

# App-Based Drivers Deserve Basic Pay Protections

## Position Statement in Support of House Bill 18

*Given before the House Environment and Transportation Committee*

Most Marylanders agree that working hard should leave you and your family with enough to afford the basics. The General Assembly has taken important steps in recent years to make this vision a reality, such as raising the minimum wage, guaranteeing paid sick time, and requiring pay stub transparency. However, these protections generally apply only to employees. Meanwhile, workers who are classified as independent contractors – often illegally – are left without basic protections, and are responsible for payroll taxes that employers typically pay. House Bill 18 would establish fair pay standards for app-based drivers, one group of workers often classified as independent contractors. **For these reasons, the Maryland Center on Economic Policy supports House Bill 18.**

Uber drivers nationwide took home only \$9.21 per hour in wage-equivalent pay in between 2015 and early 2017, according to an analysis by the Economic Policy Institute.<sup>i</sup> That is equivalent to only \$12.56 per hour today, adjusted for inflation, or \$13.95 per hour in 2024, adjusted for geography and wage growth.<sup>ii</sup> This is equal to only 56% of their gross pay after Uber fees and commissions. In short, many app-based drivers likely take home less than Maryland's minimum wage, and far below the amount needed to afford a basic living standard.

House Bill 18 would guarantee app-based drivers basic pay protections: at least \$1.66 per mile (\$2.84 per mile for trips in a wheelchair accessible vehicle) plus \$0.40 per minute, with a minimum of \$5.00 per ride. For a trip from the Maryland House Office Building to the Annapolis Mall (3.6 miles, 12 minutes in early afternoon), this adds up to \$10.78 in a non-wheelchair-accessible vehicle.

However, this overstates the driver's net income:

- It includes the driver's operating expenses for both the trip distance and any unpaid miles driven to reach the pickup location. A 2021 study on Uber drivers in Chicago found that drivers travel more than half a mile to reach the pickup location, on average.<sup>iii</sup>
- If the driver is classified as an independent contractor – which is common but in many cases likely illegal – it includes self-employment tax that wage employees are not responsible for.<sup>iv</sup>
- Drivers classified as independent contractors also do not receive any employer contribution for retirement, health, or leave benefits. They must pay the full cost of these out of cash income.

- While the ride itself lasts 12 minutes, the driver may have spent an indeterminate amount of time waiting for a customer – working – beforehand. The Chicago study found average between-customer wait times of nearly 6 minutes – almost half the time for the example trip itself.<sup>v</sup>

Adjusting for trip-distance expenses and self-employment tax – but not expenses for unpaid miles, missing benefits, or unpaid work time – the driver’s net pay for this trip is about \$8.50 under House Bill 18.<sup>vi</sup>

While only limited data on app-based drivers’ demographics exist, they suggest that this group is demographically similar to the broader workforce. A 2022 survey of California app-based drivers found:<sup>vii</sup>

- 56% of drivers are men and 44% are women.
- Drivers are more likely to be Black than other California workers and less likely to be Latinx. Other racial and ethnic groups were close to their shares of the overall workforce.
- Drivers include workers of all ages, with 23% under 30 and 29% at least 50 years old.

House Bill 18 would likely improve racial pay equity among app-based drivers by raising drivers’ base pay and therefore reducing their reliance on tips:

- There is robust evidence of racial discrimination in tipping in other industries such as restaurants.<sup>viii</sup>
- A 2016 study of taxi drivers in New Haven, CT, found that Black and Latinx drivers took home lower tips than their white counterparts.<sup>ix</sup>
- Uber itself has speculated that customers would engage in tip discrimination.<sup>x</sup>

App-based drivers work hard. Just like all other workers, they deserve basic pay protections.

**For these reasons, the Maryland Center on Economic Policy respectfully requests that the House Environment and Transportation Committee make a favorable report on House Bill 18.**

## **Equity Impact Analysis: House Bill 18**

### *Bill summary*

House Bill 18 establishes minimum pay requirements for transportation network company drivers:

- \$1.66 per mile, or \$2.84 for trips in a wheelchair accessible vehicle, plus
- \$0.40 per minute
- Not less than \$5.00 per trip

These standards are updated annually for inflation beginning in July 2027.

## *Background*

There are approximately 175,000 app-based drivers in Maryland, according to the Department of Legislative Services. However, many app-based drivers work part time, and only part of the year, based on an analysis of Uber administrative data, with each driver representing only about one-eighth of a full-time equivalent worker.<sup>xi</sup>

Maryland has enacted two major pieces of legislation regulating transportation network companies:

- Chapter 204 of 2015 established a regulatory framework, requiring licensure for transportation network companies and putting them under the jurisdiction of the Public Services Commission.
- Chapter 506 of 2025 required companies to issue drivers weekly wage and earnings statements.

