



February 2024

# Legislated Poverty:

Under current City and Provincial regulations, Toronto's ride-hail drivers' median pay is an estimated \$6.37-\$10.60/hour, a collective annual loss of up ~\$200 million/year.



RideFair



# Contents

2

## Acknowledgements

3

## Executive Summary

6

## Estimates from company reports and government data

\$33.35 in revenues per engaged hour become \$6.37-\$10.60/hr worked after expenses

Ride-hailing drivers collectively lose an estimated ~200 million annually due to below minimum wage pay

An oversupply of drivers contributes to poverty and precarity

Too many drivers, low pay rates

10

12

## Toronto ride-hail drivers report below-minimum wage and negative earnings

13

## Evidence from other markets

14

Protecting customers: the hidden role of platform commissions

15

## Getting the minimum wage floor for gig drivers right

17

## Implications for the City

18

## Appendix

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# Acknowledgements



**A report by RideFairTO Coalition and Rideshare Drivers Association of Ontario.**

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*Special thanks to Earla Phillips and Muhammad Kamran for sharing their experiences as Toronto ride-hail drivers in this report.*

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## **Disclaimer:**

Thank you to the many coalition members who reviewed and contributed to this piece. We made every effort to use the best available sources of information, relying wherever possible on data provided directly by platform companies, local and federal government sources (including access to information requests). We welcome any additional data platform companies or researchers can supply. Toronto's City Council voted in December 2021 to release comprehensive anonymized trip-level data on the sector via the City's Open Data portal, but at the time of writing these data have not yet been made available. We hope it will be released well before the City revisits its Vehicle -for-Hire bylaws in late 2024.

Join our coalition at [www.ridefair.ca](http://www.ridefair.ca)



# Executive Summary

A legal hourly minimum wage was established in Ontario in 1920, and “establishes a wage floor to prevent employers from taking unfair advantage of employees with little or no bargaining power.”<sup>1</sup> Even employees performing piece work or commission-based work are entitled to receive a minimum wage for their labour; workers receive the higher of performance pay earned or minimum wage per time spent.<sup>2</sup>

With the rise of gig work, companies have begun avoiding these longstanding and hard-won labour standards, and ride-hailing services are at the forefront of this rights erosion.

This report uses company-provided figures and historical City data to estimate that in late 2023:

- **Toronto ride-hail drivers received an estimated median pay<sup>3</sup> as low as \$6.37/hr, well below Province’s 2023 hourly minimum wage of \$16.55.**
- **Annualized, Toronto’s ride-hail drivers collectively lose as much as \$200 million** as a result of earnings below the Province’s hourly minimum wage floor.

These estimates, derived from company reports, are corroborated by driver experience. Ninety-six snapshots of weekly pay statements submitted by Toronto ride-hail drivers between October 2023 and January 2024 paint a picture in which drivers’ hourly pay is frequently below Ontario’s \$16.55 hourly minimum wage even before expenses were considered. After estimated expenses are taken into account, **none of the 96 weekly pay statements reached Ontario’s \$16.55 minimum hourly wage; in many cases, drivers lost money.**

These findings mirror estimates of gig driver hourly pay in other jurisdictions, including **California (\$6.20/hour), Seattle (\$9.63/hour) and Denver (\$5.49/hour).**<sup>4</sup> Columbia Business School economist Len Sherman estimates Uber overstates by more than double what drivers could expect to be paid per working hour net of “high and increasing operating expenses.”<sup>5</sup>

How is it possible that our laws allow widespread below-minimum wage work in 2024? Platform companies like Uber are promoting a new form of piecework, where they contend:

- a) Platforms should only be required to pay workers for “engaged time” (picking up and dropping off passengers), not all time worked, and with no obligation to ensure drivers spend enough time engaged;
- b) Platforms need not take into account the large and growing costs associated with acquiring and operating a car, all of which are downloaded onto drivers;
- c) Platforms should be able to avoid the obligations of employers, from payroll taxes and contributions to statutory employment rights – shifting the costs of supporting precarious workers onto other taxpayers.

<sup>1</sup> <https://www.ontario.ca/document/employment-standard-act-policy-and-interpretation-manual/part-ix-minimum-wage>

<sup>2</sup> <https://www.ontario.ca/laws/statute/00e41>

<sup>3</sup> After estimated operating expenses, not including tips

<sup>4</sup> These estimates of hourly pay after expenses were all published in 2022 and are expressed in US dollars

<sup>5</sup> <https://www.forbes.com/sites/lensherman/2023/12/15/ubers-ceo-hides-driver-pay-cuts-to-boost-profits/?sh=3e2644ca3ba4>



Pay comparisons are typically made based on hourly wage rates or annual salaries, but major platforms often describe driver earnings in terms of “median earnings rate per engaged hour,” introducing a new concept that is almost always poorly defined, vaguely communicated – and masks a significant erosion in the wage floor. Without complete and accurate information about income and costs, drivers can’t make informed decisions about their work.

Uber, for its part, has responded to mounting reports of driver poverty by proposing a new minimum wage for gig workers, set at 120% of existing minimum wage rates but only applying to engaged time. It sounds attractive but changes nothing: by failing to account for the cost of driving or engagement rates, this policy leaves gig workers without a wage floor at all.

