

A Case Study: Making Uber Super Again

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“By submitting this assignment, I certify that it is my own work, based on my personal study and/or research. I have properly acknowledged all material and sources used in preparation. I also certify that this assignment has not been previously submitted in any other class at LU or elsewhere.”

Abstract

This essay is a case study of the popular ride-share company Uber Technologies, Inc. A brief introduction notes Uber's rise but also significant legal and public image challenges now facing the company. A background of the company with a contrast to traditional taxi cab services is presented. This comparison raises questions about the fairness of Uber's operations to employees and customers. These questions are addressed in an analysis section which is followed by action plans to address the problems Uber is currently facing. The study concludes with an evaluation of the consequences if Uber does not take steps to address the current legal and public opinion issues with which the company is confronted.

Keywords: Uber, ride sharing, sharing economy

Introduction & Identification of Issues

Since its founding in San Francisco in 2009, Uber has enjoyed a meteoric rise to an estimated valuation of \$70 billion dollars, making it the most valuable privately owned technology company in the world (Dudley, Banister, & Schwanen, 2017, p. 492). By adopting a non-traditional business model concerning employment and by intentionally acting as a disruptive innovator in the job market, Uber has grown into a formidable organization in the United States and across the globe. Unfortunately for Uber, the widely successful business has found itself in what TIME Magazine calls “an existential crisis” (Steinmetz, Vella & Eadicicco, 2017, p. 22). Allegations of gender discrimination in their hiring practices and cases of serious conflicts involving drivers and passengers have been compounded with legal challenges to its business model and employment plan to cause serious damage to the company. In order to overcome this damage, Uber must find a way to repair the damage to its public image and overcome the legal hurdles it is now facing.

Background & Stakeholder Perspectives

Uber was founded in San Francisco with the intention of competing against the city’s taxi service which was considered inefficient and insufficient (Dudley, Banister, & Schwanen, 2017, p. 492). Government restrictions placed on the taxi business created an opportunity for Uber to take advantage of.

According to Speta (2016), the current laws regarding taxi cabs grew out of carrier regulations from the railroads; these regulations of taxi cabs involve four features:

Limited entry. Restrictions are placed on the number of firms and or the ratio of taxis to the population.

Just, reasonable, and nondiscriminatory fares. Fees charged for services provided must be just and reasonable, and discrimination is illegal.

Service standards. These standards include vehicle and driver safety standards, obligations of nondiscriminatory service, twenty-four hour dispatch capability, and a response time within a minimum level.

Financial responsibility. This requirement includes insurance (p. 105).

The Uber business plan allowed the company to circumvent much of the government regulation regarding taxi cabs. Uber presents itself as a technology platform rather than a taxi company (Dudley, Banister, & Schwanen, 2017, p. 493). Customers of Uber use its smart-phone application to connect with drivers of private cars who are using their own Uber smart phone application.

Uber drivers are not employees of the company; instead, they are independent contractors (Powell, 2019, p. 461). These independent contractors enjoy the freedom to work when they choose, making Uber an option for individuals requiring flexibility or seeking second jobs. Significantly for Uber, because their drivers are independent contractors, Uber is not required to provide benefits, including minimum wage and overtime (Powell, 2019, p. 461). Consequently, in contrast to traditional taxi services, Uber has no limited entry, no prescribed limitations on fares, limited service standards and minimal financial responsibility.

Uber's business model provides significant advantages over traditional taxi services, paving the way for significant profits. This model has, however, not been without controversy. Is this model fair to Uber's drivers, who are denied the benefits and protections of full-time employees? Is this model fair to passengers who use the service? Is this model fair to Uber's competition?

Connections to Theoretical and Empirical Research

Over the past decade, changes to the economic situation and an increased focus on sustainability have led to a mindset which favors “access rather than ownership” (Brinkø, Nielsen & van Meel, 2015, p. 2). This economic shift, referred to as “sharing economy” encourages people to live light, waste less, and to protect the environment (Brinkø, Nielsen & van Meel, 2015, p. 3). Uber has found a comfortable niche in the sharing economy, enabling an off-duty sales associate at Walmart to use his or her vehicle as an Uber, transporting passengers to and from their destinations in the interim (Bond, 2015, p. 78). Bond (2015) states that the average car is only used eight percent of the time, so Uber has tapped into a significant resource that is otherwise sitting idle (p. 79). This approach appeals strongly to many young people who favor sustainability and “green” approach that is environmentally friendly.

While environmental activism is usually associated with the political left and religious belief is usually associated with the political right, these two opposing forces do come together in the principles of stewardship. Like Adam who was placed in the garden and given the responsibility to “work it and keep it” (Genesis 2:15, English Standard Version), a responsibility remains to be good stewards. On this point, both sides may agree.

