship established between rideshare drivers, and lacking the legal protections afforded to employees that ensure their right to act and bargain collectively, the ability of gig workers to act as a unit in order to advocate for their interests is often reduced. From this we can further see why a rideshare driver's voluntary acceptance of gig work might not render such work unproblematic. In practice, these independent contractors may often engage in undesirable precarious work due to the lack of any decently remunerative alternatives or a reduced ability to collectively advocate for improved terms when compared to standard employees. This vulnerability could potentially increase corporate control over, and exploitation of, these drivers within the gig economy labor market.

In addition to the fact that rideshare drivers are not provided with any legal right to collectively bargain, it is unlikely that these drivers would be able to act collectively even in cases of potential exploitation due to the high levels of separation and differentiation between gig workers. As a result, those that choose to treat rideshare work as their primary source of income may find themselves even more vulnerable than the average driver. With the majority of gig workers treating their work within the gig economy as a way to supplement their income, in cases of potential exploitation it becomes harder to motivate workers to take collective action and advocate for their interests. This is because for a majority of gig drivers this exploitation is not felt as much due to the temporary nature of engagement with gig work for many participants. For the gig drivers that also have full-time employment elsewhere, the effects of undesirable work conditions in terms of compensation and benefits would be further reduced as they likely already have access to employer-provided benefits and social insurance programs. With a majority of rideshare drivers not being as heavily impacted by these potentially exploitative conditions, it is likely that these gig workers would not have a strong impetus to improve conditions, especially with many drivers only treating it as a temporary income supplement.

Although rideshare drivers may in theory be able to "exit" their interactions with specific hiring entities if they determine that the specifications of the contract are not up to their standards, when the only alternative options for these drivers are other hiring entities enacting similar specifications within their proposed contracts, these drivers are essentially forced into engaging with potentially precarious, undesirable work contracts (Anderson 2017). As mentioned before, a rideshare driver's voluntary acceptance of contract work does not on its own represent significant justification for assuming that the gig work represents a beneficial option. There is also the worry that as the gig economy begins to break down once-whole jobs into discrete task elements, there may be incentives for businesses to begin auctioning off these tasks to the lowest bidder (Healy et al. 2017). If gig workers begin to compete against one another in this way in order to secure work opportunities, they would likely face amplified challenges when attempting to escape from positions of low pay and employment insecurity, further exacerbating the problems associated with the precarity of work engagements in the gig economy.

However, as mentioned earlier, the composition of workers within the gig economy is anything but homogenous, with more than half using gig work in order to supplement their primary income. In this way, the existence of gig work may actually help to *decrease* the overall financial precarity experienced by helping provide this majority of gig workers with the opportunity to compensate for insufficient compensation from their primary job or simply build up their savings (Vallas and Schor 2020). This realization could lead some to believe that because gig work is likely beneficial for a majority of gig workers, then there should be no concerns. The issue with this way of thinking is that while the *majority* of gig workers may be able to utilize gig work in order to slightly improve their financial position, the *minority* of full-time rideshare drivers are the ones that are actually contributing the most labor units. In effect, under the current implementation of the gig economy in the rideshare sector, the slight improvement to financial positions for many part-time drivers may be coming at the expense of making full-time drivers who are unable to bargain for better conditions more vulnerable.

While it is true that corporations require labor just as laborers often require work from such businesses, due to the mass of resources at the disposal of most platform companies, they would likely be able to outlast most resistance and opposition from laborers regarding the stipulations within their work contracts. In addition, with the immense variability among the level of engagement within the gig economy, it becomes difficult to bring gig drivers together under one collective position. Therefore, without the ability to collectively bargain, rideshare drivers will continue to struggle to combat these issues. So, although there may be appreciable benefits to some gig workers, we can also see there are currently sizable costs experienced by rideshare drivers, especially full-time rideshare workers, adversely affecting them as a distinct working class due to their reduced ability to collectively bargain for better working conditions. Professor Ron Brown (2020) in response to these costs advocates that gig workers should be given the legal right to collectively bargain to improve their representation and protection as a class of workers within the current labor market system. At present, it is very difficult for independent contractors to bargain as a unit because contractors are often engaging in relatively short-term labor contracts and work with a number of different individuals and corporations.

The precarious balance of beneficial negative freedoms and unwanted burdens and vulnerabilities will require further research, analysis, and attention; however, this is not to say that solutions to this new and developing area are unattainable now. Suggestions such as Professor Brown's to allow collective bargaining by gig workers and developments of incentives to all gig workers, not just those engaged in full-time gig work handling the vast majority of gig assignments, could provide for a more level playing field for all gig work participants. Until such time as those policies are researched, explored, and implemented satisfactorily, what follows considers specific problems and proffers potential solutions as a temporary bridge or permanent remediation of imbalances in costs and risks while still attempting to preserve existing benefits.

Chapter 4 - Conducting a Cost-Benefit Analysis

When thinking about (1) how to evaluate the magnitude of the changes to negative freedom, vulnerability, and bargaining power when transitioning from standard employment to rideshare work *and* (2) how to weigh these respective changes when attempting to judge whether or not rideshare work is objectionable, one can imagine how trying to conduct a cost-benefit analysis in this way can quickly become an immense practical challenge. Considering the highly-varied backgrounds and motivations of workers participating in the rideshare sector and the fact that the *structure* and *actions* of platform companies within the sector can produce radically different outcomes for their contractors in terms of the levels of negative freedom, vulnerability, and bargaining power experienced, utilizing a common metric will allow for more effective comparisons of the relevant costs and benefits of rideshare work.

In order to accomplish this, the effects of the changes to negative freedom, vulnerability, and bargaining power for these gig drivers will be examined in terms of their net effect on the *overall freedom* of these workers. By putting everything into these similar terms of impacts on freedom, the task of identifying various effects on individual freedom and estimating the relative sizes of these impacts becomes much more precise. Freedom is not the only metric one might choose to utilize to achieve this simplification, but there are certainly attractive reasons for making freedom the focus of the analysis. With all three primary costs and benefits identified having significant impact on individual freedom, the element of freedom may thus serve as a convenient and illuminating common metric by which one can approach normalizing and comparing the costs and benefits experienced by rideshare workers.

Furthermore, increases to freedom, flexibility, and autonomy are among the primary selling points of the desirability of this form of contract work. This supposed increase in negative freedom is prominently presented in many of the advertisements attempting to recruit new gig drivers and is often used to justify many of the apparent drawbacks to driving such as lower compensation, reduced access to worker benefits or social insurance programs, and limited legal protections. If it could be shown that this supposed increase in freedom, flexibility, and autonomy is in reality not so great when considering the *net* impact on freedom, whether this is due to the nature of the work itself or to the financial effects of participating in this contract work, the negative impacts of the costs of rideshare work would then carry that much more weight within the overall cost-benefit analysis.

If so, the current presentation of rideshare work could potentially be tantamount to a convenient deception by these platform companies. The challenges presented by indiscernible or difficult to assess costs such as vehicle depreciation and maintenance expenses as well as informational inefficiencies that leave some gig drivers unable to understand how their finances are impacted make it much more difficult for current and potential new drivers thinking about entering the gig economy. These challenges are not ones with which these workers would likely be familiar or have thought about as non-gig workers. As a result, we need to be wary of this dynamic to ensure that gig drivers are not unknowingly entering into work engagements under which they are being improperly exploited.

The importance of freedom to the cost-benefit analysis also stems from its normative significance with regard to its potential impacts on the ability of individuals to demonstrate agency and effectively *interact with* and *act within* society. In this chapter, I will be utilizing examples representative of actual situations, costs, and benefits that would likely be experienced by the average rideshare driver. These examples will be utilized to demonstrate how the various costs and benefits come to influence the level of freedom experienced by the worker and apprise us of the net effects relevant to the larger cost-benefit analysis. The focus of the analysis will fall primarily on full-time on-demand rideshare drivers. These full-time drivers contribute a disproportionate amount of the services provided within the rideshare industry and are likely the most at risk within the rideshare sector. Doing this will further remedy some of the difficulties with assessing the varying circumstances of gig workers.

