



Yale SCHOOL OF MANAGEMENT

JUDITH A. CHEVALIER
*William S. Beinecke Professor
of Finance and Economics*

PO Box 208200
New Haven CT 06520-8200
T 203 432-3122
F 203 436-9143
judith.chevalier@yale.edu
som.yale.edu/chevalier

courier
165 Whitney Avenue
New Haven CT 06511

October 14, 2019

New York State Legislature
State St. and Washington Ave.
Albany, NY 12224

Dear Senators:

Thank you for the opportunity to submit this testimony. I am the William S. Beinecke Professor of Economics and Finance at the Yale School of Management. I am writing to describe some of my recent research as it pertains to the employee/independent contractor status of gig economy workers. This research has been accepted for publication in the December 2019 issue of the *Journal of Political Economy*. My research is coauthored with M. Keith Chen, Peter Rossi, and Emily Oehlsen. While the data for this research was provided by Uber Technologies and Mr. Chen and Ms. Oehlsen, both former employees with Uber Technologies, I do not have nor have ever had a financial relationship with Uber.

In our research, we examine the driving behavior and payouts to drivers on the Uber X platform over 36 weeks from late 2015 through early 2016. We follow the 197,517 drivers who were active on the platform for at least 16 of the 36 weeks and who worked in one of the 20 largest cities in the U.S. (in terms of overall Uber activity). We track drivers after their first week of activity on the Uber platform.

The first thing that we observed is that the majority of Uber drivers do not work nearly full-time on the platform. The table below shows the distribution of driver hours in our sample. One can see that for the majority of drivers and weeks, drivers are working fewer than 13 hours.



Yale SCHOOL OF MANAGEMENT

DISTRIBUTION OF ACTIVE HOURS FOR COMMITTED DRIVERS SAMPLE

Total Hours	Share of Driver Weeks (%)
0	19
1-4	11
5-12	21
13-20	17
21-30	14
31-40	9
41+	9

We also examined the predictability of driver driving. We found that drivers tend to vary the number of hours that they work per week quite substantially. For example, we found that, for the set of drivers working more than 31 hours in any given week, only 46% of them worked more than 31 hours the following week. We also found that drivers vary their schedules substantially. For example, we divided the 168 hours of the week into 56 three-hour blocks. We found that a driver who worked in any particular three-hour block in one week had only a 47 percent chance of working in that same block the following week.

These results stem in part from the fact that many Uber drivers use Uber as a secondary form of economic activity. Farrell and Grieg (2016), in their study for the JP Morgan Chase Institute using bank account data, found that gig workers tend to do more gig work when earnings from their primary job were lower. Campbell (2018), a popular blogger, found in his survey of rideshare drivers that the majority of drivers earned less than half of their income from driving for a rideshare service. In our study, we found that the most popular hour of a weekday for a driver to start driving is the 5-6 pm window—exactly when most conventional work hours end. While this is the most popular start time, of course there is very substantial variation and for example, many drivers only work on weekends. We also find that drivers often drive quite short shifts.

A major concern that many people have with rideshare is that the wages earned by drivers can be low and are uncertain. However, this is a direct consequence of what I perceive to be the central advantage to drivers of rideshare; the driver can drive whenever he or she chooses to and is not obligated to drive at other times. For Uber (except when there are regulations to the contrary), a driver can come on the platform and drive anytime he or she chooses, independent of the choices made by other drivers. There are very few other remunerative activities that a person can do that require no prior scheduling. This is particularly true for lower-wage workers. Survey data from Bond and Galinsky (2011) suggest that lower-wage employees have less flexibility than higher-wage employees. Indeed, lower wage workers, particularly in the retail and hospitality sectors, often face hours chosen by their employers that vary from week to week. Similarly, many self-employed workers face uncertain hours because demand for their services at their primary job vary from day to day and week to week. Gig work like Uber driving allows workers to work around the demands of another job (or school or family).



Yale SCHOOL OF MANAGEMENT

In our paper, we find that the ability to work flexible hours is a substantial source of value to drivers. Using data on the pattern of driver work in different payout scenarios, we estimate each driver's "reservation", the payout below which the driver would not work for each hour. The "surplus" earned in an hour is the difference between what the platform pays out and the driver's "reservation". We estimate driver's surplus and the extent to which that driver's surplus would change if the Uber platform were less flexible. Our estimates suggest that flexibility is a large component of the overall driver surplus. Driver behavior suggests that drivers value the flexibility of Uber. Regulatory interventions that would have the effect of reducing this driver choice would have a substantial deleterious impact on the current population of drivers.

I hope that you find this information helpful. Below, I provide a bibliography for my research along with the other research referenced in these comments.

Sincerely,

A handwritten signature in black ink that reads "Judith A. Chevalier".

Judith A. Chevalier

References:

Bond, James T., and Ellen Galinsky. 2011. "Workplace Flexibility and Low-Wage Employees." https://familiesandwork.org/downloads/WorkFlexandLowWage_Employees.pdf

Campbell, Harry, 2018. "The Rideshare Guy 2018 Reader Survey." https://docs.google.com/document/d/1g8pz00OnCb2mFj_97548nJAj4HfluExUEgVb45HwDrE/edit

Chen, M. Keith, Judith A. Chevalier, Peter E. Rossi, and Emily Oehlsen, "The Value of Flexible Work: Evidence from Uber Drivers", forthcoming *Journal of Political Economy*, December 2019. <https://www.journals.uchicago.edu/doi/abs/10.1086/702171?mobileUi=0>

Farrell, Diana, and Fiona Greig. 2016. "Paychecks, Paydays, and the Online Platform Economy: Big Data on Income Volatility." <https://www.jpmorganchase.com/corporate/institute/document/jpmc-institute-volatility-2-report.pdf>