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How Uber and Lyft get what they want

Groups formed by the ride-hailing companies say they're promoting workers' interests. It's actually a guise for their own interests.

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Groups formed by the ride-hailing companies say they're promoting workers' interests. It's

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Directly next to Chicago's Goose Island sits Lyft's Chicago Driver Center, a brick building spray-painted with neon graffiti of birds and smiley faces. Traffic cones in Lyft's signature hot pink separate rows of cars parked outside.

As Lyft drivers wait inside the furnished lounge area for discounted vehicle service, they and the center's staff are unaware that the building is also home to another entity: the Illinois Coalition for Independent Work.

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Chicago could be next big city to set minimum pay rate for Uber and Lyft drivers



Why Lyft is spending money on Illinois pols

Over the past 18 months, ride-hailing companies have created two organizations—a super PAC called Illinoisans for Independent Work and the ICIW, a 501(c)(4) nonprofit—that they say amplify drivers' voices. But in practice, these organizations have advanced their corporate funders' political agendas under the guise of supporting workers.

According to [reporting from technology news organization The Markup](#), the organizations' initial focus was ensuring drivers remained classified as independent contractors, which allows companies to avoid providing benefits like workers' compensation. During the second half of this year, the ICIW has shifted its target to a Chicago ordinance proposed in May that would place restrictions on a hallmark of ride-hailing apps' business model: the surge pricing feature.

“The fact that (the ICIW is) going after a bill that that is good for consumers but bad for the companies reveals the extent to which this is an organization that's a subterfuge for the company's interests and not for worker's interests or consumer interests,” said Veena Dubal, an employment law expert at the University of California, Hastings College of the Law.

A foundation of deception: Illinoisans for Independent Work

On June 22, 2020, Illinoisans for Independent Work registered as an independent expenditure committee with the Illinois State Board of Elections. According to its registration forms, the committee's chair is Jordan Markwith, Lyft's head of external affairs.

Four months later, quarterly financial filings show Illinoisans for Independent Work donated a total of \$183,000 to 34 community organizations.

However, some organizations' staff said Illinoisans for Independent Work didn't develop a genuine relationship with their charities. Brandon Lee, director of communications for the Illinois Coalition for Immigrant and Refugee Rights, said in an emailed statement that the "unsolicited donation" was made via postal mail, with no follow-up contact information provided.

Filings show two recipients even returned their donations in March. The Pilsen Neighbors Community Council, one such organization, said in an emailed statement, "For us to accept or make a donation to any other organization-company-entity, we first need to establish a relationship between the two parties. That's the reason why we did not accept that donation."

After October, Illinoisans for Independent Work slowed in operations. It hasn't posted on social media since last fall, and its expenditures have totaled \$40 in 2021.

On Jan. 17, however, a press release ran in The Chicago Defender, an African American newspaper, announcing the launch of a new organization: the Illinois Coalition for Independent Work.

Misinformation and obscurity: The emergence of the ICIW

The ICIW's website appears worker-friendly, with a large photo of a ride-hailing driver smiling on its homepage. In an emailed statement, an ICIW media representative said the coalition was "started by community partners out of a recognition that the voice of workers, who will be most impacted by various legislative proposals, was missing from many debates in the halls of government."

But the fine print at the bottom of the site tells a different story: "Coalition major funding from Uber Technologies, Lyft, Postmates, Instacart and DoorDash." These companies did not respond to requests for comment on their involvement with the ICIW.

The ICIW's mission statement cites a poll from public opinion firm ALG Research that found a majority of app-based drivers supported independent contractor status. However, the ICIW doesn't mention that Lyft itself sponsored the poll. Lyft's logo is displayed prominently on the opening pages of ALG's report.

In November, the ICIW also claimed median earnings for Chicago drivers have reached \$32.25 per hour before tips, according to a study they published in the Lawndale News. But a report from the Illinois Economic Policy Institute and University of Illinois at Urbana-Champaign Project for Middle Class Renewal found most Chicago drivers struggle to make minimum wage. Robert Bruno, one of the report's lead authors, said the ICIW's estimate is "an overstatement" that doesn't account for costs such as gasoline, payroll taxes and vehicle expenses.

Jerry Borek, an Uber and Lyft driver since 2017, said wages have especially fluctuated during the pandemic. Last summer, Borek said he could make up to \$300 in six to eight hours. Now, he can barely make \$100 in the same time span.

"It does not give you financial stability. It is very inconsistent as far as how much money you can make, depending on the amount of drivers that are out at a particular time," Borek said.

In a June letter addressed to the same location as Lyft's Chicago Driver Center, the IRS granted the ICIW nonprofit status under section 501(c)(4) of the Internal Revenue Code.

"[501(c)(4) organizations have] become popular for certain groups looking to engage in electoral politics but keep their funding sources secret for a variety of reasons," said Stan Oklobdzija, a University of California, Riverside visiting assistant professor of public policy. One reason, he said, is "astroturfing," or creating the false appearance of grassroots activism.

According to Uber and Lyft's 2021 proxy statements, this spring, the International Brotherhood of Teamsters General Fund, a shareholder of both companies, proposed that each company prepare annual lobbying activity reports. In the Lyft proposal, the Teamsters wrote, "Lyft's lack of lobbying disclosure on issues like coronavirus stimulus and rider safety presents reputational risk that could harm shareholder value."