Taking typical engagement rates and costs for Toronto drivers into account, we estimate that Uber’s proposed **“120% of minimum wage for engaged time” translates into an average hourly minimum wage of (at best) \$2.50.** A recent study (Alnaggar, Gzara and Bookbinder, 2024) concluded minimum pay policies for engaged time only did not significantly improve drivers’ hourly pay rates.<sup>6</sup>

Globally, the Fairwork network estimates just under 25% of gig worker platforms guaranteed workers a minimum wage in 2023.<sup>7</sup>

#### **Vehicle-for-hire drivers are city-regulated workers; City regulations help create poverty-level work.**

Low engagement rates and hidden costs are driving gig driver poverty. The City of Toronto helped create this problem in 2016 when it allowed ride-hailing platforms to dictate how many drivers and vehicles they could licence and dispatch. In only 8 years, **the supply of Vehicles-for-Hire (taxi + ride-hailing) drivers has increased from a ratio of 1 driver per 500 residents, to a ratio of 1 driver per 45 residents.**

Ride-hail platforms can oversaturate the roads at no additional cost, but this comes at a high price for both ride-hail and taxi drivers struggling to find business. The growth of precarious, low-paid transportation work has spillover impacts on our public transit system, incentivizing riders back into car-based transportation – a phenomenon documented in City staff reports and academic research.

**Our governments, not private companies, can and must ensure drivers are treated fairly.** For its part, the Province should ensure gig workers are not subject to inferior labour rights and employment standards, even for drivers working part-time and on flexible schedules.

**But vehicle-for-hire drivers are city-regulated workers,** and current regulations virtually guarantee poverty level earnings for both taxi and ride-hail drivers, many of whom are immigrants to Canada and/or workers of colour.

City Council must take back licensing authority delegated to ride-hailing platforms and determine how many drivers and vehicles should be licensed to end legislated poverty the sector, among other policy outcomes.

**Pausing the total number of licensed vehicles and drivers at or near current levels can help prevent a further deterioration in drivers’ welfare while this work is underway.**

City oversight can ensure ride-hailing works for everyone. After New York City introduced a licensing cap and minimum pay guarantees for drivers, drivers spent more of their work time with passengers reducing the need to increase customer fare rates. Passenger wait times actually *decreased* by 18 percent.<sup>8</sup>

<sup>6</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0305048323001299>

<sup>7</sup> <https://fair.work/wp-content/uploads/sites/17/2024/02/Fairwork-Annual-Report-2023.pdf>

<sup>8</sup> <https://illinoisipi.files.wordpress.com/2021/01/ilepi-pmcr-on-demand-workers-sub-minimum-wages-final.pdf>

- Toronto ride-hail drivers received an estimated median pay as low as \$6.37/hr, well below Province's 2023 hourly minimum wage of \$16.55.
- Annualized, Toronto's ride-hail drivers collectively lose as much as \$200 million as a result of earnings below the Province's hourly minimum wage floor.
- We estimate that Uber's proposed "120% of minimum wage for engaged time" translates into an average hourly minimum wage of (at best) \$2.50.
- In only 8 years, the supply of Vehicles-for-Hire (taxi + ride-hailing) drivers has increased from a ratio of 1 driver per 500 residents, to a ratio of 1 driver per 45 residents.
- **Our governments, not private companies, can and must ensure drivers are treated fairly.**

**RideFair**

**"I don't think that a major international corporation should be the one to make laws. I think that should be left up to democratically-elected representatives of the people."**

**-Earla Phillips**

Rideshare Driver,  
Advocate with Rideshare Drivers  
Association of Ontario



## Estimates from company reports and government data

This report relies on Uber's public statements about driver earnings, but we must contend with the fact that company statements about driver earnings are at best uninformative and at worst, misleading.

**The company reports that *median* (50th percentile) driver earnings in Toronto in late 2023 were \$33.35 per engaged hour.<sup>9</sup>**

The term "engaged hour" is a company invention, not used in everyday life to discuss and compare incomes. It could easily be interpreted to mean on-app time. It is unclear what expenses, if any, are considered. In the rare instances where the company defines engaged time for Toronto drivers, the company has not to our knowledge estimated how much time the average (or median) driver spends engaged, making this figure uninformative.

Vehicles are expensive commodities. The average cost of a used car in Ontario in 2023 was \$39,155;<sup>10</sup> the average annual cost of owning a car in Canada in 2023 was approximately \$16,644 (or \$1387 a month), before the cost of heavy usage associated with taxi and ride-hail driving is factored in.<sup>11</sup> Prospective drivers trying to decide whether to acquire a vehicle for ride-hailing work will approach this decision quite differently depending on whether they think they make nearly twice the minimum wage versus only between 38% and 64% of minimum wage,<sup>12</sup> as we see next.

**\$33.35 in gross revenues per engaged hour become \$6.37-\$10.60 per hour worked after expenses**

### Definitions

The work of taxi and ride-hailing drivers has long been described as having three phases:<sup>13</sup>

- P1 Available** - the driver is on the app, available to work and waiting for an assignment.
- P2 En route** - the driver is on the way to pick up passengers.
- P3 Passenger** - the driver has a passenger in the car (paid).

