

MOTION

ECONOMIC DEVELOPMENT

Transportation Network Companies (TNCs) like Uber and Lyft have been operating in the City of Los Angeles since 2012 and have substantially changed how Angelenos work and move around the City. According to LADOT, the City of Los Angeles hosts an estimated 250,000 TNC drivers who completed more than 8.9 million trips last year.

TNCs may be creating safer mobility options for residents, but their business model is subverting City policies put in place to protect the most vulnerable members of our community and weakening our social safety net. The state legislature and the Governor have recently approved landmark policy that will put a stop to the rampant misclassification of TNC drivers who are classified as independent contractors, which allows the companies to avoid paying for employee benefits such as unemployment insurance, workers' compensation, disability insurance, minimum wage, health insurance premiums, and reimbursement for business-related expenses. This equates to a corporate savings of \$0.33 on every dollar and evasion of sufficient gross receipts taxes to pay for City services.

Last year, the Economic Policy Institute found that the average W-2 employee equivalent wage for Uber drivers after expenses, fees, and taxes is \$9.21 an hour. A study by the UCLA Labor Center concluded that nearly 1 in 5 TNC drivers in Los Angeles receive some form of public assistance and 44% struggle to pay for work expenses such as gas, insurance, and maintenance.

To uplift TNC driver earnings in Los Angeles, New York City's For-Hire Vehicle Driver Minimum Wage Ordinance can serve as a model. Passed in 2018, this policy created a formula that sets an "earnings floor of \$17.22, the independent contractor equivalent of a \$15 hourly wage, with an allowance for paid time off." An independent study asserted that the new minimum wage would increase net driver earnings by an average of \$6,345 per year and have insignificant impacts on passenger wait times and fares. The City of El Monte has also proposed a similar policy to establish a \$30 per hour minimum wage for TNC drivers.

As TNCs continue to onboard more drivers to their workforce who will likely rely on the public sector as a provider of social support services, the City of Los Angeles has a primary policy and financial interest in promoting an employment environment that protects government resources and rewards businesses for paying their workers appropriate wages.


In 2016, this Council took historic steps to create a pathway for hundreds of thousands of workers to earn \$15 per hour. As the \$15/hr minimum wage is set to take effect next year, TNCs continue to grow and fundamentally change the mobility industry. As progressive policies are passed as far away as Sacramento and as close as the City of El Monte, it is our responsibility and duty as the elected leaders of the City of Los Angeles to take action and ensure that TNC drivers receive basic protections and a living wage.


I THEREFORE MOVE that the City Council INSTRUCT the Chief Legislative Analyst (CLA), with the assistance of the City Administrative Officer (CAO), to procure an independent study of average wages earned and business-related expenses incurred by TNC Drivers in the City of Los Angeles. This study should include a full analysis of the economic impact on the City of Los Angeles, establish a method for determining an hourly minimum wage similar to New York City and El Monte, and provide recommendations for increasing the expense-related portion of the

minimum wage if findings indicate that average drivers require more than \$15.00 per hour to cover business-related expenses.

I FURTHER MOVE that the City Council REQUEST the City Attorney, with the assistance of the CLA and CAO, to report back to the Economic Development Committee with a draft ordinance based on the analysis and study described above, consistent with current City minimum wage and wage enforcement laws, to establish a minimum hourly wage (The formula used to calculate the minimum wage for TNC Drivers shall include a base hourly wage of no less than \$15 per hour, factoring in P1 and P2 times, and a minimum of \$15 per hour to cover operating expenses and benefits) for all TNC Drivers working in the City of Los Angeles that will increase annually at a rate consistent with the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the Los Angeles metropolitan area ("Los Angeles-Long Beach-Anaheim, CA"), which is published by the Bureau of Labor Statistics.

**PRESENTED
BY:**


HERB J. WESSON, JR.
Councilmember, 10th District

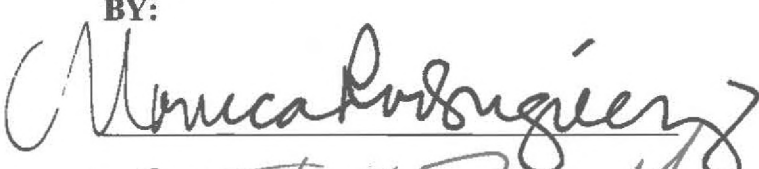


CURREN D. PRICE, JR.
Councilmember, 9th District


NURY MARTINEZ
Councilmember, 6th District


PAUL KORETZ
Councilmember, 5th District

ORIGINAL

**SECONDED
BY:**

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