

Ola and Uber failing to live up to the promises made

With mushrooming of commercial drivers, incomes are falling and expenses are rising. Unable to pay monthly loan instalments, cars are being seized, while contracted employees cannot quit. Will legal protection come to the cab drivers' aid?

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What is 'gainful employment'? Are hawkers in such employment? Are domestic servants gainfully employed? In a rapidly transforming economy a whole new range of work categories have emerged under the category of 'gainful employment'.

Gainful employment is defined as work that reflects a growth in productivity, higher earnings and improved safety, cleanliness and income security. The McKinsey institute recently released a report on India's labour market titled "India's Labour Market: A New Emphasis on Gainful Employment".¹ In this report, cab-hailing services such as Uber and Ola were identified as one of the rising sectors of unemployment in which workers could find 'gainful employment'. It is a study of labour trends between 2011 and 2015 and highlights the rise of independent work and micro-entrepreneurship aided by digital services.

Employees of Uber and Ola, the report says, earn up to 40 to 50 per cent more than they would otherwise. "Uber reportedly estimates that its drivers can earn 1,500 rupees to 2,500 rupees (\$23 to \$38) per day," the report says. It also points out that better income and subsidised health services are an indication of gainful employment. However, it makes it a point to mention that issues remain regarding the lack of transparency regarding the incentives and penalties that the drivers invoke.

Seeing how the data that the report dredged through is at least two years old, there have been significant developments in the cab-hailing sector. The mushrooming of drivers and cars that function under the cab-hailing enterprises have made the situation bleak for drivers. Drivers report that their income, which was as high as Rs 60,000 per month in early 2016, has dropped to below Rs 20,000 per month.

A recent investigation into the protests and strikes initiated by cab-drivers has shown the many troubles facing them². Drivers are unable to make their ends meet or pay the EMIs on car loans. In the investigation by MediaNama, it was found that several drivers were even contemplating suicide. A first such incident occurred in February 2017, when an Ola driver tried to kill himself in Bangalore.

The requirements for becoming a driver with Uber and Ola are minimal. The only restriction is that a person must be above 21 years-old. The documents one needs are a commercial driver's license and police verification. With these two documents in hand, one can sign up on the website to become a driver with a leased car. To drive one's own car, few other documents such as registration certificate, vehicle insurance and permit are also required.

¹ <http://www.mckinsey.com/global-themes/employment-and-growth/a-new-emphasis-on-gainful-employment-in-india>

² <http://www.medianama.com/2017/06/223-ola-uber-incentive-driver-suicide/>

The MediaNama report says, “If a driver earns Rs 1700 a day for 30 days, his income is Rs 51,000. Their monthly loan EMI ranges between Rs 11,000 to Rs 16,000. Their car maintenance and fuel set them back by at least Rs 500 to Rs 700 each day. Even taking Rs 500 as an average, their monthly expenditure for this comes to Rs 15,000. Drivers say that the cab aggregators take a cut of almost 30% (20% commission plus taxes including VAT) on Rs 1700 which comes to Rs 340 each day.”

Reports are also coming in that due to the falling income of cab drivers, banks and financiers are pulling back on new loans. Several cars have also been seized after the drivers fell behind on their EMI payments. SBI managing director Rajnish Kumar was quoted as saying, “We stopped giving car loans to drivers in Bengaluru last year [2016]... We continue to disburse loans in Hyderabad and Chennai after tweaking the underwriting standards.”³

However, these developments do not impact the cab-hailing enterprises themselves. Apart from having drivers who own cars, these services also have partnerships with car makers which lease cars to drivers.

MediaNama reported one driver as saying, “What difference does it make to [cab-hailing platforms]? Every day, 30-40 new drivers are joining the platforms, and there are over 150,000 cars in Delhi alone. One or two leaving makes no difference to them. Even when there are protests, how long will they last? I sat in the protests for 3-4 days, but who can afford to stay on strike for 10 days?”

The gold rush towards cab-hailing seems to have run out. Many drivers, tempted by promises of earnings as high as Rs 75,000 per month, signed contracts that tie them down for three or four years. But as incomes keep falling, they are unable to call it quits. The drivers also find themselves in a legal limbo, as they are considered neither employees nor independent contractors.

The amended Consumer Protection Bill (2015), offers some mode of legal recourse, but has not yet been adopted as a law.

³ <http://www.livemint.com/Companies/uiktXuE9n3MEcGob4NvtkO/Banks-pull-back-car-loans-to-Ola-Uber-taxi-drivers-on-falli.html>