**Active time** = **P3** + **P2**

*or time from the acceptance of a ride to the drop-off of a passenger*

**"On-app" time** = **P1** + **P2** + **P3**

*or all time worked*

**Utilization/engaged rate** = 
$$\frac{\mathbf{P3}}{\mathbf{P1} + \mathbf{P2} + \mathbf{P3}}$$

*the fraction of time that drivers have a passenger in the car (and are paid)*

**Active rate** = 
$$\frac{\mathbf{P2} + \mathbf{P3}}{\mathbf{P1} + \mathbf{P2} + \mathbf{P3}}$$

*the fraction of time that drivers spend active*

<sup>9</sup> For example: <https://toronto.citynews.ca/2023/10/12/toronto-uber-lyft-rideshare-freeze-city-council/>

<sup>10</sup> <https://driving.ca/column/driving-by-numbers/10-numbers-prove-canadas-used-car-market-warped-2023#:~:text=Average%20used%20car%20price&text=Yet%20the%20average%20pre%20Downed,at%20this%20time%20in%202021.>

<sup>11</sup> Figures from ratehub.ca, reported in <https://nationalpost.com/news/canada/cost-of-owning-a-car#:~:text=The%20average%20cost%20of%20owning,a%20Canadian%20financial%20comparison%20platform.>

<sup>12</sup> These estimates of hourly pay after expenses were all published in 2022 and are expressed in US dollars

<sup>13</sup> See Slee, Tom (2024) forthcoming





## Adjusting for the time worked

City of Toronto staff estimate that in 2021, drivers spent 40% of their time in P1, 11% in P2 and only 48% of their time “engaged,” or in P3.<sup>14</sup>

Importantly, the City (unlike individual platforms) is in a position to understand the amount of time drivers spend transporting passengers and waiting for rides across platforms.<sup>15</sup> We use the City’s figures as the most recent and best available estimates.

In Toronto, it remains unclear whether Uber’s definition of “engaged time” maps onto paid time (P3, 48% of work time), or active time (P2+P3, 60% of work time). Choosing the most conservative definition, active time, means that Uber’s **\$33.35 gross revenues per engaged hour turns into a median of \$20.01 revenues per hour worked, before expenses.**<sup>16</sup> Because this is a median, half drivers’ hourly earnings will be lower.

We do know that pay for Toronto Uber drivers appears to be decreasing. Uber told the Globe and Mail that median earnings per engaged hour were \$33.98 in December 2022 in Toronto, but by November 2023, reported median earnings per engaged hour were \$33.35. Assuming drivers’ proportion of engaged time remained constant, that represents a -1.9% pay cut in a year in which costs increased by roughly 4.8% and base salaries for Canadians increased 4.4%.<sup>17</sup>

<sup>14</sup> <https://www.toronto.ca/wp-content/uploads/2021/11/98cd-VFHTransportationImpacts2021-11-23.pdf>, p. 17-18

<sup>15</sup> <https://www.toronto.ca/legdocs/mmis/2021/gl/bgrd/backgroundfile-173388.pdf>, p. 28;

<sup>16</sup> We conservatively use the Uber median pay figure to stand in for Lyft rides; there is evidence that Lyft rides may pay drivers less. See: <https://www.commondreams.org/news/2021/01/25/poverty-mode-app-based-drivers-slam-lyfts-latest-pay-cut-scheme>

<sup>17</sup> <https://www.eckler.ca/canadian-employers-planning-large-salary-increases-despite-economic-tightrope-eckler-survey-finds/#:~:text=TORONTO%2C%20CA%2C%20September%2027%2C,base%20salary%20increase%20of%204.4%25;>  
<https://www.opb.ca/news/your-2024-cost-of-living-adjustment>



**“In downtown, I’ve been sitting for 2 hours. There’s no calls in downtown. Of course, I have to stay out to achieve my goals, and [to cover] my living expenses. Yesterday, I spent 11 hours on the road; by the time I’m going home, I check my driving hours and I still have 5 hours left.”**



**-Muhammad Kamran**  
Rideshare Driver





## Taking expenses into account

What about the costs of driving? We use 2023 CRA mileage rate allowances (\$0.62/km)<sup>18</sup> to estimate the cost of using a personal vehicle for work. This rate is conservative as it excludes other important work-related expenses drivers face, including cleaning fees, a cell phone with a data plan, mounting equipment, a dashcam, etc.<sup>19</sup> We strongly advise regulators to estimate and account for all relevant costs, and use CRA rates to provide a first, conservative estimate of driving costs.

We follow prior studies in assuming working Toronto drivers travel about 22 km in an hour, and also evaluate a high congestion scenario in which they travel just over 15 km in an hour. Both estimates assume vehicles are driving only about one third of their time between rides.<sup>20</sup> Subtracting associated costs from the median hourly pay of \$20.01 yields the following estimates:

Driving distance per hour	Estimated cost per hour worked	Estimated hourly median pay after costs	Below Ontario minimum wage by...
15.2 km/h	\$9.41/hr	\$10.60/hr	-\$5.95/hr
22 km/h	\$13.64/hr	\$6.37/hr	-\$10.18/hr

- Median hourly earnings for Toronto drivers are between **38.5% and 64% of the hourly minimum wage**, and between **25% and 42% of the 2023 living wage**, once estimated expenses are taken into account.
- **Drivers earning less than \$15.69 per engaged hour before expenses will likely not break even;**

- **Drivers are unlikely to reach the equivalent to Ontario's minimum hourly wage if they take home less than \$37 per engaged hour.**

**To ensure a true earnings floor, regulators must also account for the fact that engagement rates are both low and variable.** If regulators only raise pay for engaged time, more drivers may enter the system, potentially wiping out any individual drivers' gains.<sup>21</sup>



<sup>18</sup> In the US, studies use IRS rates, and assume drivers travel at an average speed of 20 MPH, with an active time rate of 67% (P2+P3) and 57% P3 time. See [https://www.driversunionwa.org/national\\_driver\\_groups\\_oppose\\_deceptive\\_ny\\_pay\\_floor](https://www.driversunionwa.org/national_driver_groups_oppose_deceptive_ny_pay_floor)

<sup>19</sup> The Canada Revenue Agency (CRA) mileage rate estimates the fixed and variable costs of operating a personal vehicle for work-related purposes. The fixed cost per kilometre combines depreciation, interest on financing, licensing, registration and insurance costs. The variable expenses calculations account for fuel consumption and maintenance costs, including oil, tires and repairs. <https://eeltd.ca/mileage-rates/#:~:text=The%20CRA%20mileage%20rate%20considers,licensing%2C%20registration%20and%20insurance%20costs>

<sup>20</sup> We follow Slee (2023) and the City of Toronto (2019) in these speed estimates, also assuming drivers travel 10km/hr in between rides. US estimates assume average speeds of 22 MPH. High congestion rates are based on TomTom's 2023 average travel time of 20.7 km/hour in Toronto.