## *Equity Implications*

There is evidence that app-based drivers typically take home low wages:

- Uber drivers nationwide took home only \$9.21 per hour in wage-equivalent pay in between 2015 and early 2017, according to an analysis by the Economic Policy Institute. That is equivalent to only \$12.56 per hour today, adjusted for inflation, or \$13.95 per hour in 2024, adjusted for geography and wage growth.
- App-based drivers' gross pay significantly overstates their income, due to factors including vehicle operating expenses and tax shifting through independent contractor misclassification. The Economic Policy Institute analysis found that wage-equivalent pay was only 56% of gross pay.
- Classifying app-based drivers as independent contractors – in many cases likely illegally – allows companies to shift their share of payroll taxes onto workers, and excludes workers from basic minimum wage and other labor protections.

While only limited data exist, app-based drives likely reflect the overall workforce in racial and age composition. App-based drivers are more likely to be men than other workers.

Reliance on tips may lead to racial pay discrimination among app-based drivers, based on evidence from other tip-heavy industries and transportation network companies' own statements. Increasing drivers' base pay would reduce the impact of this discrimination.

Higher minimum payment per mile for drivers using wheelchair accessible vehicles may increase incentives for drivers to use these vehicles, improving access for riders with disabilities.

## *Impact*

House Bill 18 would likely **improve economic and racial equity** in Maryland.

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<sup>i</sup> Lawrence Mishel, "Uber and the Labor Market," Economic Policy Institute, 2018, <https://www.epi.org/publication/uber-and-the-labor-market-uber-drivers-compensation-wages-and-the-scale-of-uber-and-the-gig-economy/>

<sup>ii</sup> MDCEP analysis of Bureau of Labor Statistics CPI-U inflation data and Occupational Employment and Wage Statistics (OEWS). Inflation adjustment based on the average value of CPI-U between January 2015 and March 2017. OEWS adjustment is based on taxi drivers (occupation code 53-3054, which includes app-based drivers), comparing nationwide wages in May 2016 to Maryland wages in May 2024. Note that the median hourly wage for taxi drivers in Maryland was \$16.79 in May 2024. This is still well below a basic living standard in Maryland, and includes non-app-based workers who may be paid more.

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<sup>iii</sup> Cody Cook, Rebecca Diamond, Jonathan Hall, John List, and Paul Oyer, “The Gender Earnings Gap in the Gig Economy: Evidence from over a Million Rideshare Drivers,” *The review of Economic Studies* 88(5), 2021, <https://academic.oup.com/restud/article-abstract/88/5/2210/6007480>

<sup>iv</sup> The 7.65% self-employment tax for Medicare and Social Security is equivalent to an 8.3% wage reduction. Arithmetic details available upon request.

<sup>v</sup> Cody et al., 2021

<sup>vi</sup> MDCEP estimate. Assumes after-tax expenses of \$0.42 per mile, based on 2024 AAA estimates for a medium sedan and a 25.3% marginal tax rate. The insurance component of mileage cost is reduced by one-half to reflect partial insurance coverage by the transportation network company during certain periods. See <https://newsroom.aaa.com/wp-content/uploads/2024/08/YDC-Brochure-FINAL-9.2024.pdf>

<sup>vii</sup> Taner Osman and Samuel Maury-Holmes, “An Analysis of App-Based Drivers in California,” Center for Economic Forecasting and Development at UC Riverside, 2022, [https://protectdriversandservices.com/wp-content/uploads/2022/03/UCR\\_CEFD\\_CA\\_AppDrivers\\_Analysis\\_2\\_17\\_2022-41.pdf](https://protectdriversandservices.com/wp-content/uploads/2022/03/UCR_CEFD_CA_AppDrivers_Analysis_2_17_2022-41.pdf)

<sup>viii</sup> See for example Michael Lynn, Michael Sturman, Christie Ganley, Elizabeth Adams, and Mathew Douglas, “Consumer Racial Discrimination in Tipping: A Replication and Extension,” Cornell University, 2008, <https://ecommons.cornell.edu/server/api/core/bitstreams/bde97497-3441-4fc6-b511-2257e1a714eb/content>

<sup>ix</sup> Ian Ayres, Frederick Vars, and Nasser Zakariya, “To Insure Prejudice: Racial Disparities in Taxicab Tipping,” *The Yale Law Journal* 114(1613), 2016, [https://ianayres.yale.edu/sites/default/files/files/To%20Insure%20Prejudice %20Racial%20Disparities%20in%20Taxicab%20Tipping\(3\).pdf](https://ianayres.yale.edu/sites/default/files/files/To%20Insure%20Prejudice%20Racial%20Disparities%20in%20Taxicab%20Tipping(3).pdf)

<sup>x</sup> “Our Approach to Tipping,” Uber Under the Hood, 2016, <https://medium.com/uber-under-the-hood/our-approach-to-tipping-aa0074cofdde>

<sup>xi</sup> Mishel, 2018