Section 4.1 - Conceptions of Freedom

As mentioned above, one of the main purported benefits experienced by gig workers classified as independent contractors, as opposed to employees, is the increased freedom granted to these independent contractors. Elizabeth Anderson argues in her work, *Private Government*, that many employees currently working under modern corporations are subject to the dictatorial authority of their employers (Anderson 2017). Anderson outlines this specific form of authority that employees find themselves under in the modern hierarchical workplace as a system under which employees are subordinated to authorities who can order employees around and sanction them for not complying but without employers having to be accountable to the interests of employees regarding orders issued to or sanctions imposed on employees.

Anderson articulates that a market system where a majority of individuals were self-employed (including, for example, by means of sole proprietorships) would not be able to take hold when competing with the benefits and improved efficiencies associated with economies of scale, worker specialization, and the concentration of capital and assets. Additionally, standard employment labor models were favored over independent contractor models to avoid any strategic behavior by contractors to improve their position within the labor relationship. Attempts to improve the independent contractor's position within the labor relationship would likely lead to production and innovation inefficiencies that the corporation would prefer to avoid outright (Anderson 2017).

Prior to relatively recent substantial increases in corporate risks, expenses, and liabilities associated with their workforce, the modern firm developed labor arrangements in a way that largely remedied many inefficiencies by replacing contractual relationships between contractors and corporations with centralized authority systems that put managers directly above employees (Anderson 2017). Employees are expected to defer to the instructions of their manager when dealing with what work is assigned to them and how they are to approach it. This eliminates the need for the firm to continuously renegotiate contracts for each individual job. In addition, the broad authority managers are able to exercise over their employees allows for superior coordination and more efficient usage of labor.

While these improvements to coordination are certainly significant and valuable, obtaining these improvements does not require employees to forfeit any rights not explicitly afforded under the law within the employment relationship. This raises the question why then so many firms allow managers to exercise unchecked, sweeping authority over the *professional* and *private* lives of their employees. At-will employment, the default within the United States, allows employers to fire workers for almost any or no stated reason, so long as the termination was not in violation of some law or public policy. Under at-will employment, employers are able to influence the behavior and actions of workers who fear that they may be fired or punished for not complying with the norms and directives established by the corporation.

Given this immense hierarchical control, the freedom and autonomy afforded to independent contractors within the gig economy can be truly appreciated as a potential path toward liberating people from the hierarchical workplace governance. To fully explore the overall changes to freedom experienced by independent contractors, we must further break down the concept of freedom into three subcategories: negative, positive, and republican forms of freedom. Briefly, if someone has negative freedom, no one is interfering with their actions; if someone has positive freedom, they have a wide array of options accessible to them, given their resources; if someone has republican freedom, they are not being dominated (Anderson 2017).

Although there is only one *concept of freedom* according to American philosopher Gerald MacCallum, consisting of a triadic relationship between the subject (or agent) of freedom, the constraint involved, and the ultimate goal of the agent, he also envisioned multiple *conceptions of freedom* (MacCallum 1967). Working from the three different *conceptions* of freedoms mentioned above — negative, positive, and republican — one can see that each is valuable in its own right. The primary differences between the three conceptions of freedom arise from differing interpretations of how the agent and the constraint on the individual's ability to do something should be understood.

Under negative freedom, considered by many to be the most direct and intuitive conception of freedom, the agent is the observed person in question, the constraint is any intentional external interference, and the end goal is whatever the person wants to do. Thinking about how the conception of negative freedom would apply to free speech, the agent is only able to speak freely to the extent that the law, or any other intentional external obstacle, does not constrain or interfere with their ability to accomplish this goal.

Viewing freedom from a different conception, positive freedom results from an agent having available resources required to achieve that agent's goals. Conversely, the lack of positive freedom could be exemplified by a scenario under which the agent wants to purchase a vehicle but lacks the necessary funding or resources to do so, so is therefore not free to obtain the car.

There is some resistance within the philosophical arena surrounding whether lacking resources in this way represents a true reduction of freedom, as opposed to an instance under which the agent simply lacks the ability to exercise the freedom they hold. However, this interpretation of positive freedom as a restriction on whether people can exercise their freedom, as opposed to a restriction on freedom itself, is slightly misguided. G.A. Cohen in his work, "Freedom and Money," attempts to prove this by showing how resource constraints on an individual's positive freedom, when taken to their logical ends, can be viewed under the negative freedom conception of the agent being *interfered with* by deliberate external forces (Cohen 2011).

If an individual attempts to obtain a health insurance plan while lacking the necessary funds to purchase the plan and the laws within society dictate that an individual cannot obtain a health insurance plan if they are unable to pay, then the external laws and norms are in effect interfering with the agent's ability to achieve their end goal of obtaining health insurance. From this it can be seen how the conception of negative freedom also encompasses lacking resources. This way of representing impacts on an individual's positive freedom in terms of freedom as non-interference will prove useful when attempting to reconcile the normative weights of the effects on the three main conceptions of freedom within the cost-benefit analysis.

When it comes to republican freedom, the relevant constraints are external dominating forces that impact the agent's ability to actively participate in and influence the things that affect their life. Republican freedom may appear to some to be an extreme form of negative freedom, where if we determine we lack republican freedom and are dominated, we are then simply experiencing a high level of external interference with our actions and the pursuit of our goals. Although this may seem to be an intuitive interpretation, there are both (1) instances under which an agent may be interfered with and not dominated, and conversely, (2) instances where they may be dominated but are not subjected to interference.

When an individual in a democratic society is required to obey speed limit regulations, their freedom is being interfered with by the law; however, because the individual is able to influence the political system to an extent and does not find himself at the mercy of the arbitrary authority of an external person or system, they are not strictly speaking being dominated within the arrangement. These individuals are able to actively participate in and influence the very system that is constraining their negative liberty. In this way, this example would demonstrate an instance where the individual does possess republican freedom despite the existence of legal interference. Conversely, an individual may not be faced with any deliberate external interference and yet still be largely not free in the republican conception of the term. Being free in the republican sense requires that the agent not be subjected to an arbitrary force able to control their life without considering their desires or interests. Even if the arbitrary force is not exercised, the mere knowledge that one is living at the mercy of and only able to act independently due to the goodwill of others leads to a state of deference for the agent and an overall reduction in liberty. The conceptions of negative, positive, and republican freedom outlined above are by no means the only ways one can approach carving up the broader category of *overall freedom*. However, in the case of the gig economy, these three conceptions will serve as invaluable tools for assessing the primary costs and benefits within the gig economy in terms of the actual experiences of the average rideshare driver.

Section 4.2 - Sizing Up the Impacts of Vulnerability on Freedom

The level of vulnerability experienced by rideshare drivers primarily affects their positive freedom. As mentioned above, reductions to positive freedom caused by resource constraints can alternatively be viewed as instances of interference that lead to the reduction of an individual's negative freedom. The interference that occurs when workers are vulnerable typically manifests when workers lack either the money or the information required to accomplish their end goals. In these instances, external obstacles then interfere with the worker as a result of the lack of these resources. Of course, with a finite amount of resources in the world, it is inevitable that almost all individuals will experience some degree of interference due to a lack of money. The challenge when evaluating the situation of full-time rideshare drivers then becomes determining the extent to which these drivers are being deprived access to the goods and services offered within society as a result of inadequate compensation.

Recalling the adjusted wage projections made in Chapter 2 comparing pre-tax lifetime expected earnings for full-time rideshare drivers and full-time salary workers, a significant difference in total earnings was shown. It was estimated based on the assumptions used in the calculations that a full-time salary worker during their working life would make over 100% more than the average full-time rideshare driver, once the rideshare wage levels had been adjusted to reflect the vehicle and general operating expenses incurred by the driver. These projections demonstrate both actual costs and the potential opportunity cost to an individual who chooses to engage in gig work instead of more standard salaried employment over the course of their working life. Based on the assumptions used, the average gig worker will start out making less per hour, after adjusting for expenses, than a full-time salary worker, and this difference is exacerbated as the years go on because unlike with many standard employment arrangements, the average hourly rate for rideshare drivers does not substantially increase with experience.