<https://www.guideautoweb.com/en/articles/73216/hey-toronto-2023-tomtom-traffic-index-has-more-bad-news-for-you/#:~:text=Toronto%20completes%20the%20podium%20of,speed%20of%2018%20km%2Fh>

<sup>21</sup> Slee, Tom (January 2023). High Emissions and Low Pay: Uber is Still Taking Regulators for a Ride. Report contributed to RideFair.



## Ride-hailing drivers collectively lose as much as ~200 million annually due to below minimum wage pay

Uber's own figures, when supplemented by government data, suggest median driver earnings fall \$10.18 below hourly minimum wage. Available data allow for only a rough estimate of the amount of money drivers lose in the aggregate, but suggest:

- Pre-pandemic, of the City's ~90,000 licensed drivers, 56,000 were active in any given month<sup>22</sup>
- In mid-2021, the number of daily active ride-hail drivers averaged 13,500<sup>23</sup>
- In 2021, the average ride-hail vehicle was active for four hours per day and 20-30 hours per week.<sup>24</sup>

If on average, 13,500 people worked 4 hours per day<sup>25</sup> and (as of October 2023) lost as much as \$10.18 per hour worked<sup>26</sup> because they were not protected by the legal hourly minimum wage, **together they lost approximately \$550,000 per day. In a year, drivers could collectively lose as much as \$200 million.** Tax contributions are also missing on this amount.

To guide future policy-making, including setting the appropriate number of Vehicle-for-Hire licenses, we recommend the City track metrics such as engagement rates and daily activity to understand whether its evolving regulatory framework perpetuates driver poverty or enables living-wage earnings.

## An oversupply of drivers contributes to poverty and precarity

In Toronto, ride-hail platforms have been permitted to license and add drivers without any restrictions since 2016. Taxis still have to abide by the old rules: the City continues to determine the number of taxi licenses, as it has for decades (the number has remained constant since 2016).

The consequences of partial de-regulation are two-fold:

- 1) A vast increase in the number of Vehicle for Hire licenses driven entirely by ride-hailing numbers: While in the decades before Uber, Torontonians were serviced with approximately 1 Vehicle-for-Hire for every 500 residents, today there is **1 vehicle-for-hire for roughly every 45 residents.**
- 2) Market concentration: The proportion of licensed taxi drivers has continued to drop to less than 10% of total licensed Vehicle for Hire (taxi plus ride-hail) drivers, and Uber/Lyft enjoy a virtual duopoly over platform-based ride-hailing.

A computer simulation<sup>27</sup> of Toronto's ride-hail market created by author Tom Slee (described [here](#) and available online [here](#)) illustrates how, in free entry and exit system, adding more drivers lowers the proportion of time any one driver spends engaged and paid (similar trends were observed by Toronto city staff during the pandemic).

<sup>22</sup> <https://www.toronto.ca/legdocs/mmis/2021/gl/bgrd/backgroundfile-173388.pdf>, p. 28

<sup>23</sup> <https://www.toronto.ca/legdocs/mmis/2021/gl/bgrd/backgroundfile-173388.pdf>, p. 27

<sup>24</sup> <https://www.toronto.ca/wp-content/uploads/2021/11/98cd-VFHTransportationImpacts2021-11-23.pdf>, p. 17-18.

<sup>25</sup> Likely a conservative estimate as the number of licensed vehicles and trips has increased between mid-2021 and late 2023, according to MLS statements and FOI records.

<sup>26</sup> 16.55 hourly minimum wage as of October 2023 – (33.35 Uber median engaged pay figure \* 48% City of Toronto engagement rate) - (\$0.62 CRA mileage rate \* 22km/hr average distance)

<sup>27</sup> The simulation is intended to describe Toronto, and is based data collected on February 6, 2020 by the City of Toronto: an average of 135 trips per minute, about 6000 vehicles on the road at one time, a utilization rate (P3) of 48%, and a P2 of 12%, P1 = 40%.





The numbers of ride-hail drivers continue to burgeon. Statistics Canada reported that as of December 2023, “135,000 Canadians aged 16 to 69 provided ride or taxi services (e.g., personal transport) through apps or platforms in the 12 previous months, **an increase of 48.1% (+44,000) compared with 2022.**”<sup>28</sup>

