



Center for
New York City
Affairs

Supporting the Need for a Connecticut Rideshare and Delivery Driver Minimum Pay Standard

Testimony Submitted to the

Labor and Public Employees Committee
Connecticut General Assembly

Hearing on
An Act Concerning Rideshare and Delivery Driver Minimum Standards

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Summary

The proposed legislation, Connecticut SB No. 1180, which would implement minimum pay standards for Transportation Network Company (TNC) rideshare and delivery drivers, should be passed into law.

CNYCA studies on the subject have supported the implementation of for-hire vehicle minimum pay standards in other jurisdictions, and have verified its beneficial impact to both driver compensation and service delivery. However, SB 1180 should learn from the experiences of applying these other standards, and provide clear and regular state enforcement authority and data access, and allow for periodic revisions of per-minute and per-mile factors to account for increases in the cost of living, and do so without language that would label affected workers “non-employees.”

Supporting the Need for a Connecticut Rideshare and Delivery Driver Minimum Pay Standard

Good morning members of the Labor and Public Employees Committee. My name is James Parrott, Director of Economic and Fiscal Policies at the Center for New York City Affairs at The New School. Thank you for the opportunity to present testimony on the proposed rideshare and delivery driver minimum pay standards.

I strongly support the proposed driver minimum pay standard, SB No. 1180, with the caveats noted below.

Along with Professor Michael Reich of the University of California, Berkeley, I was co-author of the 2018 and 2019 studies that were the basis for the New York City For Hire Vehicle (FHV) minimum pay standard.¹ Professor Reich and I also prepared a similar report for the City of Seattle in 2020.² The pay standard proposed for New York City, and adopted by the City's Taxi and Limousine Commission (TLC) in December 2018, included per-minute and per-mile components in a formula to ensure that drivers were compensated for all of their time on the app as well and also provided reasonable compensation for their vehicle-related capital and operating costs.

Professor Reich, Professor Dmitri Koustas of the Harris School of Public Policy at the University of Chicago, and I also co-authored a December 2020 analysis that assessed the impact of New York City's pay standard in its first year.³ Our assessment found that the minimum compensation policy had the intended effect of raising driver pay, while reducing passenger wait times and maintaining service levels. We found a high rate of compliance with the pay standard, and also that driver pay increased about nine

¹ James Parrott and Michael Reich, [An Earnings Standard for New York City's App-based Drivers: Economic Analysis and Policy Assessment](http://www.centernyc.org/an-earnings-standard), Report for the New York City Taxi and Limousine Commission, Center for New York City Affairs, July 2018. <http://www.centernyc.org/an-earnings-standard>; and James Parrott, Michael Reich, Jason Rochford, and Xingxing Yang, [The New York City App-based Driver Pay Standard: Revised Estimates for the new Pay Requirement](https://www.centernyc.org/the-new-york-city-app-based-driver-pay-standard-revised?mc_cid=80c36c5e43&mc_eid=f076c27c0e), Report for the New York City taxi and Limousine Commission, Center for New York City Affairs, January 2019. https://www.centernyc.org/the-new-york-city-app-based-driver-pay-standard-revised?mc_cid=80c36c5e43&mc_eid=f076c27c0e

² James Parrott and Michael Reich, [A Minimum Compensation Standard for Seattle TNC Drivers](#), Report for the City of Seattle, Center for New York City Affairs, July 2020.

³ Dmitri Koustas, James Parrott and Michael Reich, [New York City's Gig Driver Pay Standard: Effects on Drivers, Passengers, and the Companies](http://www.centernyc.org/reports-briefs/2020/12/8/new-york-citys-gig-driver-pay-standard-effects-on-drivers-passengers-and-the-companies), Center for New York City Affairs, December 2020. <http://www.centernyc.org/reports-briefs/2020/12/8/new-york-citys-gig-driver-pay-standard-effects-on-drivers-passengers-and-the-companies>

percent, or \$1.33 per trip, for an estimated aggregate driver pay increase of \$340 million in 2019.

Some of the New York City driver pay increase was passed through to passenger fares, but we noted that fares also increased around the same time in Chicago without the implementation of a minimum driver pay standard. Some portion of the New York City passenger fare increase thus may have resulted from corporate-wide, national pricing changes rather than the City's pay standard.

There was also a significant reduction in effective company commission rates. Our analysis of hundreds of thousands of trip records indicated that company commission rates declined from 15 percent in June of 2018 to 12.5 percent in June of 2019.⁴ This decline in commission rates indicates that a part of the increase in driver costs created by the minimum pay standard was absorbed through a 16.7 percent reduction in company commission rates.

SB 1180 calls for transportation network company workers to receive minimum per-trip compensation equal to the greater of 85 percent of each passenger fare, or a minimum of \$1.30 per mile traveled during dispatch and passenger time plus 60 cents per minute for dispatch and passenger time. The pay of third-party delivery service workers would be similarly structured based on dispatch time and project completion time.

The minimum driver pay standard we proposed for New York City was based on our extensive analysis of data on every rideshare trip, driver working time, and all pay during four study weeks over a 14-month period. New York City's TLC has the authority under the City Charter and State law to require companies providing for-hire vehicle services to provide extensive data to the TLC on trips, driver activity, driver pay, and passenger fares. Over the course of the last several years, such data has been shared with the City on hundreds of millions of trips.

The per-mile and per-minute rates proposed in SB 1180 might be sufficient to provide Transportation Network Company (TNC) drivers and delivery workers with an approximation of the soon-to-be Connecticut \$15 an hour minimum wage. The legislation requires TNC's and delivery companies to submit extensive data (I would suggest adding data on total miles driven while a worker has the app on and is available for dispatches) to the Labor Department on an annual basis. I believe it is

⁴ Ibid., p. 12.

important for the Labor Commissioner to receive these data on an ongoing basis from the effective date of the legislation, and that the Commissioner analyze these data expeditiously to determine the adequacy of the pay standard per-mile and per-minute rates in relation to the vehicle capital and operating expenses typically incurred by drivers and in relation to the hourly equivalent pay rates the legislature deems appropriate.

The Labor Department should have the authority to modify the pay standards through regulation, and further, I think it is important that the Labor Department have the authority to enforce compliance with the minimum pay standards. As is usually the case, companies seeking the privilege of providing regulated services should be charged an assessment or fee needed to cover governmental regulatory and enforcement costs.

Because of the past two years of unusually large price increases for consumer goods and services generally and transportation expenses in particular, the legislation should build in provision for periodic, automatic adjustment in the per-mile and per-minute rates. We should learn from New York City's experience in this regard and consider using changes in the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) to adjust the per-minute rate, and changes in the Private Transportation component of the CPI-W to adjust the per-mile rate.

Finally, my support for the proposed SB 1180 is based on a substitute version of the bill provided to the committee prior to the hearing that makes critical changes to the language in the definitions section. The substitute version does not define TNC and delivery workers as "non-employees," essentially carving them out of basic labor and employment protections guaranteed under state law. The substitute version is silent on the question of employment classification.

Thank you for the opportunity to testify today.