

ED WALLACE

“New” Gig Economy is Five Centuries Old

BY ED WALLACE
AUGUST 21, 2020 12:00 AM



Only have a minute? Listen instead

-09:04

Powered by [Trinity Audio](#)

In our so-called “new economy,” Dara Khosrowshahi certainly considers himself a master of the universe. It’s a slight disconnect from the reality that he’s running a company that has managed to lose just shy of \$5 billion in the first six months of the year, while bragging about all the encouraging things happening in his corporate world. Of course, Khosrowshahi is the CEO of Uber. And last week — with a major court case decision about to be issued by California Superior Court Judge Ethan Schulman concerning whether California law AB 5, which codified who is an employee and who can be declared contract labor for employment, can stand — Khosrowshahi did what every hard-core Libertarian in America does when they are about to lose big time: He published an Op-ed in the New York Times pleading for Congressional action to save him and his company.

Khosrowshahi proposed new laws to allow so-called “gig economy” companies to offer a benefits package in lieu of real employment, which would force Uber into acting like a real employer to their hundreds of thousands of drivers. In his column he suggested that, with the proper laws in place, Uber would have created a benefit fund of \$655 million last year, which he claimed would be worth \$1,350 in benefits for a Colorado Uber driver averaging 35 hours a week on their app.

Which might mean — but was not stated — if you drive less than 35 hours a week you may not get squat. But even given that proposed largess, \$1,350 would barely cover a visit to a Doc in a Box, a chest x-ray, and shots for severe allergies.

Now to be fair, after the Financial Meltdown of 2008 (and likely to happen in the near term, once the pandemic wanes), many Americans found their work hours slashed to the point they were no longer eligible for full-time benefits. There Uber did not stand alone. This is why shadowstats.com recently published our U6 unemployment number at 35 percent. Note: U6 includes long-term discouraged jobless and low hour workers who want to go full time. Shadowstats publishes the U6 unemployment rate our government used until Bill Clinton altered the jobless equations and “disappeared” millions from those stats in 1994.

Still, this was Khosrowshahi’s line in his New York Times column: “because we need more than new ideas — we need new laws.” Typically, he forgot to mention California has a brand-new law; he just doesn’t like it.

TX Politics newsletter

Get government and election news that affects our region, plus a weekly take exclusive to the newsletter.

SIGN UP

This site is protected by reCAPTCHA and the Google Privacy Policy and Terms of Service apply.

The question is whether or not the gig economy is new. And because the facts are staring us right in the face, we have to accept the reality that our modern gig economy is nothing more than a return to “piece work,” which England codified in 1547. Under that system, which predates the Industrial Revolution, a worker was given a small stipend for every job they performed. Possibly building the legs for a grand table made by a master craftsman; maybe one was given the material to make shirts or gloves and paid for each piece that was finished. Sometimes you did it from your home, other times from large industrial sites in major cities, but it was so notorious in 1850s London that it became known as the sweating system. Hence the modern term, “Sweat Shop.” The system was modified in some places and would become known as skilled and unskilled labor as the years went on.

When Henry Ford instituted the \$5 workday in 1914, it was nothing more than elevating his unskilled laborers to the same rate as the skilled craftsmen that Ford employed. Watching the classic Henry Fonda movie, *The Grapes of Wrath*, today, the Joad family is hired to pick peaches and paid “X” number of cents per bucket. They are not paid enough to buy the food for a proper family meal. Again, the Joads were paid by the bucket of peaches they picked; how is an Uber driver’s getting a cut for each ride they complete any different? Exactly; it’s the same thing. It’s just that instead of using a bucket - many drive one. The gig economy is nothing new, it’s simply a new name for a 500-year-old idea.

Back to that law being fought in the California Superior Court over Uber’s right to put us in a time machine back to 1547: It was posted along with Dara’s Op-ed. Predictably, the judge ruled that California AB 5 would stand, and Uber and Lyft would have until August 20, 2020, to make their California drivers employees. Again, the rules on who is an employee and who is contract labor have been in place for decades at both the IRS and Department of Labor. We’ve dealt with that locally in dealerships. But Uber’s losing that court case brought out the predictable threats that A: They would shut down their system in that state, or B: They would move their corporate headquarters out of California.