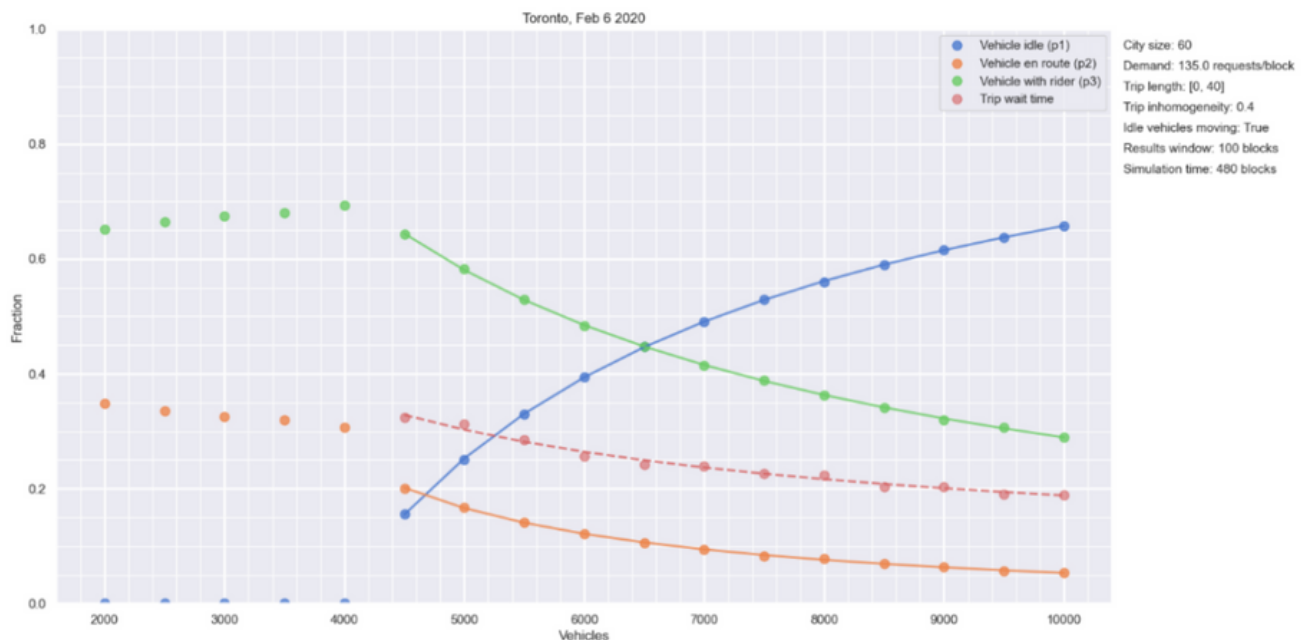
Data obtained from the City of Toronto show that in December 2023, there were 61,995 people licensed to drive on a platform app – an increase of nearly 10,000 over a two-month period.<sup>29</sup> By contrast, the 5 million residents of BC are served by approximately 11,000 licensed ride-hail drivers.<sup>30</sup>

When municipal governments re-establish oversight over fleet size and monitor engagement rates, economic outcomes for all drivers can be improved, including those who work for multinational platforms, local competitors, local taxi companies or independent owner-operators.

### Too many drivers, low pay rates

The impact of oversupply in Toronto is compounded by low pay rates for rides. Toronto’s UberX, for example, has a minimum fare of \$5.25, a base fare of \$3.17 with \$0.81 per km and \$0.18 per minute. In nearby Niagara region, the minimum fare is \$6.35, the base fare is \$3.67 plus \$1.10 per KM and \$0.25 per minute. For a 10 km, 20-minute trip, a Niagara driver would receive a fare that is 32% higher (\$19.67 versus \$14.67). Even these higher rates, however, fail to guarantee the necessary wage floor.

Figure 2: Adding drivers to the road reduces the proportion of time spent engaged (Slee, 2023)

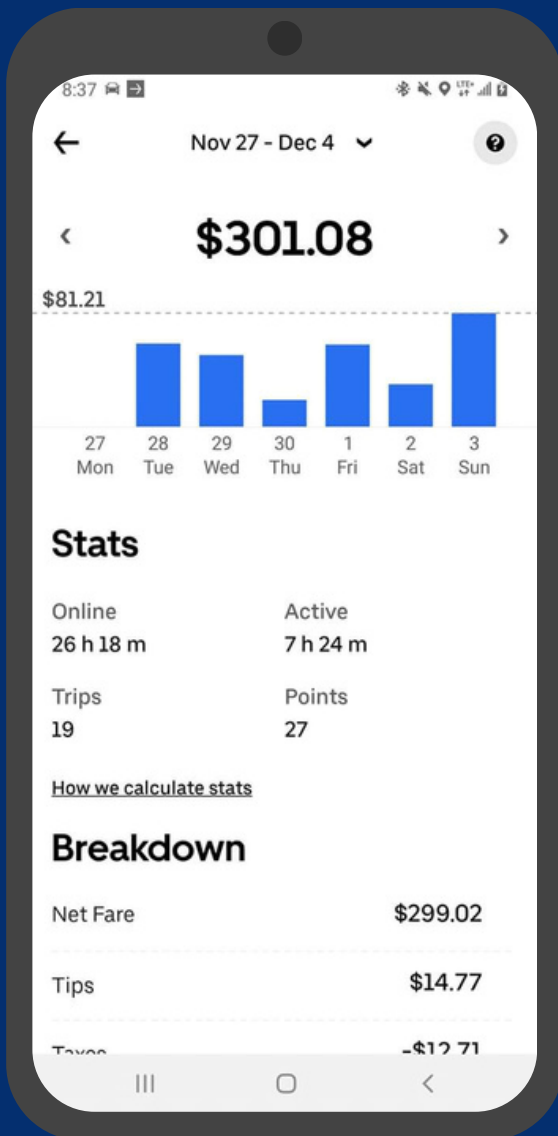


<sup>28</sup> <https://www150.statcan.gc.ca/n1/daily-quotidien/240105/dq240105a-eng.htm>

<sup>29</sup> City of Toronto Freedom of Information request, 2024.

<sup>30</sup> <https://www.cbc.ca/news/canada/british-columbia/bc-uber-drivers-requesting-regulation-1.7052257#:~:text=Provincial%20estimates%20put%20the%20number,with%2027%2C000%20food%2Ddelivery%20workers.>

Drivers are unlikely to reach the equivalent to Ontario's minimum hourly wage if they take home less than \$37 per engaged hour.