Even if the wage estimates made are found to be off by a decent margin, it still seems as though the average full-time rideshare driver is likely engaged in a poorly compensated form of work when considering the immense estimated actual and opportunity cost. Many full-time rideshare drivers will have to contend with increased operating costs, lower disposable incomes, and reduced access to benefits and social protection schemes when compared to full employees. Additionally, if a rideshare driver wanted to invest in access to beneficial social goods such as health insurance or a retirement plan for themselves, they would need to pay for these out-of-pocket expenses. As a result, the difference reflected between disposable earnings for full-time rideshare drivers and salary workers would be made even more dramatic.

If a full-time driver regularly earns wages below the estimated hourly rate used in the projections, they may be in danger of falling beneath the federal poverty line, suggesting that their lack of money would serve to interfere with their ability to pay for essential goods and services for them and their family. Although it is difficult to determine what percentage of full-time rideshare drivers may come to experience this, the numbers suggest that even a rideshare driver consistently making the average expected wage will likely be unfree to obtain many goods and services that a full employee would be able to access or afford.

Inadequate compensation also serves to damage the planning agency of gig workers. Many full-time rideshare drivers must contend with income volatility and potential *under*employment due to the highly variable nature of both wage levels and demand for work. If the average rideshare driver were better compensated, it is possible that uncertainties with regard to levels of income and work opportunities would not come to harm their planning agency. If better compensated, these rideshare drivers would be better equipped to handle any volatility with regard to income or employment status, which would better situate them to be able to form and enact long-term plans for themselves. However, with the low average compensation for rideshare workers, each additional dollar earned or lost would impact their purchasing power more than would be the case for a worker who made more money. In this way, the overall purchasing power held by rideshare drivers can be significantly impacted by the effects of income volatility and underemployment. As a result, the potential that the already low wage level for rideshare drivers could suddenly fall for an extended period of time may leave some full-time rideshare drivers in highly vulnerable positions under which they are unable to predict and plan effectively what goods and services they will be able to afford and use. As such, this high degree of uncertainty combined with poor average compensation levels may serve to interfere with the ability of full-time rideshare workers to make and enact meaningful, long-term plans.

A larger concern is that the effects of this poor compensation could excessively damage the social and financial status of these full-time rideshare drivers, thereby creating a highly vulnerable underclass of workers within society. Rideshare drivers may be especially vulnerable to this form of potential exploitation because the available data regarding financial impacts of gig work for rideshare drivers is neither consistent nor complete in many cases. As a result, even if a potential new rideshare driver devotes time to research whether rideshare work will benefit them financially, there is a chance that the information used to make their determination was inaccurate or incomplete. Also, with such a high level of income volatility, it would be difficult to quickly realize whether the work is sufficiently beneficial financially once all of the operating costs and tax withholdings have been considered. In this way, rideshare drivers may continue to engage in unprofitable work without fully realizing the damage being done to their financial status and the effective opportunity costs they may suffer.

These informational asymmetries exacerbate the problems raised above, leaving people to make undesirable decisions with regard to their financial future. The lack of relevant information can therefore interfere with the worker's ability to make the welfare-promoting choice, and therefore would lead to a reduction of positive freedom for many rideshare drivers within the gig economy.

Section 4.3 - Sizing up the Effects of Reduced Bargaining Power on Freedom

Not only do full-time rideshare drivers seem to be more vulnerable when compared to the average employee, they also lack the ability to advocate as a collective unit from any position of real power. With no legally protected right to collectively bargain, the highly fragmented, heterogeneous population of rideshare workers have no clear means by which to effectively advocate for either their own or their collective interests. Therefore, rideshare drivers can be seen as largely unfree under the republican conception of freedom as they are for the most part unable to influence the nature of the work arrangement and relationship to a meaningful degree.

Rideshare drivers seem to experience this reduction in republican freedom even to a greater extent than most independent contractors outside of the gig economy. Independent contractors outside of the gig economy are better able to improve their position within the labor relationship when working with corporations because they have more control over the contract negotiation process and they can attempt to change the terms of the contract for each subsequent job. Rideshare drivers on the other hand are subject to the terms dictated by the platform company for each ride contract and have no opportunity to negotiate for better compensation for the current or future rides. Those hoping to pursue rideshare work will find themselves in a state of deference where they are wholly dependent on the behavior and goodwill of platform companies to adequately compensate them for their labor. With the decided profit motive, these large rideshare companies may attempt to further reduce their labor costs through predatory pricing schemes. With no established means by which drivers can advocate for their interests and seek superior compensation and work conditions, these drivers may be left in even more precarious and vulnerable financial positions than they find themselves currently. This clearly represents a reduction of republican freedom, especially for full-time drivers.

Although drivers are subject to the arbitrary authority of platform companies when it comes to setting their work contracts, it must be mentioned that rideshare drivers likely also experience a slight increase in republican freedom resulting from their ownership and increased control over the presentation of their work environment. Most drivers privately own their cars and are thus able to determine how best to utilize their own private assets to make the most money. For those who have taken trips with rideshare drivers before as passengers, they may remember being offered access to a phone charger or a bottle of water. These services represent additional costs not covered by the platform company, but the driver is free to make their own determination regarding whether such efforts will reward them financially.

Section 4.4 - Sizing Up the Effects on Negative Freedom

Although low compensation and lack of bargaining power indicate a reduction in freedom, it seems as though there may be increases to negative freedom resulting from potentially improved flexibility, autonomy, and control over the work granted to laborers within the gig economy. Accordingly, sizing up the resulting changes to negative freedom will help determine what an average laborer can expect to face when going from standard employment to gig work. For those considering whether they want to participate within the gig economy as a rideshare driver, the chance to be their own boss, dictate how work is done, and set limits on how much they will be working are all sure to be attractive advertised features of these forms of platform work. Although these advantages may seem to be alive and well within the narratives platform companies market to the world, the specific regulatory practices used by platform companies have led many, *including* myself, to wonder the extent to which gig workers, especially rideshare drivers, are actually able to exercise control over the manner and means by which their work is done. It is critical then to assess the degree to which platform companies are able to inhibit the negative liberty of gig workers by interfering with their actions.

The three main methods rideshare companies such as Uber use that effectively interfere with the decisions and other actions of their drivers are the utilization of promotional offers, surge pricing, and threat of user deactivation from the rideshare application. Thinking first about how promotional offers may come to impact the negative liberty of drivers, rideshare companies often utilize these offers in order to present choices in a way that encourages certain decisions from drivers without necessarily forcing these drivers to behave in any specific way. For example, drivers are regularly presented with offers through the application that promise a certain lump-sum bonus in exchange for completing a certain amount of consecutive trips. The main goal with these promotional offers is clear; rideshare companies are attempting to financially incentivize drivers to increase the time drivers spend actively completing rides for the platform. With the core of their business model dependent on having enough active drivers on the platform to meet the demand of the platform company’s customers, these types of promotions seem natural and necessary to help ensure there are drivers available at peak times and busy locations as predicted by the company’s data analysis.

These promotional offers seem to be a great thing for drivers as they are free to choose whether or not they accept, and if they do choose to accept, they are likely doing so because they have determined that the financial bonus and compensation for completing the consecutive rides is worth their time, energy, and effort. Problems potentially emerge when the algorithms used by platform companies are able to excessively interfere with the driver's ability to complete the consecutive rides and obtain the financial compensation they anticipated receiving. With the consecutive trip promotions specifically, once drivers accept the offer, they must complete the consecutive ride offers designated by the application without canceling, rejecting, or going offline, and any type of ride, including delivery, is eligible to be selected for the driver to complete. This sometimes leads to instances where drivers about to complete their offers feel compelled to stop because they are suddenly presented with a ride offer so unprofitable or undesirable it outweighs even the promised bonus. The problem is not simply that drivers may not always earn the bonus but that they were likely evaluating the profitability of prior consecutive rides on the assumption they would be able to complete the offer and receive the bonus.