The fairness of Uber to its drivers is addressed in a study by Bajwa, Gastaldo, Ruggiero, and Knorr (2018) who studied the health of workers in the global gig economy. The term “gig” in this context is currently being used in the literature to describe “short-term, one off employment contracts mediated by platform businesses” (Bajwa, et. al., 2018, p. 1). This description applies to but is not exclusive of employees of Uber who are face health and social vulnerabilities associated with occupational vulnerabilities, precarity, and platform-based

vulnerabilities (Bajwa, et. al., 2018, pp. 2-3). All jobs carry risks and rewards. Uber must make certain that compensation remains adequate to justify the risks faced by employees.

Another area of significant study concerns the passengers, the consumers who are paying for the services Uber offers. Using the app allows passengers to make payments through Uber and not to the driver personally. While prices are generally lower than the fares for taxi cabs, Uber does engage in “surge” pricing, charging much higher rates during times of high demand (Bond, 2015, p. 85). This practice has resulted in some extreme fairs and corresponding backlash.

The concern for passenger safety is another issue which is making headlines. On a positive note, an independent study on four boroughs of New York City noted a 25 to 35 reduction in alcohol-related car accidents since the arrival of Uber in 2011 (Fortin, 2017, p. 1). Uber offers a clear alternative to driving while intoxicated. Unfortunately, CNN reported in April of 2018 that 103 Uber drivers had been accused of sexual assault or abuse, and one driver, John David Sanchez, 54, was sentenced to 80 years in prison after police found videos on his phone recording him committing at least nine assaults (O’Brien, Black, Devine & Griffon, 2018, p. 1). Uber is certainly not the only company to inadvertently hire sexual predators, but in Uber’s case, the public outcry may be especially damaging. Passengers need to feel safe taking an Uber, or they will find other alternatives.

Analysis and Evaluation

Issues concerning the impact of Uber on the labor market are yielding conflicting results. Studies have repeatedly shown that many Uber workers include individuals working a second job to build income or parents looking for flexible work schedules which Uber provides; however, when these jobs are the only source of income, and workers have no benefits, either

workers or the state are left to pay these costs (Codagnone & Martens, 2016, p. 17). Uber's business plan has led to accusations that the company is helping to expand the gap between the wealth and poverty by increasing wage inequity, but empirical studies to date have been limited, and the conclusions of a 2015 study by Hall and Krueger which paints Uber in a positive light have been widely challenged (Codagnone & Martens, 2016, p. 17).

Bond (2015) conducted a study of the taxi industries in San Francisco, New York, and the District of Columbia, concluding that Uber has had a dramatic effect upon the industry, marked by significant reductions in revenue and on the values of the medallions which license the taxis (p. 91). Bond (2015) also notes that in 2010 the price of a medallion in New York had risen to over \$1 million dollars, a startlingly overinflated amount (p. 89). Bond (2015) ultimately concludes, "Uber is an organic response to regulatory market failures" (p. 95). Uber is providing correction to a system which was previously broken.

What Uber cannot afford to do is nothing. In the United Kingdom, courts ruled that Uber workers were employees, not independent contractors and pulled Uber's license to operate in the country (Yurick, 2018, p. 36). In order to continue to prosper, Uber must take a pro-active approach to the challenges currently being faced.

Action Plans

One plan which Uber has already begun is to partner with local municipalities. Uber is partnering with cash-strapped local governments in a move which blurs the distinction between the public and private sector (Dudley, et. al., 2017, p. 498). By making themselves indispensable to local authorities and communities, Uber can deflect a significant amount of the political pressure being brought upon it. It would be wise to listen to the advice of Proverbs 15:1, "A soft answer turns away wrath, but a harsh word stirs up anger" (English Standard Version). Uber's harsh words

and previous efforts to circumvent existing rules and authorities have created a significant amount of anger. Soft answers and sound policies are needed to move past the anger.

Another way forward for Uber is to create a new employment class that spits the difference between employee and independent contractor. If Uber categorically declares their drivers to be employees, then drivers might be tempted to have the app opened while not accepting rides to earn minimum wage (Yurick, 2018, p. 37). Granting full-employee status might be the wrong approach. Yurick (2018) states, “If a new designation of workers between independent contractors and employees is created, then some rights would be granted to the workers, but companies may then have less incentive to offer more or different benefits” (p. 37). Since many drivers would desire to maintain their job flexibility, a compromise position granting some benefits and protections might satisfy them and the political pundits.

Evaluation of Consequences

Positioning itself as an aggressive disruption may have aided in the company’s initial growth, but continuing profitable operations may hinge upon a softening of that image. The way forward for Uber includes proactively redefining the political and public debate in order to continue expansion as a disruptive innovator (Dudley, Banister & Schwanen, 2017, p. 492). Arguments are already being made that the once popular term “smart” is now just a euphemism for “privatized,” and while the spirit lives on, the term is no longer the sexy adjective it once was (Morozov, 2016, p. 1). Nevertheless, Bond (2015) argues that Baby Boomers place a great deal of trust in established institutions, but Millennials, especially after the financial crisis, would rather place their trust in individuals than institutions (p. 94). Uber remains a attractive option for them.

What Uber may no longer need is the perception of being edgy. This perception is no longer one upon which to base operations. Uber was built on a model of rapid change and

innovation. If Uber is going to be super, then the model itself must be changed and innovated as well.

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