This driver has earned \$11.45 before expenses, and may not break even after expenses. But Uber would consider this driver to have earned \$40.69 per engaged hour – about 250% the minimum wage per engaged hour.

### Uber's "math":

Weekly earnings = \$301.08

Hours engaged\* = 7 hr 24 min

$$\text{Wage earned} = \frac{\$301.08}{7 \text{ hr } 24 \text{ min}}$$

$$= \$40.69/\text{hr}$$

\*The amount of time spent en route to a pick-up and transporting a customer.

### What drivers really earn:

Weekly earnings = \$301.08

Hours worked\* = 26 hr 18 min

$$\text{Wage earned} = \frac{\$301.08}{26 \text{ hr } 18 \text{ min}}$$

$$= \$11.45/\text{hr}$$

\*The total amount of time spent working, including waiting for an assignment



## Toronto ride-hail drivers report below-minimum wage and negative earnings

Between October 2023 and January 2024, the Rideshare Drivers' Association of Ontario, an independent group run by and for drivers, asked Toronto drivers to submit anonymous snapshots of their weekly earnings statements to attempt to illustrate the current reality of ride-hail drivers in the face of company "everything's fine" messaging. While the sample is not statistically representative, it is illustrative. The snapshots show multiple examples where gross hourly revenues fall below minimum wage once unpaid time is factored in; subtracting conservatively-estimated expenses shows evidence of widespread below minimum wage income. Of 96 weekly earnings snapshots reviewed:

- Before costs are taken into account, the **average hourly revenue reported was \$16.15** before tips and promos (\$17.93 with tips/promos included). The median was \$16.22.
- After a conservative measure of operating costs was applied,<sup>31</sup> **NO statements reached the \$16.55 hourly minimum wage and 42% had negative earnings.**

The collected samples generally align with Uber-provided and city-collected data about ride-hail drivers in Toronto: where reported (about one-third of samples), drivers spent roughly half (51%) of their time "engaged," (P2+P3), earning a median of \$16.22 per hour before tips/promos, which translates into \$31.80 per engaged hour, approaching Uber's reported median of \$33.35 for November 2023.

Minimum wage laws are intended to ensure an earnings floor for ALL hourly pay, for every worker - not just median or average worker pay for a market, and not excluding workers who work part-time or on flexible schedules. It is clear that Toronto ride-hail drivers are regularly falling through the cracks.

**"I have to stay out until I reach my earnings goal, which is my living expenses. [...] my Tesla cost me \$100 per day, I was working 16-17 hours per day, seven days a week. How am I going to cover these costs? I have a family of five kids."**

**-Muhammad Kamran**  
Rideshare Driver

<sup>31</sup> It is important to note that operating cost estimates were conservative, based only on federal government estimates of mileage costs (2023 CRA rates of \$0.62/km), and exclude other important sources of costs, such as cell phones, data plans and car cleaning costs.





## Evidence from other markets

Recent studies of actual driver earnings in similarly-regulated jurisdictions have also found ride-hail drivers' average earnings fall below prevailing minimum wage limits:

A 2020 Stanford University study of company-provided data found that pre-pandemic, **US ride-hail drivers** saw average gross revenues of \$21/hour worked, or about **\$10.80/hour after platform service fees and partial costs were taken into account**.<sup>32</sup> In the US, minimum wage laws ranged from a Federal minimum of \$7.25/hr to \$15/hr in 2019. The study found that 68% of drivers left after 6 months.

### California

A 2022 study by the National Equity Atlas found that **"California rideshare drivers' net earnings were just \$6.20 per hour."** The State minimum wage was \$12/hr in 2021.<sup>33</sup>

### Denver

A November 2022 study in Denver, Colorado estimated drivers' take-home pay was **\$5.49 an hour after expenses**, about 35% of the local \$15.87 minimum wage.<sup>34</sup>

### Seattle

A 2022 study commissioned by the City of Seattle found ride-hail drivers earned an average of **\$9.63 an hour**, whereas a competing study funded by Uber determined -

- average hourly earnings to be \$23.30. An analysis by gig work analytics firm Gridwise found Uber's study omitted or underestimated several sources of driver expenses; re-analysis Gridwise conducted based on proprietary trip data found that between October 2019 and March 1, 2020, hourly ride-hail earnings averaged \$9.67. Washington State's minimum wage in 2020 was \$13.50.<sup>35</sup>

Author Tom Slee created a computer simulation in 2023 based on available public data about Toronto's ride-hailing market. He estimated drivers **earned approximately \$8/hour**, but these numbers could be affected by changes in the supply of drivers.<sup>36</sup>

In 2023, Columbia Business School economist Len Sherman estimated that **Uber overstated by more than double what drivers could expect to be paid per working hour net of "high and increasing operating expenses."** The company steadily decreased in per minute and per mile base rates, and third-party data shows an 11.9% decrease in US driver pay between Q3 2022 and Q3 2023.<sup>37</sup>

Ideally, these important estimates would be validated against data from Uber. Unfortunately, the company continues to avoid providing key data such as the percent of time that drivers are engaged, or any indication of the range of driver earnings beyond the median. Perhaps most importantly, the lack of transparency in the factors that determine driver pay since the introduction of "upfront pricing" mean that their broad-brush claims amount to little more than "trust us". It is disappointing that the company avoids providing what is needed, and this reticence makes trust impossible.

