



## Uber's Green Initiative: Who's picking up the green tab?

While the global pandemic has led to a temporary halt of economic and social life, it has provided us with a glimpse of what a cleaner and greener world could look like. The dramatic decline in air, sea, and land traffic has led to a palpable reduction in greenhouse gas emissions temporarily slowing the rise in global temperatures and the associated doom scenario that awaits us. [Ride-hailing apps specifically were found to contribute 70% more emissions than public transit or cycling alternatives.](#) Given the growing momentum behind a more environmentally sustainable future, in September, 2020 [Uber's CEO Dara Khosrowshahi pledged to transition his company's fleet to become emission-free by 2040.](#) Although Uber's commitment is noble, it raises various questions about its feasibility and about who will eventually end up bearing the associated massive costs. Uber drivers also known as gig workers for example were already in a financially vulnerable situation prior to this commitment. Many factors such as a lack of minimum wage, overtime pay, paid time off, extended health, and maternity benefits contribute to gig workers' current job insecurity. Uber has emphasized that it will help its drivers transition their cars to Electric Vehicles (EVs) by providing the necessary incentives to make this ambition a reality. This piece will attempt to breakdown Uber's commitment, identifying how Uber envisions splitting the costs of this massive endeavor between the various stakeholders and how sustainable this initiative is for all stakeholders involved.

## **Who are the stakeholders affected by this decision?**

### **Gig workers:**

the prospect of going green does not in of itself bother gig workers. Their main concern revolves around its impact on their financial situation. Uber does not own the cars they plan to electrify. Thus, the responsibility falls onto the gig workers to procure an electric vehicle, which will most certainly end up being a significant investment for them. [The cost of an EV is anywhere north of \\$40,000, with Tesla cars starting at \\$51,000 at the time of writing.](#) Such an investment is especially pivotal for gig workers who tend to fall in lower or lower-middle-income brackets. Moreover, a large portion of gig workers are immigrants who find it challenging to make ends meet. Gig workers are generally in a delicate financial situation, and any added expense may push them into the red. Additionally, due to the fact that at least initially, EV rides will be more expensive from a rider perspective than traditional gas-powered vehicles, drivers investing in an EV face the risk of reduced business volumes.

There are significant incentives to going green such as fewer parts to change and lower fueling costs. However, charging an EV can take anywhere from 15 minutes up to a few hours, and not every driver has access to such higher frequency charging stations. For example, if a driver were to use a regular wall socket outlet, the car could take days to recharge its battery. There are also some practicality issues such as an EV battery dying before a driver is able to locate a charging station requiring him to call a tow truck.

### **Uber:**

[Uber has committed to transitioning its fleet to zero-emissions by 2030 in the US, Canada, Europe, and worldwide by 2040.](#) The company pledged \$800 million to the cause and has committed to restructuring its fees to support it.

### **Riders:**

An increasing percentage of riders will, in theory, support the green movement. However, they may be hesitant to contribute when it comes to their hard-earned dollars. Their willingness to contribute will ultimately depend on their price elasticity and the availability of substitutes. Uber has already communicated that part of the transition cost will be transferred to riders. People booking rides on Uber will initially have the choice between traditional gasoline-powered vehicles and slightly more expensive emissions-free vehicles. As Uber progressively transitions its fleet, riders will have less of a choice especially given that Uber's largest competitor in Canada, Lyft, has already made a similar commitment. On the other hand, other choices of

transportation outside Uber's offering such as public transit, bicycles, car-sharing, and private vehicles remain real threats and competitors to Uber rides.

### **Government:**

The Government of Canada, both at a federal and provincial level, has made numerous commitments to support the economy's green transition. Various initiatives and projects have already been announced supporting the adoption of EVs in Canada. However, no explicit commitment has been made concerning Uber, or other car-sharing platforms in Canada, and support for gig workers remains limited.

### **A deep dive into the gig economy:**

The gig economy has been rapidly expanding in Canada even before the outset of the COVID-19 pandemic. Utilizing administrative tax data, [Statistics Canada estimated that the share of gig workers among all workers has risen from 5.5% in 2005 to 8.2% in 2016](#). That is a compound annual growth rate of 3.7%. The gig economy provides workers with a multitude of benefits and perks. Gig workers are provided with the flexibility to choose when to work and for how long. Additionally, in many cases, gig workers are free to work for multiple employers, providing them with a sense of entrepreneurship and autonomy.

On the other hand, the Ontario Labor Board, for example, found that while Foodora workers are provided with options for when to work, their decisions are constrained by the app. The app's algorithm dictates specific time slots and pricing, thereby effectively limiting their workers' choices. Taskrabbit and Kitchensurfing apps located in the United States use a similar setup.

Moreover, [the median annual income for gig workers in 2016 was found to be around \\$4,000, with workers in the bottom 40% of the income distribution in Canada twice as likely to be involved in gig work](#). Additionally, immigrants were overrepresented in the gig economy compared to Canadian-born individuals. [A paper published by the Public Policy Forum and the Diversity Institute found evidence suggesting workers participate in the gig economy more out of necessity than by choice, further eroding their sense of purpose and freedoms](#).