Both companies recommended a vote against the measures. In their response to

Teamsters, Lyft's board of directors wrote, "The expanded disclosure requested by this proposal could place Lyft at a competitive disadvantage by revealing strategies and priorities designed to protect our stakeholders."

Why surge pricing, and why Illinois?

On May 26, Alderman Brendan Reilly introduced a Chicago ordinance that would restrict ride-hailing apps' surge pricing feature, which increases fares—and therefore company profits—during periods of high rider demand. If passed, prices wouldn't be able to exceed 150% of regular rates.

In response, the ICIW began promoting op-eds and letters to the editor that criticize the proposed cap in September. While some of the op-eds are from drivers, others are from heads of the ICIW's partner organizations.

Many were published in ethnically focused newspapers, like the Daily Southtown, which covers Chicago's South Side, and the Lawndale News, the area's largest Hispanic bilingual newspaper. According to Lyft's 2021 Economic Impact Report, 22% of Lyft drivers are Black and 29% are Hispanic.

While the ordinance hasn't progressed since June, Dubal said the ICIW's strategies resemble the California campaign to pass Proposition 22 last year. Proposition 22 was a ballot initiative that classified app-based drivers as independent contractors. According to the California Legislative Analyst's Office, this designation exempts ride-hailing companies from providing drivers standard benefits such as overtime payment, unemployment insurance and workers' compensation.

Californians passed the initiative last November, but a California judge ruled it unconstitutional nine months later. Now, Dubal said these companies have a "blueprint" of political tactics to target progressive states like Illinois.

"In states where there have been attempts to regulate (ride-hailing companies) with regard to their labor practices, they have had to rely on deception, misinformation and alliances with progressive groups in order to get what they want passed," Dubal said.

How does surge pricing work?

With app-based ride-hailing companies increasingly replacing the taxi industry, a new pricing model called surge pricing has entered the market. Under this model, Uber and

Lyft fares increase during instances when there is a high demand for rides, such as bad weather, holidays or major events like concerts.

Matthew Battifarano, a PhD student at the Mobility Data Analytics Center at Carnegie Mellon University, said that to arrive at a trip's surge price, the base fare—which factors together a trip's length in miles and time in minutes—is multiplied by a “surge multiplier” that increases both a rider's fare and a driver's wage.

However, the calculations to arrive at a specific multiplier are left unknown to riders, drivers and experts alike. Lori Simmons, a ride-hailing driver and founding member of Chicago Rideshare Advocates, said she and her colleagues have also noticed discrepancies between fares and wages during surges.

“We would log in and see that they were telling passengers that there was a big surge, and yet none of that was coming through on the driver app. So, we realized that they'd started manipulating it to the point where they're actually charging people surge and claiming that it's going to the drivers and they're just keeping it all,” Simmons said.

While the surge pricing model can significantly inflate prices—sometimes up to triple the regular fare—it prevents the market from collapse by ensuring there's always a ride available to those willing to pay the increased fare, said Juan Camilo Castillo, an assistant professor of economics at the University of Pennsylvania.

While surge pricing prioritizes the guarantee of a ride above the ride's price, this price inflation still has consequences on the consumer side, said Frank Manzo IV, executive director at the Illinois Economic Policy Institute.

“The idea of surge prices is a very good one where supply meets demand, but it could in theory hurt lower-income families even more, because the higher the prices, the more out of reach it gets for those families,” said Manzo.

Battifarano, who worked as a strategy intern for Uber, said surge pricing also impacts the supply side of ride-hailing by incentivizing drivers to relocate to these high-demand areas.

“The aim is both to encourage drivers to be present at the location where there's lots of demand, but also to disincentivize riders at that location from needing the service at that point when the price is high,” said Battifarano.

Through this incentive, both Uber and Lyft’s websites advertise surge pricing as an opportunity to make additional money. Lyft even coins these surges “Personal Power Zones.” On their website’s help section for drivers, Lyft writes that “Personal Power Zones are a way to earn more as a driver by finding high demand areas and scoring a bonus on your next ride” — but researchers and experts say otherwise.

“I don’t think surge pricing has proven to work very well. There is a lot of competition for drivers,” said Robert Bruno, the director of UIUC’s Project for Middle Class Renewal. “The end result is they actually don’t get enough rides to fully benefit from what the surge price leads to.”

According to Battifarano, in Uber and Lyft driver forums, veteran drivers now advise not to “chase the surge.”

Alwyn Arandia, who quit his job as a bartender to drive for Uber in Chicago, said while surge pricing does help him make extra money, there are additional downsides. Because surges often occur around downtown Chicago, these rides take him far away from the city.

“It is bad business for drivers because many times when I have to head out of the city, I don’t find trips going back to Chicago, so I have to come back all the way. If there are tolls, I have to pay for the toll, too,” said Arandia.

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Inside technology companies' network of alliances in Chicago

Through a series of donations from Illinoisans for Independent Work and partnerships with the Illinois Coalition for Independent Work, Uber, Lyft, Postmates, Instacart and DoorDash presented themselves as progressive allies within the diverse city of Chicago.

Scroll over or search for a point to learn more about an organization and its relationship with these companies.

Relationship with Technology Companies

- Donation from Illinoisans for Independent Work
- Donation from Illinoisans for Independent Work and Partner of Illinois Coalition for Independent Work
- Partner of Illinois Coalition for Independent Work