<sup>32</sup> <https://web.stanford.edu/~diamondr/UberPayGap.pdf>; on page 45, the authors estimate companies charge a 25% service fee and incur expenses of \$0.25/mi, averaging 20 miles per hour.

<sup>33</sup> <https://nationalequityatlas.org/prop22-paystudy#wagefloor>

<sup>34</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0305048323001299>

<sup>35</sup> <https://lni.wa.gov/workers-rights/wages/minimum-wage/history-of-washington-states-minimum-wage#:~:text=Initiative%201433%2C%20approved%20by%20Washington,Washington%20is%20%2416.28%20per%20hour.>

<sup>36</sup> Slee, Tom (January 2023). *High Emissions and Low Pay: Uber is Still Taking Regulators for a Ride*. Report contributed to RideFair.

<sup>37</sup> <https://www.forbes.com/sites/lensherman/2023/12/15/ubers-ceo-hides-driver-pay-cuts-to-boost-profits/?sh=3e2644ca3ba4>



## Protecting customers: the hidden role of platform commissions

Platform companies have not yet posted annual profits (positive net income) since their inception, and as publicly traded companies are coming under investor pressure to turn the corner. There is evidence that platforms are seeking profitability in part by raising customer fares without commensurate increases to drivers:

- 1) **Platforms are taking a larger chunk of customer fares:** Economist Len Sherman (among other observers) has demonstrated that Uber has been attempting to reach profitability by increasing its proportion of passenger fares – thus, driver revenues dropped 11.2% in the 12 months before October 2023. He reports the company’s “upfront fares” program has provided the vehicle for this shift; drivers’ expected pay, while reported ahead time, is no longer based on time and distance – or related to what customers are paying.<sup>38</sup>

For the purposes of illustration only, a platform can claim it takes a 25% commission from drivers when it deducts \$2.50 from a ride for which a driver is paid \$10. However, if the platform charges the customer \$15 for the same ride, the commission rises to 50% (\$7.50/\$15)! Without transparency, this practice is hard to detect. Driver groups are calling for the mandatory disclosure of both customer and driver fares to all parties, as well as upper limits to allowable commission rates.

<sup>38</sup> <https://www.forbes.com/sites/lensherman/2023/12/15/ubers-ceo-hides-driver-pay-cuts-to-boost-profits/?sh=3e2644ca3ba4>

<sup>39</sup> <https://toronto.citynews.ca/2023/10/12/toronto-uber-lyft-rideshare-freeze-city-council/>

<sup>40</sup> <https://illinoisepi.files.wordpress.com/2021/01/ilepi-pmcr-on-demand-workers-sub-minimum-wages-final.pdf>

<sup>41</sup> <https://lpeproject.org/blog/the-house-always-wins-the-algorithmic-gamblification-of-work>

<sup>42</sup> <https://twitter.com/MorePerfectUS/status/1724865832549818748>

- 2) **In New York City, paying drivers fairly did not entail an increase in customer wait time:** Companies have argued that even a temporary, rolling pause in the number of licensed ride-hail drivers in Toronto – one way to contain further decreases to worker pay - would lead to prices and customer wait times increasing.<sup>39</sup>

In fact, available evidence points to the contrary. After New York City implemented a licensing cap and mandated driver utilization rates, **driver pay increased by 8 percent, passenger wait times decreased by 18 percent, and ride-hailing company commission rates fell**— indicating that Uber, Lyft, and other platforms absorbed part of the increase in costs through lower commission rates.<sup>40</sup>

### *Higher utilization rates protect customers.*

The more efficiently drivers’ time is used, the less pay rates need to go up to deliver either a minimum or a living wage. Let’s say regulators are attempting to reach a living hourly wage for drivers in Toronto, currently estimated to be \$25.05 an hour, plus \$13.64 in expenses. If drivers spend only 60% of their time engaged, customers would have to pay an additional \$10/hr to achieve the same living wage outcome than if drivers spent 80% of their time engaged.

Regulators should contemplate requiring platforms to disclose what riders are paying for a fare to drivers – not just what drivers are being offered for the job. With the advent of algorithmic (gamified) pricing, platforms have decoupled rider fares from driver pay, allowing them to maximize the former and minimize the latter on a ride-by-ride basis.<sup>41</sup> Only full transparency can allow drivers and regulators to truly measure company take rates, which one recent Colorado review has estimated to be 47% for regular fares and 53% for surge pricing.<sup>42</sup>



## Getting the minimum wage floor for gig drivers right

In December 2023, ride-hail and taxi driver groups across the US released a statement criticizing the expansion of a “deceptive pay floor” in New York State. The statewide pay floor was part of a \$328 million wage theft recovery from Uber and Lyft by the New York State Attorney General. While welcoming the settlement, driver groups noted the pay standard covered only a fraction of drivers’ working time and failed to account for “significant driver expenses like fuel, maintenance, cleaning and insurance.”<sup>43</sup>

The New York State pay scheme resembles the broadly-criticized Proposition 22 framework in California, which gig platforms spent a record-breaking \$200 million to win – as well as the framework Uber has been proposing for Ontario.

However, competing models establishing a true minimum wage floor for gig drivers – and often also couriers – are emerging, beginning with New York City, Seattle, Washington State; won (but removed by a Governor’s veto) in Minnesota and proposed in Chicago and Minneapolis.<sup>43</sup>

Uber’s proposed policy calls for 120% of Ontario \$16.55 minimum wage for engaged time,<sup>44</sup> or about \$19.86 per engaged hour. At a 60% engaged rate and after costs, that becomes a minimum wage of \$2.50 (or less, as engagement rates drop).