One could argue that drivers should be aware that rideshare companies may be offering these bonuses to get drivers to complete less desirable or less profitable ride offers. However, with the lack of transparency surrounding the function of the algorithms being used to dictate which ride offers are chosen for the driver, these drivers are experiencing interference with their ability to make reasonably informed decisions when judging the profitability of ride offers, thus harming their negative freedom. Although the ability to opt-in or opt-out of these incentive-based pay systems seems to suggest the drivers are free to choose, when opting-in to these incentive-based systems is at times the only way to make a profit, these drivers cannot truly be seen as free. Even the potential that rideshare companies may be subtly manipulating drivers into completing unprofitable rides warrants some concern, as we do not want workers deceived or left without the ability to make reasonably informed decisions regarding their financial position.

This fear of objectionable manipulation harming drivers is one that will reappear throughout the analysis and is therefore worthy of further explanation. The core worry surrounding excessive manipulation of gig workers by platform companies is that it may in practice violate the worker's freedom to make choices regarding themself and their well-being. Encouraging workers to make a certain choice is not inherently problematic, but when that outside influence is not easily avoided or dismissed or is unknown by the worker, the influence may be taking away the worker's ability to choose freely, leaving them susceptible to potentially harmful manipulation originating from platform companies. In the case of rideshare drivers, if they are not aware of the extent to which they are being influenced by the application, it makes it much more difficult for them to purposefully dismiss or raise any objections to the influence.

The surge pricing mechanism is yet another method by which rideshare companies are able to utilize financial incentives to influence the behavior of and decisions made by their drivers in order to promote corporate growth. Surge pricing appears to give rideshare companies the power to greatly interfere with how, when, and where the driver decides to work. Just as before with the promotional offers, surge pricing seems to be a good thing for drivers as they are able to obtain higher compensation by way of higher-paying ride requests and always have the option not to participate if they so choose. The harsh reality of the situation, though, is that average rideshare drivers, especially those who operate full-time, are not guaranteed profitable ride offers let alone profitable returns even when they accept higher surge pricing rates.

For full-time rideshare drivers that consider gig work as their primary form of income, they are entirely dependent on seeking out profitable rides. The above pricing schemes could then potentially deprive full-time gig workers of the ability to control the manner and means by which they approach gig work. Taking into account how full-time gig workers already face higher levels of income volatility and underemployment, these individuals likely cannot afford to forgo the offer of profitable rides in favor of having more control over where and when they work, nor can they allow extended periods of downtime waiting for the perfect non-surge ride request to appear. These drivers are undoubtedly *able* to choose to drive wherever, whenever, and for however long they like, but realistically these drivers are much more constrained in these areas than it may have seemed originally if making a profit is their goal. As a result, they are essentially required to work in the exact manner dictated by the gig platform company's pricing algorithm in order to have a chance at making a living. For many full-time rideshare drivers especially, this will lead to a reduction of their negative freedom as a result of this external interference that constrains how they are able to approach the work. Despite all the promotion of gig work as an opportunity to be your own boss, platform companies seem to have retained the ability to exercise a degree of interference in the lives and actions of full-time gig workers that is comparable at times to the interference experienced by an employee under a middle manager.

The third main way rideshare companies are able to influence the actions of drivers is through the driver rating system. Uber and Lyft rely on ratings submitted by passengers to inform each of them, respectively, whether or not they should penalize drivers for reported poor performance. This rating system seeks and serves to promote a standard of high-quality service. The rating system also certainly serves the purpose of ensuring that bad rideshare drivers are penalized which is a good thing, but it also appears to be yet another convenient way platformy companies can influence the way gig drivers approach the job. Driver ratings and feedback are submitted for almost every completed trip which quickly leads to the accumulation of a staggering amount of granular, individualized data on each driver under these platform companies. In this way, the passengers have taken on the surveillance and reporting roles of the traditional middle manager found in many standard employment hierarchical organizations.

When a driver's average rating falls below a certain value, the rideshare company may issue warnings regarding the driver's behavior or simply deactivate the driver. This modified system of regulating driver behavior should not be viewed as the removal of corporate influence and interference just because the task of surveillance and reporting on the behavior of workers has been outsourced to an external party, that is, the rideshare customer. In addition, the lack of a traditional manager over drivers working for platform companies should not automatically lead someone to believe the drivers experience high levels of control, autonomy, and freedom. The actual extent to which drivers face such interference as a result of this type of surveillance is difficult to determine; however, it would be naive to think that these large rideshare corporations that are able to heavily monitor the activities of drivers on their platforms are not at the very least *capable* of reducing the negative freedom of drivers in this way by threatening deactivation.

For all three methods discussed above, we must remember that the degree of interference and subsequent reduction in negative freedom experienced would likely not be as stark for drivers who treat gig work as merely a supplement to their primary source of income. For these individuals specifically, it is possible they would be better positioned to avoid or disregard the interference by platform companies. For example, because they are not dependent on gig work as their only source of income, they may be able to patiently wait for profitable ride offers to appear at the times and in the areas that they prefer to work instead of having to constantly chase areas with surge pricing. Full-time gig workers who depend on their rideshare income as their primary source of income could likely not afford this much idle time if they hope to make enough to sustain themselves. Additionally, the overall impact of being deactivated from a rideshare platform would likely be far less devastating for a driver that is already a full- or part-time employee elsewhere as they are not then being temporarily left without a means to support themselves financially. Therefore, threats of deactivation from platform companies may not lead drivers who have an alternative primary source of income to change how they choose to work.

That having been said, if it turns out to be the case that the boosts to negative freedom typically associated with rideshare work are only really afforded to those who treat it as a form of supplemental income, then offering these sorts of work arrangements cannot truly be seen as a potential path toward liberating people from hierarchical workplace governance. For those who treat rideshare work as a supplement to their income, although they may contend with less interference when it comes to how they choose to approach driving, these individuals are likely still subjected to more traditional forces of arbitrary management and interference under their primary employment arrangement. Alternatively, for those who consider rideshare work as their full-time occupation and primary source of income, they are largely unable to avoid the high levels of interference from rideshare platform companies described above due to their financial position, leaving them in a comparable position to full-time employees with regard to the reduction of their negative freedom within the workplace. This alone does not reveal rideshare work to be objectionable, but from this it is clear that any arguments in favor of rideshare work, especially full-time rideshare work, which rely on increases to negative freedom in order to justify certain other negative features, must be critically evaluated.

Another objection one could imagine is a scenario under which a rideshare driver could be working under similar pressures to complete trips in specific areas at specific times but not as the result of any intentional manipulation by an agent in the form of a firm. Theoretically, without any manipulation from the platform company, the strict market forces of supply and demand may lead these drivers to do all the same rides in the same areas for the same prices that they would have done otherwise had they been subjected to surge pricing mechanics, for example. If the same result may be achieved without any intentional interference from the rideshare company, what is the significance of this intentionality? The answer is that this intentionality represents and defines the relationship between the worker and the company. It is not just that there are these market forces at play leading drivers to accept or decline certain ride offers. While rideshare drivers are currently acting as independent contractors under these platform companies, there is undoubtedly still a hierarchical nature to the labor relationship between the two parties. The labor relationship and its hierarchical nature makes the intention of the manipulation matter because it serves to inform the very nature of the parties' relationship.

While there do seem to be many ways platform companies can still interfere with gig workers, securing the ability to exit gig work could under the right circumstances enable more individuals to avoid instances of interference, thus counteracting some potential reductions of their negative freedom. The current limitation of possessing the ability to exit specifically in the rideshare industry is that there is no obviously superior arrangement to which to exit, as the major rideshare companies such as Uber and Lyft both have largely similar business models and practices. In this way, drivers who hope to continue working within the rideshare industry and utilize their privately-owned assets may be able to exit from the specific corporation under which they currently operate, but they are not truly able to exit from the general business model that serves to interfere with their negative liberty. Therefore, if the ability to exit to help gig workers avoid interference is to be meaningful, then there must be superior alternative work arrangements available, where the cost of transitioning to this alternative work is not extraordinarily high for the exiting worker.

