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Study Explores The Impact Of Uber On The Taxi Industry



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Careers



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Oxford Martin School's Carl Benedikt Frey burst onto the public stage back in 2013 with a [paper](#) highlighting the risks various professions faced of automation in the coming years.

He has returned this week with a new [paper](#) that is no less contentious. It examines the impact Uber has had on the income of taxi drivers in a range of U.S. cities.

Despite widespread protests against the sharing economy platform, the analysis revealed that the impact was muted. For instance, whilst it typically resulted in a fall in income of around 10% among salaried drivers, it resulted in a 50% rise in the number of self-employed drivers in a city.

The authors believe their study represents the first serious look at the impact of sharing economy platforms such as Uber on jobs.

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“Uber is the flagship of the sharing economy,” Frey says. “But what our study shows is that even in one of the sharing economy’s most exposed industries, traditional jobs have not been displaced.

“The effects are complex; while some have seen a loss in income, Uber has created more jobs than it has destroyed, demonstrated by the staggering expansion of self-employment following its introduction.”

What's more, employment rose not just in self-employed drivers, but also in traditional taxi services.

Rising Incomes

It's also noticeable that Uber drivers were found to earn more than those in traditional taxi services. This is largely due to the fact that the Uber software allows drivers to better optimize their time and services.

“The higher hourly earnings among self-employed drivers suggest that capacity utilization, in terms of the time spent in the car with a passenger, has increased with Uber, as its platform allows for better matching between drivers and passengers. But for traditional taxi drivers the effect has been the opposite, with a decline in the amount of time they have a passenger in their vehicle,” Frey says.

Of course, fascinating though the data is, it does simplify matters somewhat as it looks at the issue through the relatively confined prism of employment. It doesn't, for instance, examine the total number of journeys undertaken across both licensed taxis and sharing economy platforms.

In much of the discourse around this issue, the suggestion seems to be that the market is of a fixed size, and therefore Uber drivers are taking income from licensed drivers. I suspect however, that the reality is that Uber et al have significantly increased the size of the market, especially in off-peak times where dissatisfaction with licensed drivers is at its peak.

Given The Choice

If we're in a world whereby the total number of journeys in the "rented driver" market has gone up considerably, then we get into the Public School of Choice field in economics that underpins so much of the apparent rent seeking by the taxi industry. This posits that the gains from restricting practice are highly concentrated, whilst the benefits of not doing so are dispersed.

As such, it was never viable to get customers to organize themselves politically to change matters, whereas it certainly was for the taxi industry. Give customers an easy alternative via the market, however, and such mobilization becomes much more feasible.

As Dr Frey concludes, it is perhaps wise to examine the evidence available to us before we succumb to protests and impose restrictions on the ability of Uber and their ilk to practice in our towns and cities.

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