[The Bank of Canada found that 37% of its survey respondents who participated in gig work did so due to weak economic conditions](#). Such participation was higher in provinces where unemployment rates were higher. While gig workers are growing in numbers, they remain decentralized and disaggregated and lack representation. Moreover, they are currently by default not entitled to benefits such as insurance and pensions. On the other hand, their employers have attained unprecedented cross-border scale, influence, and reach, leading to an immense exploitation opportunity.

Moreover, some of these behemoth employers capitalize on their “intermediary” role, shifting business risk to both consumers and gig workers. [In February, when drivers of Foodora won the right to unionize, the company shortly after announced it was closing its Canadian operations citing fierce competition as the main reason. In this backdrop, a clear need for policymaking becomes evident.](#)

Governments in Canada must keep pace with shifting dynamics in the local economy and must cease to perceive and treat gig work as a nuance rather than a central engine of employment and economic growth in Canada. [In its’ paper, the Bank of Canada cites gig work as a potential cause for weak wage growth inconsistent with robust economic expansion.](#) Gig workers were estimated to be roughly 700,000 full-time equivalent jobs or 3.5% of the labor force in 2018. Moreover, the largest proportion of informal workers, a whopping 58%, were found in the youth segment, typically the engine behind any healthy economy.

Like it or not, the gig economy is increasingly becoming a catalyst of Canadian economic and employment growth. The fact that government institutions must work around the available tax and employment data to estimate the sizable number of gig workers already highlights a need for more up-to-date and relevant data collection and analysis. From a policy perspective, innovative concepts such as portable benefits, a pension system tied to the worker rather than the employer, should be considered more seriously by policymakers.

### **Who will bear the cost of Uber’s commitment?**

#### **Riders:**

Drivers can expect to earn an additional half a dollar directly from riders on every Uber Green trip completed (both hybrid and EV rides) in the US and Canada. [Riders will pay a \\$1 fee on each Uber Green trip, half of which will go directly to the drivers, while the other half will be allocated to the Green Future Program Uber is administering.](#)

#### **Uber:**

[To realize this ambitious goal, Uber has committed more than \\$800 million to a Green Future Program fund to help drivers in the USA, Canada, and Europe transition to Electric Vehicles by 2030.](#) Drivers can earn an additional \$1.00 for every trip they complete in the US and Canada if they drive a zero-emission vehicle up to an annual limit of \$4,000. This would imply that drivers of zero-emission vehicles can earn a total of an additional \$1.50 on every completed trip. Additionally, Riders using Uber Green will receive 3x Uber Rewards points for every trip taken, compared to 2x points for a typical UberX ride.

### **Car manufacturers:**

Car manufacturers are offering discounts on new EVs for Uber drivers. [For example, General Motors \(GM\) offers a discount of \\$2,500 - \\$2,900 off of retail prices on Bolt EVs for Uber drivers in the USA and Canada and 20% on Chevrolet Bolt EV accessories.](#)

### **Government:**

[Transport Canada committed in 2019 to incentivize zero-emission vehicle purchases at a federal level in Canada. Battery-electric, hydrogen fuel cell, and longer-range plug-in hybrid vehicles are eligible for a \\$5,000 incentive, while shorter-range plug-in hybrid electric vehicles are eligible for \\$2,500.](#) Additionally, the 2019 budget proposed a 100% tax write-off for select zero-emission vehicles to support business adoption. [Furthermore, the federal government has committed to funding up to 50% of total project costs for charging infrastructure projects in Canada's residential buildings.](#) Moreover, some provinces have also rolled out their own programs to support the green revolution. [In Quebec, for example, the Roulez vert program encourages the acquisition of EVs through an \\$8,000 rebate on newly purchased and leased EVs and \\$600 on home charging stations in addition to other incentives.](#)

### **Uber Drivers:**

Uber drivers as mentioned above will have to invest in an EV and the associated accessories. While in the long-run such an investment may be worthwhile, in the short-run it is a significant cost that may put some drivers at a precarious financial situation. Moreover, Uber drivers face the business risk of seeing the demand for their service decline, as riders substitute towards cheaper options such as public transit, fuel-based rides, and carpooling etc.

### **Policy Options:**

While Uber's commitment is commendable, it appears to be designed to transfer the brunt of responsibility, risk, and costs onto gig workers. Gig workers are already in an economically vulnerable situation wherein even minimum wage is not attainable. Consequently, while investing in an EV may appear like a small sacrifice to make for the greater good and an investment that could pay for itself in the long-run, it might just be the straw that breaks the camel's back for this segment. Exploring policy options for gig workers through for example tax rebates on green fees and the acceleration of charging station infrastructure projects across Canada could significantly mitigate the business risk for gig workers and consequently for the sector as a whole.

On the other hand, Uber could also double down on its commitment by agreeing to absorb some of the downside risks of driving an EV by guaranteeing to compensate gig workers for lost business volume due to the transition. Another way in which Uber could help is to facilitate the transition by complementing its app with crowd-sharing of charging stations functionalities enabling drivers to both utilize each other's charging stations and profit from their own idle stations consequently increasing efficiency and the financial viability of owning an EV. Another option is for Uber to invest itself in an EV fleet and then capital lease the vehicles at a reduced cost to drivers to facilitate the transition and lessen the gig workers' financial risk. Ultimately, such policy proposals alleviate the added business risk gig workers face and can ensure an equitable distribution of this transition's financial burden, increasing the likelihood that such an undertaking would succeed in the long-run.