Section 4.5 - Overall Cost-Benefit Analysis

From all of this, it seems as though full-time rideshare drivers are at times subject to comparable levels of interference as employees, are on average not paid as well as employees, do not get the same benefits or protections employees do, and lack the ability to bargain for better work conditions, which all adversely impact upon the gig drivers' freedom. In the face of this, we should attempt to determine whether any attempts to justify the current implementation of rideshare work are well founded and reasonably persuasive. Having a better understanding of the effect on *overall* freedom for full-time rideshare drivers will help make this determination. To more clearly evaluate these effects, the impact of each main cost and benefit on freedom will now be briefly summarized.

First, addressing the impacts of the levels of vulnerability experienced by full-time rideshare drivers, it appears that the poor compensation and informational inefficiencies would reduce the total positive freedom of these workers. Next, the inability to collectively bargain leaves drivers in a state of deference to platform companies where they are unable to influence the terms of their work, leading to a reduction of their republican freedom. There does however seem to be a slight competing increase to republican freedom that originates from the fact that the driver owns and controls their own work environment. Last, the degree to which rideshare companies are able to manipulate and interfere with their full-time drivers suggests that the drivers' level of negative freedom is equivalent to or worse than that experienced by employees. Gig platform companies control pricing to the end user, the algorithms that offer assignments to drivers, the rate of compensation per ride performed, and the right to discipline or terminate drivers without the drivers being afforded a fair opportunity to defend themselves. Therefore, the independent contractor gig drivers' negative freedoms are more illusory than real.

With the exception of the increase to republican freedom resulting from the increased degree of control over the workspace, it appears as if the other impacts on freedom are not positive. The vulnerable financial position in which many full-time drivers find themselves leaves the average driver with less positive freedom than the average employee; the inability to collectively bargain undoubtedly harms the republican freedom of rideshare drivers; and the exertion of control from platform companies reduces the negative freedom of full-time rideshare drivers specifically. To argue there is an overall increase in freedom, one would then have to demonstrate that the increase to freedom from drivers being able to control their workspace outweighs the potential reductions in freedom resulting from inadequate compensation, lack of bargaining power, and control over drivers. Based upon this analysis, depending on how one chooses to weigh the relative importance of the various *conceptions* of freedom, it is not inconceivable that some drivers could experience an increase in overall freedom compared to employees; however, this does not seem to be a plausible conclusion to draw when considering the case of the average full-time rideshare driver.

Following from the arguments made above, if supporters of the gig economy are no longer able to rely upon potential increases to negative or overall freedom in order to justify the current treatment of full-time rideshare workers within the gig economy, then one of the strongest arguments in defense of rideshare work has been shown to come up short. How else then might a proponent of gig work attempt to justify the conditions for full-time drivers under the current rideshare labor model? One potential characterization is that the platform companies are providing a form of work that is accessible to those who are unable to participate in standard employment. Here, one could think about a student that requires the flexible hours of rideshare work in order to be able to provide for themself financially. While this may be a valuable addition to an overall consideration, it does not seem to follow from this that *full-time* rideshare drivers should be paid worse than an employee and be deprived of benefits and protections afforded to employees while essentially being treated as if they were employees of the platform company.

The second potential line of justification for the current treatment of full-time rideshare drivers is that these rideshare companies are attempting to provide people with temporary forms of work of which drivers may take advantage while they attempt to obtain superior, long-term employment elsewhere. The high rate of turnover of gig workers within the rideshare sector could serve to support this justification, as it appears, at least as to some, the workers within the rideshare sector may then only be temporarily utilizing rideshare work as a temporary form of income until they are able to obtain more permanent employment. One could also try to argue that these high rates of turnover go to show how the exit costs for these gig workers is incredibly low, which in turn reduces the overall friction and exit barriers within the labor market and may allow these individuals to better avoid periods of unemployment. In this way, one could attempt to argue that rideshare work is truly only meant to serve as a temporary way to support one financially during transitional periods, and this functionality then appears to justify the current treatment of temporary full-time drivers. While there does seem to be potential value to providing laborers with such a form of intermediate work to allow them to continue to support themselves financially while attempting to obtain a better job, this is insufficient to justify undercompensated utilization of full-time gig drivers by platform companies as discussed elsewhere in this thesis.

Regardless of the benefits that providing this function of labor may serve, we still have good reason not to want a corporation to be able to survive or thrive simply because it is shifting its business costs onto workers under what may well be a potentially exploitative labor model. Unfortunately, that seems to be exactly what may be happening in the case of platform companies. These companies appear to be walking a fine line by attempting to reduce their labor costs as much as possible while still exercising a high degree of control over their drivers, especially full-time drivers. They apparently are attempting to do so because their business model largely depends upon this minority of full-time drivers who work full time in order to complete more than half of the trips for the platform. It seems to be much more plausible that these rideshare companies are actually hoping their workers will not treat gig work as a temporary form of employment because the platforms' businesses would suffer greatly if they lack the manpower to complete a high percentage of ride requests, with only four percent of Uber drivers remaining on the platform a year are starting as CNBC reported in 2017 (McGee 2017). Changes need to be made in order to provide a better format for gig workers, which should in turn benefit platform companies if and to the extent one result is a greater degree of independent contractor gig worker retention. With the proffered justifications for the current treatment of full-time drivers within the gig economy falling short, the focus now must turn to determining how we can better protect these interests of these drivers within the larger system.

Chapter 5 - Policy Recommendation: Protecting Full-time Rideshare Drivers

Based on a cost-benefit analysis, the current treatment of average full-time drivers working under major rideshare platform companies is unjustifiable both on the grounds of increased worker freedom or by virtue of the sometimes-temporary nature of gig work. Many of these full-time workers are also not sufficiently compensated in order to face the inevitable uncertainties that will impact their financial and social position. What, then, is the most effective way to protect these vulnerable drivers from potential instances of exploitation within the current gig economy and for the foreseeable future?

One could imagine a scenario under which basic needs of these workers were better provided for and protected within society by government, laws, & regulations. For example, a generous universal basic income applicable to such workers could potentially obviate concerns over net income, lack of freedom, and exploitation. A change made in this way to the broader social context might have the result of better positioning these drivers so they would be less at the mercy of market forces and the influence of the platform companies. This could allow these drivers to experience more control over their work and potentially only choose to work under these platform companies if they determine it pays the drivers adequately for their time and effort. A general proposal like that, however, would likely be impractical to implement within a reasonable timeframe; moreover, predicting the broader effects of such a sweeping change to social, political, and economic infrastructure would be nearly impossible, which carries some risk. Without being able to know more about how such sweeping changes would affect people within other sectors of the economy, the potential benefits afforded to full-time rideshare workers in terms of reducing vulnerability and increasing effective freedom do not on their own seem to present a compelling enough reason to attempt to enact such changes at this time, absent sufficient prior research, studies, and analysis.

Instead, the focus ought to then shift to determining a narrower, more targeted solution that could be practically implemented in a manner that specifically targets improving conditions for the vulnerable full-time rideshare drivers. Among other things, this chapter will present some of the attempts currently being made by policy makers that attempt to accomplish this goal while also suggesting why when analyzed individually these attempts seem to fall short in terms of properly protecting the interests of full-time rideshare workers. Once these attempts have been discussed, I will present an outline for my policy recommendation, as well as rationale for why my recommendation represents a superior proposal for protecting full-time drivers without leading to excessive harm or costs having to be incurred by other parties.

Section 5.1 - Policy Solutions that Fall Short

As mentioned in Chapter 2, one of the main concerns surrounding the gig economy today is the worry that many of these gig workers are being misclassified under the law as independent contractors, and as a result are being deprived of benefits and legal protections including wage protections, workers' compensation insurance, unemployment benefits, and the right to collectively bargain. In addition, drivers are left to pay their full tax contributions to social security and Medicare programs as a result of their current independent contractor status. This results in sizable labor cost savings for platform companies as they are able to shift much risk and financial burden to drivers. As a result, many have concluded that the best way to protect potentially misclassified gig workers from precarious labor arrangements would be to attempt to classify these workers as employees by establishing a stricter legal standard pursuant to which employment status should be determined.