	Hourly pay after IRS/CRA mileage expenses
Uber Ontario (Proposed)	\$2.50 CAD
California Prop 22	\$3.92
New York State Settlement	\$4.32
Washington State (Proposed)	\$14.03
Minneapolis (Proposed)	\$20.30
New York City	\$21.17
Seattle	\$25.89
Chicago (proposed)	\$29.88

<sup>43</sup> [https://www.driversunionwa.org/national\\_driver\\_groups\\_oppose\\_deceptive\\_ny\\_pay\\_floor](https://www.driversunionwa.org/national_driver_groups_oppose_deceptive_ny_pay_floor)

<sup>44</sup> <https://www.uber.com/en-CA/newsroom/uber-canada-and-ufcw-canada-reach-historic-national-agreement-to-benefit-drivers-and-delivery-people/>





A recent study (Alnaggar, Gzarab and Bookbinder, 2024) modeled three approaches to minimum wages for gig workers to compare outcomes on worker pay, among other variables:<sup>45</sup>

- 1 An hourly minimum wage per on-app hour
- 2 An hourly minimum wage for engaged-time only (which includes the proposed approach for Ontario)
- 3 A utilization rate guarantee (such as that provided by New York City's cap plus minimum pay standard)

The researchers found that approach (1) or (3) “enhances the average hourly pay of drivers, reduces the variability of their pay, and establishes a wage floor on their compensation amount. The platform’s profit and order fulfillment only experience a slight decline.”

In contrast, approach (2) – the approach enacted in California and under consideration in Ontario – “does not significantly improve driver income.”

**“Recently, I gave a ride to the wife of another driver. She was travelling home from a food bank with groceries. They had recently come to Canada; the husband worked a full time job, and a full time Uber shift on top of that. They still struggled to make ends meet. This shouldn't happen in a rich country like Canada.”**

**-Earla Phillips**

Rideshare Driver,  
Advocate with Rideshare Drivers  
Association of Ontario



<sup>45</sup> <https://www.sciencedirect.com/science/article/abs/pii/S0305048323001299>





## Implications for the City

The City of Toronto has the authority to broadly regulate licensing and fares for vehicles-for-hire. The City's regulations should produce fair outcomes for a range of market participants – from an individual taxi owner-operator to local brokerages and ride-hailing platforms to multinational tech giants.

The City's regulatory approach must balance several (at times competing) goals: avoiding market concentration and preserving choice and affordability for consumers, reducing emissions from transportation, encouraging the use of sustainable modes of transportation and safe streets for all and preserving equity and accessibility in transportation. Economic impacts on drivers have historically been, and should once again be, among the key outcomes the city monitors.

While the Province has jurisdiction over employment standards and labour rights, the way the City licenses and regulates the Vehicle-for-Hire industry, including ride-hailing platforms, will have economic impacts on drivers, for better or for worse. The current regulatory framework produces below minimum wage and negative earnings for drivers. By resuming oversight over licensing and regulation for ride-hailing platforms and drivers, the City can put in place a system that allows drivers to earn a living wage. Resuming a pause on the number of licensed vehicles for hire can help stop driver engagement rates from sinking – and for earnings to dip further below minimum wage.

A report by RideFairTO  
Coalition and Rideshare  
Drivers Association of  
Ontario.





# Appendix

## Inputs used in this report:

Inputs used in this report:	Value	Unit	Source
<b><u>Engagement rates</u></b>			City of Toronto
P1	40%		
P2	12%		
P3/ Engaged	48%		
Active (P2+P3)/(P1+P2+P3)	60%		Calculated
<b><u>Expenses</u></b>			
(1) Average hourly speed	30.00	KM/H	Slee, CoT
(2) High congestion hourly speed	20.7	KM/H	TomTom
(1) Estimated KM traveled in 1 hr (base)	22	km in an hour	Calculated
(2) Estimated KM traveled in 1 hr (congestion)	15.18	km in an hour	Calculated
2023 CRA mileage rate	\$0.62	\$/KM	CRA
(1) Base est. mileage costs	\$13.64	P1+P2+P3, weighted	Calculated
(2) Congestion est. mileage costs	\$9.41	P1+P2+P3, weighted	Calculated
<b><u>Median Pay</u></b>			
Uber 11/2023 median pay per engaged hr	\$33.35	P2+P3 (assumed)	Uber
Engagement rate	60%	P2+P3/(P1+P2+P3)	CoT
Uber median pay per hour worked, before expenses	\$20.01	P1+P2+P3	Calculated
Uber median pay per hour worked, after expenses (high end)	\$6.37	P1+P2+P3	Calculated
Uber median pay per hour worked, after expenses (low end)	\$10.60	P1+P2+P3	Calculated

# Appendix

<b>Minimum Wage</b>			
Ontario 11/2023 min wage	\$16.55	P1+P2+P3	Province
Uber proposed 120% of min wage for active time (60% of the hour worked)	\$19.86	P2+P3	Calculated
Uber proposed min wage per hour worked ( <u>19.86x100/60</u> )	\$11.92	P1+P2+P3	Calculated
(2) Uber proposed min wage per hour worked minus expenses (congestion)	\$2.50	P1+P2+P3	Calculated
(1) Uber proposed min wage per hour worked minus expenses (base)	-\$1.72	P1+P2+P3	Calculated
<b>Aggregate cost of below minimum wage pay</b>			
Average active drivers per day	13500		CoT
Average hours worked per day	4		CoT
(1) Daily below minimum wage pay, active drivers - base	\$321,386.40		Calculated
(2) Daily below minimum wage pay, active drivers - congestion	\$549,720.00		Calculated