There is a backstory to this. Judge Schulman’s order was straightforward and harsh. He blasted Uber for its ridiculous legal argument that it isn’t a transportation company, just an app on phones hooking people up long distance. The judge added that Uber’s business model was simply trying to avoid the costs of employment. And he was infuriated over Uber’s and Lyft’s refusal to follow the same laws in California that every other company must.

On the other side of the coin, it’s impossible to state how many friends, acquaintances and co-workers absolutely love their Uber apps and that service. However, one wonders if they would still love the service if the cost of using it rose substantially — because Uber now has to comply with federal and state safety laws, disclose issues with drivers, and boost rates markedly to turn a profit. Remember, in the earliest days Uber had no traction in the Los Angeles market, charging a rate similar to taxi companies; the company only took off when it slashed ride rates in half. One unintended consequence of that reduced fare was that suddenly many Uber drivers couldn’t make enough money to afford their car payments, many having purchased those vehicles specifically to drive for the company. And when they lost their cars, they became homeless, too. The Los Angeles Times and other media outlets have covered their stories, too.

\$2 for 2 months

Subscribe for unlimited access to our website, app, eEdition and more

CLAIM OFFER

While Uber lost \$1.8 billion in the second quarter, Khosrowshahi discussed how passenger rides had declined dramatically due to the coronavirus, but UberEats deliveries had jumped. He added, it's like "we created a whole new company." Again Dara, all you did was switch drivers from carrying passengers to food and in any case, still lost \$1.8 billion. For the record, both my local Pizza Hut and Dominos also deliver food and apparently are turning some profit as both are still in business; Wall Street wouldn't fund local Fort Worth losses the way the investor capitalists continue to "Uber" these gig economy behemoths.

As I did part of this story on air last Saturday, it turned out that my substitute board operator is also an Uber driver on weekends to make ends meet. Bill is a hard-working guy and holds a higher position at our radio group than most board ops. Never late, stays until the job is fully done. But he has to take the Uber gig to cover his expenses in spite of the fact both he and his wife have full-time jobs.

He said he earned an extra \$800 or so each month, once driving passengers, now carting food on the Uber app. The question I had was simple: If you got a call to run to a Wendy's for a cheeseburger, fries and a Frosty™, you might not be anywhere near that franchise and the Uber user might not be close, either. So the time frame for delivery might be awhile; a cold hamburger and melted Frosty can't be that great, I said. Bill smiled and replied, I agree, but so far, I've never had a complaint. And for the record, he added he goes to get his own food when he is hungry. I suspect because Bill pinches pennies as just any other gig driver. Just as the Joad family may have picked peaches all day long, but didn't make enough to buy much meat for dinner from the company store.

The minimum wage and our modern economy took the rough edges off the piece-work system. In slow times when no revenue was made, it shifted the cost of being in business to the owner of the establishment. Likewise, if a worker was so unproductive that they weren't worth the minimum wage, they could be terminated. On the other hand, minimum wage forced business and industry to find ever more ways to make their workforce more productive, which elevated the entire economy. Although that movement was already happening decades before the minimum wage.

Then again, the minimum wage of 1968, or \$1.60, is \$11.92 in today's money adjusted for inflation. A far cry from the \$7.25 federal guideline. If today Uber offered \$12 an hour flat to become one of their drivers, it's anybody's guess how many millions of Americans would sign up to become chauffeurs tomorrow.

The Business media would applaud if that happened, but I'm not so sure.

Ed Wallace is a recipient of the Gerald R. Loeb Award for business journalism, bestowed by the Anderson School of Business at UCLA, and hosts the top-rated talk show, Wheels, 8:00 to 1:00 Saturdays on 570 KLIF AM. Email: edwallace570@gmail.com

[COMMENTS](#) ▼

Comments have been disabled for this story.

ED WALLACE

READ NEXT

Driving Off into the Sunset

BY ED WALLACE
FEBRUARY 12, 2021 12:00 AM



It never occurred to me that one day I might be at a loss for words, but here we are. This will be my last column for the Fort Worth *Star-Telegram* after nearly 20 years, almost 1,000 columns and of those only six were rejected.

Local Spotlight

- BRICK, STONE MAS

BRICK, STONE MASONRY AMJ Masonry - Mailboxes, Brick REPAIR & STONE 682-558-6086

- ROOFING Specia

ROOFING Specialize in Fixing Roof Leak's. No Payment until the FIRST BIG RAIN. Since 1980. 817-535-9055