

Study asks if Uber drivers are entrepreneurs

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Brown students Caleb Clarke, Ryan Scotti and Grace McCleary studied Uber's driver model in a class led by Barrett Hazeltine (center). Credit: Nick Dentamaro / Brown University

The ridesharing company Uber has become a poster child for the sharing economy. Just about anyone with a driver's license and a car can turn those assets into a money-making venture—one in which drivers are told

they can make their own hours and be their own bosses.

To Patrick McQuown, an adjunct lecturer in Brown's School of Engineering, that sounds like an appeal to entrepreneurship, and Uber itself has referred to [drivers](#) as "transportation entrepreneurs."

McQuown and Brown professor Barrett Hazeltine, who co-teach an entrepreneurship class, thought taking a deep dive into Uber's business practices would be a good chance to teach [students](#) about entrepreneurship in the [sharing economy](#).

So McQuown and a group of 89 students from the class performed a [case study](#) of Uber's driver model, which the students compiled for their final class project. The results were a bit surprising. They conclude that Uber's business model for drivers might not be as entrepreneurial as it seems.

Getting behind the wheel

For years in Hazeltine's class, students have read prepared case studies on various business situations and presented for their final exams recommendations on how companies could manage them. This year, McQuown and Hazeltine took a different approach and gave students a chance to prepare their own case as a final project.

Uber seemed like an ideal subject. Like eBay, Etsy and Airbnb, Uber is often cited as a major force in the new and growing sharing economy, which lets individuals turn their cars, interests, hobbies or even their spare bedrooms into businesses. Uber riders can summon a car with a press of a button on a smartphone app. Drivers on the other side of the app field those requests and get the riders where they want to go. Payment is handled through the app where riders' credit cards are on file. No cash needs to change hands.

For the class, Uber offered an opportunity to learn how the business works from the drivers' perspectives firsthand.

McQuown is no stranger to either entrepreneurship or the sharing economy. He started a text message company in his college dorm room and sold it eight years later to the telecommunications firm Softbank. He also sits on the board of advisors for Rally, a company that connects people who are going to the same place and provides buses to get them there.

"I said to Barrett, 'Why don't I take the summer break, become an Uber driver and make a case study out of it?'" McQuown said. "That was the genesis."

McQuown ended up logging about 400 hours and 8,000 miles behind the wheel, documenting his experience along the way. When the semester started, McQuown and Hazeltine asked for students join the project. The 89 students who signed up split into teams and interviewed more than 100 Uber drivers to bolster McQuown's firsthand account.

Not so entrepreneurial

The idea of Uber entrepreneurship starts to break down with the driver rating system, the research suggests. After every trip, riders have the chance to rate drivers on a scale from one to five, with five being excellent. Rating systems are the linchpin of sharing economy companies like eBay and Etsy, providing buyers a means of knowing who the best sellers are. Buyers are more likely to do business with top-rated sellers, and they might even pay a premium to do so. In other words, the ratings give sellers a chance to differentiate themselves in the marketplace. But that's not the way the ratings work with Uber, McQuown says.

"Entrepreneurship means that you create a product or service that's

unique in the marketplace and you're rewarded with more profit," he said. "You simply can't do that as an Uber driver. There's no real chance to differentiate yourself financially from other Uber drivers."

Riders can't choose their drivers based on ratings, McQuown says, which means higher-rated drivers don't get any additional business. And higher-rated drivers don't earn a premium for their superior service.

That was McQuown's experience. He became a top-rated driver in his area, but his income didn't increase. Interviews with other Uber drivers suggest that experience is not unusual. "I am a top-rated driver in New England," said one driver quoted in the report. "I know because I received an email notifying me, and I receive no compensation for that."

The team concluded that all a high-driver rating does is allow drivers to keep their jobs. If a driver rating falls below 4.6, they risk being removed from the platform.

"The rating is all stick and no carrot," McQuown said.



Patrick McQuown and students take a ride in the car McQuown used as an Uber driver. Credit: Brown University

And higher-rated drivers don't receive more in tips either, the team says. There's no option in the Uber app for riders to tip drivers through the regular Uber payment system. If a rider does want to tip, they need to do it in cash. They rarely do.

"When you're in a cab, you're going to tip the driver—that's just what you do," said Grace McCleary, a Brown sophomore who worked on the study. "But that's not the case with Uber."

The students' interviews back that up. Seventy-seven percent of the drivers surveyed reported receiving no tips or tips on less than 10 percent

of their rides. Only one percent reported receiving tips on more than 20 percent of rides.

The work also suggested that the Uber model limits drivers' ability to make their own hours. When a driver accepts a ride, they don't know where the rider is going. The trip could be a mile, or 100 miles. So a driver could be ready to end their day, when they are called for a three- or four-hour ride. A driver could turn the rider down, but they risk a poor rating. It happened to McQuown on several occasions.

"It negates this whole idea of being your own boss and setting your own hours," he said.

All told, McQuown found his experience with Uber to be not terribly flexible or profitable. After gas and maintenance on his car—all of which drivers are responsible for paying—McQuown says he made \$9.23 per hour. That's 37 cents less than the minimum wage in Connecticut, where McQuown did much of his driving. Interviews with other drivers suggested they earned similar payouts.

Taken together, the case suggests to McQuown and the students that Uber is simply not like other sharing economy companies. The entrepreneurial aspects are all but absent.

"The negative elements of being an entrepreneur are present," said Brown junior Constantin Wedekind, referring to the fact that drivers have to set their budgets and pay for upkeep on their cars. "But none of the benefits are there."

A valuable experience

For Hazeltine, who has taught entrepreneurship at Brown for decades, the most important outcome of the study was the value it had for

students.

"I think they were engaged and intellectually challenged," he said. "They were certainly very thoughtful about what they were doing."

It was an eye-opening experience for Brown junior Anish Aitharaju.

"Going into this, I'd been using Uber for a couple of years, and it's convenient and I've enjoyed using it," he said. "But this gave me a new perspective to the corporate or business side of the company—how they operate in terms of drivers versus riders."

John Diorio, a Brown sophomore, said he gained a new perspective as well.

"There's the mantra that the customer is always right," he said. "I knew about that, but I didn't see hands-on just how much that can drive how a company treats its employees."

That change of perspective was exactly what Hazeltine was hoping for.

"I was hoping they would learn how to do research and how to interpret what they found," he said. "I think they did."

Provided by Brown University

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