**The Legal Implications of the “Gig Economy” in the Ridesharing Industry**

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Honors 2000 Research Proposal

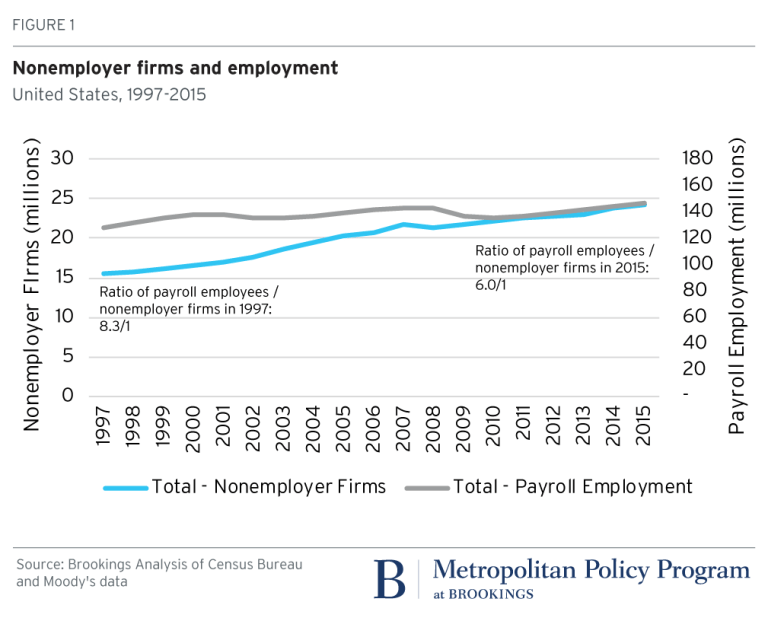
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**Abstract**

This document presents a research proposal that seeks to explore the connection between employee satisfaction levels and legal implications of the rising “gig economy” in the United States compared to other countries. The “gig economy,” also known as the “on-demand economy,” is a business model where temporary, flexible jobs are common, and companies hire independent contractors and freelancers in place of full-time employees. With the rise of the digital era, technology has completely transformed the world of business and the way companies operate. The relationship between employee and organization has been completely transformed, as there is an additional degree of separation. Background research on low employee satisfaction in these businesses demonstrates the need for change at the legal level. This proposal will demonstrate the need for legal change in order to keep employees satisfied.

**Introduction**

The “gig economy,” is a business model where temporary, flexible jobs are common, and companies hire independent contractors and freelancers in place of full-time employees. The gig economy has been around for hundreds of years and is not necessarily a new concept, but with the introduction of the internet, this model has been transformed and has experienced rapid growth. In 2005, the gig economy consisted of 10.1% of the United States employment, and in 2017 over 36%.[[1]](#footnote-1) The gig economy shows no signs of slowing down, as it provides many benefits for workers including greater flexibility and a better work-life balance. However, employees from Uber and Lyft are still dissatisfied despite these benefits. Given that the gig economy is seen as a temporary source of labor, its employees do not get to benefit from employment laws that cover full-time employees. Though for many, this is their full-time job and only source of income.

[[2]](#footnote-2)

This figure demonstrates the rapid growth of nonemployer firms (gig economy) versus traditional, payroll firms. The growth of nonemployer firms is increasing rapidly, while payroll firms have been steady and constant.

In other countries, the labor laws applied to gig workers are different. There are special labor laws in Spain and Italy that serve the purpose of recognizing these gig employees and granting them the proper benefits they have the rights to, including (but not limited to) liability for damages, minimum wage, and freedom of working on multiple platforms. Thus, this proposal aims to answer the question: “How does the structure of the rising “gig-economy” demonstrate the ridesharing industries need for legal change based on employee dissatisfaction?” This then prompts the question, “Why has the clear dissatisfaction among employees in the gig economy not prompted legal changes from companies, specifically in the ridesharing industry?”

**Background/Related Work and Motivation**

There is an abundance of studies that covers the impact of the internet on the gig economy, and the need to change legislation to adapt to the evolving model. The growth of the gig economy is staggering; it increased from 10.1% of the United States economy in 2005 to over 36% in 2017.[[3]](#footnote-3) Additional studies have found that in other countries such as Spain and Italy, there are already special labor laws in practice to cover these gig economy workers. They recognize that though these employees do not have a traditional employee-employer relationship, there are many regulations that should still be applied in the employment contract. This includes liability for damages, minimum wage, freedom of working on multiple platforms.[[4]](#footnote-4) These employees still deserve the same protection, though their role differs slightly from traditional employees.

There is also extensive research that covers employee dissatisfaction in the market share leaders of the ride industry, Uber and Lyft. One of the main indications of Uber drivers being unhappy with the company is demonstrated through the California App-Based Drivers Association (CADA) and the Seattle RideShare Drivers Association. These organizations are union groups that are seeking change from the company. Both CADA and the Seattle RideShare Drivers Association attempt to promote fairness, justice, and transparency in the App-Based Drivers Industry[[5]](#footnote-5). Employees express their dissatisfaction with the wages they are earning, the lack of communication between company and employee, and the disrespect the employees feel. However, there is no evidence of this kind of dissatisfaction in other countries among employees of the ridesharing industry.