This stricter legal standard exists today for some states in the form of the ABC test, under which workers are presumed to be entitled to employee status unless it is able to be demonstrated that (A) the work is done without the direction and control of the employer, (B) the work is performed outside the usual course of the employer's business, and (C) the work is done by someone who has their own, independent business doing that kind of work (EPI 2021). By placing the burden on companies to have to prove that workers under them are not employees, the belief is that this would likely reduce certain instances of worker misclassification and ensure that many workers who are actually nothing other than employees are not being deprived of the rights and benefits they may be entitled to by law.

Companies such as Uber, Lyft, and DoorDash all utilize business models that are currently heavily dependent on the relatively cheap labor resulting from the classification of their drivers as independent contractors. The passing of Assembly Bill 5 (AB5) in California, which established the ABC test as the standard for determining employment status and in turn initially required platform companies to reclassify their drivers as employees, posed a major threat to their current business practices. However, as a result, these platform companies began aggressively opposing standards such as the ABC test and seeking exemptions under state and federal labor and employment law to ensure that they are able to continue classifying their drivers as independent contractors. This strong desire from platform companies to preserve the current classification of their drivers as contractors led to the drafting, campaigning for, and passing of Proposition 22, which stands as the most expensive ballot measure in the history of California and served to exclude rideshare and delivery drivers under platform companies from almost all of the rights and protections under state law that their drivers would now be entitled to as employees (BallotPedia 2020).

It seems that a change to employee status would in many ways rectify the vulnerability, precarity, and uncertainty that plagues many full-time rideshare drivers as they would gain access to superior compensation, benefits, and protections. However, there are problems to consider when thinking about what this transition to employee status could really mean for these drivers. Granting drivers employment status certainly provides them with benefits, but it also permits the platform company to exercise an even greater degree of control over the manner and means by which they approach work. Surveys have shown that a large majority of ride-hailing drivers want to remain classified as independent contractors in order to ensure that they are able to retain the ability to flexibly choose when, where, and how much they work (Moreno 2020). Re-classifying these drivers as employees could actually have the unintended effect of forcing gig drivers who relied on the flexible nature of the work to feel pressured to exit this sector of the gig economy. Also, with the average cost of paying for an employee significantly higher than the cost of paying for an independent contractor, these additional costs rideshare companies will now have to incur may in turn be passed on to the end users for these services. This may lead to reduced demand, which would likely reduce the needed supply of rideshare drivers and potentially then lead to the loss of job opportunities for some full-time drivers currently in the sector. Although making these drivers employees under the law may reduce worries stemming from income volatility and potential underemployment for full-time rideshare drivers, it is not clear that these potential benefits outweigh the potential costs of reductions to flexibility, freedom, and job opportunities that would likely be experienced by full-time drivers to varying degrees as a result.

Section 5.2 - The Way Forward Protecting Full-time Drivers

Thinking back to the cost-benefit analysis regarding the *overall* freedom experienced by the average full-time gig worker, it appears that the most straightforward way to attempt to protect these workers and shift the effects on freedom towards a net increase would be to focus on securing superior compensation arrangements for these workers. In this way, many of these drivers would hopefully then not experience the same reductions to their positive freedom due to their vulnerable financial positions.

When thinking about how to draft a policy proposal that would serve to improve the financial positions of these workers, the unique situation that rideshare drivers find themselves in must be considered. Independent contractors are generally subject to and impacted by external forces such as market pressures and inflation to a greater degree than employees. Whereas this does seem to be the case for independent contractors in general, this does not necessarily suggest that this represents a problem that needs to be fixed for all contractors. The core difference between the experience of a rideshare worker under the gig economy and independent contractors in other industries that work as computer programmers or insurance agents can be found in terms of their compensation levels. Independent contractors that are paid at higher rates are better able to respond to the effects and impacts of any income volatility and uncertainty that they may face. For these higher-paid contractors, the nature of their business operations, their compensation level, and their likely far greater business expense deductions often makes their work much more advantageous for them and affords them with a much higher effective degree of independence and autonomy when compared to rideshare drivers.

Of course, almost every firm has an incentive to pay their workers as little as possible without having to incur other larger costs as a result. What is it though about rideshare work that allows for these drivers to be paid so little in the first place? It seems that many drivers rationalize their reduced pay on the basis of the improved flexibility with which they can approach the work. Also, for many people looking into these sorts of work opportunities, the advertised rates for these rideshare positions before adjusting for operating expenses do not seem to be all that bad. These two factors seem to be the main reasons why these platform companies are able to maintain current compensation levels.

Thinking now about the types of external forces that may impact rideshare drivers to a greater extent than other independent contractors, we can look to the effects of the current high gas prices within the United States on these drivers. These dramatic increases to gas prices will affect many Americans to varying extents, but for these drivers who rely on their car and gas as part of their job, the effects are far more detrimental. As independent contractors, drivers are responsible for covering any operating expenses associated with maintaining their vehicle and paying for gas. Because they are already being compensated at fairly low levels, to then have to deal with an unanticipated increase to their cost of doing business can significantly affect the ability of full-time drivers to be able to provide for themselves financially and purchase essential goods and services. Many drivers are then forced to choose whether to work less in the hope gas prices will fall in the future or try to overcome higher operating costs by working *more* to try and make as much as they previously were when working fewer hours.

Traditionally, independent contractors providing goods or services would be able to pass on a portion of these increased operating costs to their customers. However, in the case of rideshare drivers, they do not really have the same ability to accomplish this to the same extent that independent contractors outside of the gig economy can. Thinking about the unique and somewhat powerless position of a gig worker in terms of their reduced ability to set the cost of their services to the consuming public, this could serve to constrain the ability of these drivers to maintain their net compensation and control over the profitability level of their labor. These drivers are subject to the price being set by the platform company, so they do not have that mechanism to protect themselves from these unexpected outside forces to the same level that other independent contractors outside of the gig economy might be able to.

Presumably, the platform company would be responsive to these forces, as well, but maybe not to the same degree needed to help gig workers. It seems plausible that platform companies' sensitivity to such adverse economic forces, such as inflation, would be less than full-time drivers', as these platform companies have a profit motive not to immediately raise prices on consumers, as this could potentially reduce levels of demand for their services. These platform companies might then wait to see how long they would be able to hold prices constant while having drivers temporarily bear the full brunt of these increased operating costs. This would likely not be possible in the long term as drivers would eventually decide the compensation for their work is no longer adequate; however, this does go to show another way in which these gig workers are not free to control factors of their compensation. Within the labor relationship dynamic, they are largely subjected to the will of the firm and vulnerable to external forces in ways that other independent contractors are not.

Thus, any potential targeted solution to the challenges presented to these workers within the gig economy should then aim to improve the terms of compensation for these rideshare drivers in a way that would address the current objectionable nature of the labor relationship between these drivers and the platform companies in order to more equitably and predictably allocate the risks, rewards, income, and expenses associated with the on-demand work. The increase to compensation would have to be sufficiently high to offset some of these unpredictable costs of business expenses as well as the opportunity costs associated with idle waiting periods. Doing so would serve to remove some of the uncertainty for these workers associated with assessing whether driving for and accepting certain ride requests under a given rideshare company would be a good personal financial decision. In the sections that follow, I will outline what I believe is the best way forward for protecting full-time rideshare drivers. My proposed policy approach will generally involve three components: (1) a reimbursement element, (2) an established hourly minimum wage, and (3) increased transparency between platform companies and current and future rideshare drivers with regard to relevant information surrounding advertised wage projections.

Section 5.2.1 - Gas Reimbursement Measure

I propose that rideshare companies should be subject to a policy that requires them to reimburse a portion of the expenses currently facing rideshare drivers. This would likely reduce the negative impact of having to bear these operating costs and could potentially make it so wage rates currently advertised by rideshare companies would be more closely representative of what drivers would actually make while driving for these firms, thus also helping alleviate some informational asymmetries. Specifically, the policy would require platforms to cover a percentage of the costs associated with gas usage during active rides with passengers. The challenge then becomes determining how the terms of this gas reimbursement measure ought to be set. The proposed policy requires a way of determining: (1) the average gas price to be used, (2) an assumed average miles per gallon ratio, and (3) the percentage of the gas cost to be reimbursed per mile.

With considerable variances between gas prices between different states, and even more specifically different regions within these states, the established gas price should be tied to a regional average gas price level. The advantages of tying it to regional prices in this way is that the established reimbursement rate formula will then more appropriately compensate these drivers proportional to their actual gas costs. The established regional average gas prices will have to be updated periodically, potentially either on a monthly or quarterly basis. Updating the assumed regional gas prices in this way will help to ensure that the metric is responsive both to location and time, which will result in a more just outcome.

An assumed average miles per gallon needs to be negotiated for use in reimbursement calculations and should take into account gas consumption rates for the wide range of vehicles within the rideshare fleet. The second challenge with determining such a ratio is that in some cases cars will underperform the expected miles per gallon rates reported by automobile manufacturers. In any event, an assumed mile per gallon consumption rate will provide incentives for selection of fuel-efficient vehicles that would outperform the assumed rate of consumption, which will yield benefits not only to those drivers but the environment, as well. Further research will be required in this area in order to determine how to set a rate that will lead to equitable reimbursement outcomes for these rideshare drivers. It is possible that platform companies may need to determine the percentage breakdown of the models and ages of their cars as well as the type of driving, and whether highway or city driving is more common, to more accurately arrive at such a figure.

In order to make a significant enough impact on these drivers, I project these drivers would need to have approximately 180% of the approximated gas cost for the trip be reimbursed by platform companies. To illustrate the rough impact of such a reimbursement figure, if we assume for now that the average car driving under Uber or Lyft is able to manage around 25 miles per gallon (the current average in the United States for new 2020 model year cars) (U.S. Department of Energy 2020), and that the average gas price is $4.20 per gallon (the national average gas price in March 2022) (AAA Gas Prices 2022), let us assume a driver has just completed a 10 mile trip. With this information, we can determine that if the driver was subject to the above average figures, their gas cost would equate to roughly $1.68 for that trip alone. For this hypothetical trip, this 180% figure would translate into a reimbursement amount of $3.02.

While this may seem substantial on its face, given how much such a reimbursement will add up in favor of drivers, when considering that these drivers are also having to contend with costs of maintenance and asset depreciation, the gas expenses for which they are not being reimbursed to cover fuel costs between trips, and the opportunity cost associated with their idle time, this 180% figure seems much more reasonable. Also, I contend that platform companies may also find this rate agreeable. Within Proposition 22, which was drafted and sponsored by platform companies such as Uber and Lyft, they had already introduced a reimbursement rate of $0.30 per mile, which for this hypothetical trip would have equated to a reimbursement of $3.00, which is almost identical to the amount that would result with a 180% reimbursement rate. Also, it is plausible that these platform companies have an incentive to implement such a reimbursement compensation scheme in order to avoid the pitfalls of potentially heavier regulation of their business by the government down the line. Additionally, as a result of enacting such a reimbursement measure, these platform companies could also benefit by gaining a more stable workforce of independent contractors, as high driver turnover is something that both Uber and Lyft are actively struggling with at the moment. Taking a fluid, evolving approach in this way to reimbursing drivers would allow the reimbursement to respond to political, economic, and social developments within the United States.

The effects of the reimbursement component of the proposal would serve to better protect rideshare drivers from the effects of external market forces and assist with improving the overall financial position for many of these drivers. This would serve to reduce the vulnerability of the average full-time rideshare driver and, in turn, increase their *overall* freedom by placing these workers in superior financial positions under which they would be able to better protect their interests. Having the platform companies cover a percentage of drivers' operating costs via this reimbursement scheme would shift some of the operating costs to the rideshare platform companies who are in a better position financially to respond to increases in and bear these expenses. Additionally, these platform companies always have the ability to pass these additional costs on more equitably to the consuming public by way of increased ridesharing costs to the end consumers. Although this price increase could lead to a reduction in demand for services, a service should not be able to maintain remarkably low prices because gig workers are being exploited within the labor arrangement by disproportionately having to bear rising costs.

Section 5.2.2 - Direct Compensation: Setting a Minimum Rate

A concern with implementing a reimbursement program in this way is that as a result of the increased labor costs, these platform companies may have an incentive to reduce driver compensation in other ways to offset this attempt at a cost shift. When there is only one regulated portion of the driver compensation scheme, it becomes much easier for companies to be able to affect other aspects of the compensation in order to influence the net effect on the cost of their laborers. As a result of this concern, it would also be important to add an established minimum rate of pay within the policy proposal to anticipate and combat any such efforts that could be made by rideshare companies. This is certainly not the first time that a minimum hourly rate of pay for time logged during active trips has been proposed for rideshare drivers; however, the minimums that have been proposed and implemented so far have been specific to isolated regions which has not yet led to a universal application of these established minimums.

I propose formulating a more general approach to introducing hourly minimum rates of pay that is closely tied to each region within which the gig work is being done. As a baseline, when considering how to set an agreed-upon hourly rate to determine how much money drivers should be guaranteed for each fraction of an hour actively completing trips for the platform, the rate should be set at 130% of the greater of the federal or state minimum wage for the specific region (at present, only two states, Georgia and Wyoming, have minimum wages lower than the federal minimum wage). The minimum needs to exceed 100% of the state or federal minimum rate in order to adequately account for the high degree of idle time for which these drivers are not otherwise being compensated. The gas reimbursement component will not be considered as any form of compensation that counts toward meeting this minimum hourly rate as the reimbursement and direct compensation components to the policy proposal are wholly distinct and aim to accomplish different core functions.

After establishing a baseline hourly minimum rate to be used for these drivers, more work must be done state-by-state in order to incorporate regional adjustments to this baseline rate in order to reduce the chance for potential instances of exploitation of some and windfalls to others. These regional adjustments to the baseline minimum hourly rate would be determined by utilizing regional cost of living indices or some functional equivalent. For example, if we were dealing with drivers in Los Angeles, California, a city with a much higher comparative cost of living index (CLI), it seems reasonable that the minimum ought to be adjusted to be greater than the established 130% minimum in order to more appropriately respond to the higher costs associated with operating within that specific city.

Although the actual adjustments made according to regional CLI will have to be separately and carefully determined, for illustrative purposes only, suppose that due to the high CLI for the city of Los Angeles, the minimum percentage should increase to 140%. If we assumed (1) this to be the percentage set, (2) a full-time rideshare driver works 40 hours a week for a platform company, and (3) a driver spends fifty percent of their time idling or traveling to a pick-up location, we can then perform a rough calculation to estimate the minimum pay that the driver should expect for their time and effort. With the current $15 state minimum wage in California, at the 140% minimum hourly wage for the 20 hours of active compensated drive time, the Los Angeles gig driver would know that at minimum they would expect to make around $420 per week. Extrapolating out, if the driver then worked 50 weeks per year at 20 hours of active drive time per week, they would be guaranteed to make a minimum of $21,000 per year even before figuring in the reimbursement component of the proposal. In order to increase the accuracy and fairness resulting from the third assumption regarding the percentage of time spent idling or traveling to a pick-up location, a time-management study is warranted to account for and quantify the actual extent of such "lost" time.

Thinking back once again to the projections made in Chapter 2, the estimated average yearly wage was determined to be $23,540. This policy measure would serve to normalize pay rates for these drivers and potentially reduce income volatility. We must recognize that this baseline represents the absolute minimum that a Los Angeles full-time gig driver working under the above conditions would make. Although this calculation only represents the low end of what a driver could expect to make, it does help us to think about where the average compensation might end up as a result. Once the baseline hourly wage has actually been set and adjusted to the regional CLI in the manner described above, from then on as gig drivers decide if the work is worth their time for the rate of pay, these platform companies will be subject to market forces that will impact whether they choose to continue raising compensation rates above the minimum for those drivers that elect to accept ride requests for specific times and places. The combination of gas reimbursement and an established minimum hourly rate of compensation does not make the costs of the system more readily identifiable; however, it does work towards ensuring drivers are being more fairly compensated so they could actually bear such costs.