While there are many studies conducted on the gig economy and the ridesharing industry, none of them attempt to link employee dissatisfaction as a need for a foundational legal change within a company’s employee regulations or provide justification as to why these organizations are not hearing the call for change. In my own research, I will prove that employee satisfaction is a critical factor that demonstrates the need to change the employee contract legislation by comparing the dissatisfaction among United States gig workers to gig workers in Spain.

**Methods**

In order to answer the question “Why has the clear dissatisfaction among employees in the gig economy not prompted legal changes from companies, specifically in the ridesharing industry?”, the main objective is to prove the existence of employee dissatisfaction in the United States compared to employee satisfaction in other countries. This question can be answered following the 4 steps below:

1. Research the legislation surrounding what constitutes an “employee” and what qualifications are required for them to be covered by employment laws and benefits in the United States.
   1. The main goal is to determine whether or not these gig employees
2. Conduct the same research in Madrid, Spain and compare the legislation between countries.
3. Collect data from Uber and Lyft drivers in the United States and Spain
   1. Specifically, Los Angeles, CA due to the frequent use and popularity of the ridesharing industry
   2. Through conversations, surveys\*
      1. How long have you been working for Uber/Lyft?
      2. Are you happy working for this company?
      3. Is there anything more you wish the company would provide for you?
      4. If you could change something about the labor regulations, would you and why?
      5. Why did you decide to start working here?

These questions will provide a measurement for the comparison of employee satisfaction

1. Analyze results to justify discrepancies domestically and abroad
   1. Determine relationships and patterns in the data

To obtain the most accurate results, travel to Spain would prove to be necessary. There would be too much variation in results if the survey were sent to Uber and Lyft drivers abroad, rather than having the ability to ask them in person and personally observe their demeanor towards the topic while interviewing them.

\*The questions asked to the employees will be the same in both countries to keep a consistent measurement of data

**Expected Results**

After conducting this research, I expect to find the results listed below:

1. Clear evidence that gig economy workers deserve the same, or modified, versions of employee benefits other companies provide for their traditional employees
2. Similar legislation defining what an employee is in both countries
   1. Yet, a difference in the benefits received
3. A higher rate of satisfaction among employees in Spain than the United States

These projected results are based on the research that I have conducted prior to collecting any data, and are subject to change. However, given previous studies in this relative field, it is very likely that these results are what will be obtained. These results will aid in the production of an article including the analysis of the data, as well as a potential petition for reform in employment legislation.

Not only do questions of legality arise given this area of study, but a concern of ethics do as well. It is unclear whether the United States is making ethical decisions while constructing employment legislation, and it prompts the question, “Is the United States making ethical decisions when creating *any* of their legislation?”

**Conclusion**

From these results, we can conclude that change is evident in the United States. The legislation surrounding these gig employees was sufficient before the days of technology, but as the industry changes, the laws need to as well. The clear difference in the level of employee satisfaction in the United States compared to Spain is an evident indicator that the United States needs to alter their view on the gig employees, and adjust legislation accordingly. The economy is ever changing with the introduction of technology. We will continue to innovate and adapt to our surroundings, and legislation is no exception.

**Proposed Budget**

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| --- | --- | --- |
| **Item** | **Amount** | **Explanation** |
| Airfare | $1,200 | For a round-trip flight to Madrid, Spain |
| Lodging | $1,120 | The average cost of a hotel is $80 per night, for 14 days. This amount will vary depending on the specific location, as the research will be conducted all over the city to obtain the most accurate/inclusive results |
| Food/Cost of Living | $600 | An estimated amount for food and other miscellaneous expenses while conducting research abroad |
| Rideshare Allowance | $400 | An estimated amount to cover the actual Uber/Lyft rides when conducting the research |
| Total Estimated Budget: | $3,320 |  |

**Timeline**

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| **Task** | **Time Period** |
| Begin Preliminary Research: | April 1 - May 31, 2019 (2 months) |
| Conduct Survey in Los Angeles, CA: | June 1 - June 7, 2019 (1 week) |
| Conduct Survey in Madrid, Spain: | June 10 - June 25, 2019 (15 days, not including travel) |
| Data Analysis: | June 30 - July 31, 2019 (1 month) |

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2. Rethinking Worker Benefits for an Economy in Flux [↑](#footnote-ref-2)
3. Fallon, Nicole. “The Growth of the Gig Economy: A Look at American Freelancers.” Business News Daily, 10 Nov. 2017 [↑](#footnote-ref-3)
4. Todoll-Signes, Adrian. “'Uber Economy': Employee, Self-Employed or a Need of a Special Employment Regulation?” [↑](#footnote-ref-4)
5. California App-Based Drivers Association https://www.crunchbase.com/organization/california-app-based-drivers-association#section-overview [↑](#footnote-ref-5)