Considering all of these potential added labor costs to platform companies in the form of both the reimbursement measure and the minimum hourly rate of pay, there is once again the worry that this increase in costs would lead to an increase in the price of the service for end consumers, reducing demand. As a result, the needed supply of rideshare drivers could potentially fall. Consequently, at the margins there would then be drivers that are no longer needed because they have effectively been cut out of the labor market. The drivers that are able to keep their jobs are likely benefitting, but it seems to be partially at the expense of those who are losing the ability to work within the rideshare sector.

In short, the worry is that the results of enacting such a policy will be good for a certain subset of workers but bad for the subset that loses the opportunity to work altogether. Thinking about who would likely see the benefits in this case, it is reasonable to assume that full-time rideshare drivers will be the best off under such circumstances as they are completing a majority of the ride requests in the sector. With their respectively higher degree of uptime on the platform apps, these full-time drivers will be able to remain active within the sector by accomplishing most of the ride requests and at a better rate of return. Ones that would actually be cut out would likely be those that treat rideshare work as supplemental income.

It seems reasonable to assume that the increase in platform labor and consumer costs may cause some of the drivers who were able to utilize the rideshare sector to earn supplemental income to be priced out of the market due to decreased need for their services. But how many will this really affect? To answer this question, one must consider how dependent end users are on the services provided by rideshare companies. Often for those electing to utilize rideshare services, there may not be an easy alternative arrangement available to get the consumer from point A to point B. Many areas do not have established public transportation options people can utilize, and particularly not ones that take customers to their actual destination, as is accomplished by means of rideshare services. If this dependency is widespread, then rideshare services may be seen as relatively inelastic, meaning that the demand for rideshare services likely would not decrease much due to increased prices tied to factors such as supply and demand, inflation, and greater operating expenses.

Although determining the exact magnitude of the effect of implementing such a policy is difficult to determine, even if the reimbursement and direct compensation components of the policy recommendation do lead to some drivers who use gig work as a supplement to their existing income being cut out of the labor market, the sizable benefit to the drivers that remain in and are more reliant on the sector, specifically full-time rideshare drivers, make the trade-offs worthwhile. It is not that the interests of part-time rideshare drivers do not matter, but they are already in a superior position financially and are better equipped to protect their own interests. The specific group of workers who currently seem to be in a very vulnerable position, in this case full-time rideshare drivers who are actually performing a majority of the services within the rideshare sector, are the people this policy is most concerned with protecting, and the trade-offs are justifiable on these grounds.

It does seem as though this policy could change the demographics of rideshare drivers, heavily favoring those drivers who treat the work as a full-time position; however, at this point it becomes important to take a step back and think about the fact that rideshare work is not the only sector within the gig economy. Just because the recommended policy proposal is targeting the benefits towards a specific community within the labor sector, and potentially cutting some part-time drivers out from the rideshare sector, that does not mean that the workers who are cut out cannot still seek alternative forms of gig work in other sectors in order to obtain a comparable form of supplemental income. Attempting to improve the financial position of full-time rideshare drivers with a policy proposal in this way does not mean the core function of the gig economy and its more flexible forms of work opportunities cease to exist. We have spent considerable time focused exclusively on the rideshare sector and its participants, but just because workers are cut out of the rideshare market that does not mean they are barred from alternative forms of temporary, flexible work within the gig economy. In short, when considering this as well, it seems reasonable to believe in this case the benefits outweigh the costs.

Section 5.2.3 - Information Transparency Improvements

Informational asymmetries certainly are not unique to the rideshare sector; however, it becomes worth addressing because current compensation levels for these drivers are so low and volatile, which lead to problems for these drivers such as increased vulnerability and reduced planning agency. Informational asymmetries also amplify the already significant problems faced by on-demand gig drivers when attempting to make their best economic decisions.

It is possible that people would not actually take on these rideshare jobs in the first place if they had more accurate information as to what their actual compensation levels would be. If these individuals had better, more complete information, perhaps they would be able to determine that current compensation levels are insufficient to compensate them for their time and effort, leading to fewer people driving for these platform companies in the first instance. As a result, rideshare companies would likely then have to respond to these market forces and raise their overall compensation levels in order to attract and retain more labor. In this way, it is clear how improving transparency to more fairly provide available material information to the public would allow current and potential new rideshare workers to make more rational decisions based on previously undisclosed but available economic data.

Improving transparency in this way becomes especially critical because companies such as Uber and Lyft are currently advertising specific projections in terms of what potential new drivers could expect to make if they start driving for these companies. That is why the third component of my policy proposal involves a measure that will require the release to current and prospective gig work drivers of assumptions and data used in order to derive gig rideshare platforms' specific advertised wage projections. Recall that these platform companies are presenting these projections and wage figures to current and future drivers, at times claiming that drivers can expect to make upward of $30 an hour, potentially misleading drivers as they make their calculations and decisions. Without knowing more about the assumptions and data being used in these projections, those considering whether to work within the rideshare sector may make poor decisions with regard to their personal financial position as a result of the incomplete and potentially misleading information being publicly presented by rideshare platforms.

Some but certainly not all of the assumptions that ought to be made clearer regarding the projections being advertised by rideshare companies include whether the projections are factoring in idle time in the estimated hourly rate, the breakdown of income data by region, how large the sample size is, and whether the advertised figures are only representative of wages achievable when working specific times of day. Although these rideshare companies may not currently have all of the data aggregated in this manner, it is clear that they have the information and data at their disposal and are capable of presenting it to gig workers. Informational asymmetries can be destructive and disruptive to efficient labor markets. A requirement imposed on rideshare companies to provide such transparency of information not only makes for good policy and potentially greater labor market efficiencies, but it should also work to improve gig worker retention, assuming such workers enter into the gig relationship with better knowledge upon which to base the workers' decisions to enter that workforce. Of course, reasonable protections should be implemented so that truly confidential, proprietary business information believed to give particular platforms an advantage over their competitors could be carefully screened and guarded; however, this third prong of my proposal, the release and clear presentation of the assumptions and data being used in the platforms' projections, will help both existing and prospective new drivers to come to more accurate determinations as to whether engaging in this form of gig work would be personally financially beneficial and sustainable. This should ultimately lead to better decision-making and greater longevity in the gig rideshare sector to the benefit of all, including the rideshare platforms, which need workforce retention.

Conclusion

The goal of the policy proposed in the previous chapter — which is based upon consideration of the history, background, cost and benefit analysis, and critical concerns for fair compensation to rideshare workers operating in today's gig economy — is to increase the overall freedom experienced by full-time rideshare drivers. One of the main drawbacks in terms of freedom for these drivers at the present is the high degree of vulnerability stemming from inadequate compensation. My proposed policy's first prong providing for a reimbursement component, as well as the second prong's introduction of a minimum level of hourly compensation for these drivers, will both serve to increase average overall compensation levels and leave these full-time drivers better equipped to support themselves financially and to meet any future uncertainty regarding increased operating costs or reduced income. In addition, these components of the policy recommendation will help to normalize the rates of pay for many of these full-time drivers, which will remove some of the volatility currently associated with their compensation levels, which otherwise adversely impacts upon and impairs their freedom. Reducing some volatility in this way will provide these drivers with more control over their ability to appropriately create and implement productive and profitable plans regarding their work futures. The third prong of my proposed new policy provides for an increase in transparency that will not only be illuminating to prospective gig drivers but will also satisfy the gig platform's needs to attract and retain drivers who should feel more comfortable with, in control of, and fairly compensated by the gig driver's relationship with the platform.

In this way, increases in reimbursement, direct compensation, and transparency, all as components of the policy proposal I suggest be agreed upon by the parties involved or otherwise legislatively enacted, will serve to shift the previous net freedom calculus more towards a positive overall effect for gig rideshare workers that will also ultimately benefit the gig platforms and gig economy as a result of gig worker satisfaction and retention. As a result, marketing claims being made by rideshare platform companies should then fall more in line with the expectations and actual experiences of those who choose to work as drivers full time in conjunction with the platform companies. By increasing what amounts to net freedom of gig drivers in this way through an increase in compensation and information and a reduction in vulnerability, a gig worker’s voluntary election to perform gig work could truly be justified on the grounds that such work provides a flexible, freedom-enhancing work opportunity for those hoping to enter wisely into the full-time rideshare sector of the burgeoning gig economy.

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