Uber, Lyft Sweeten Job Perks Amid Driver Shortage, Lofty Fares; Pressure builds at companies to make gig work more attractive; 'it is absolutely a reckoning'

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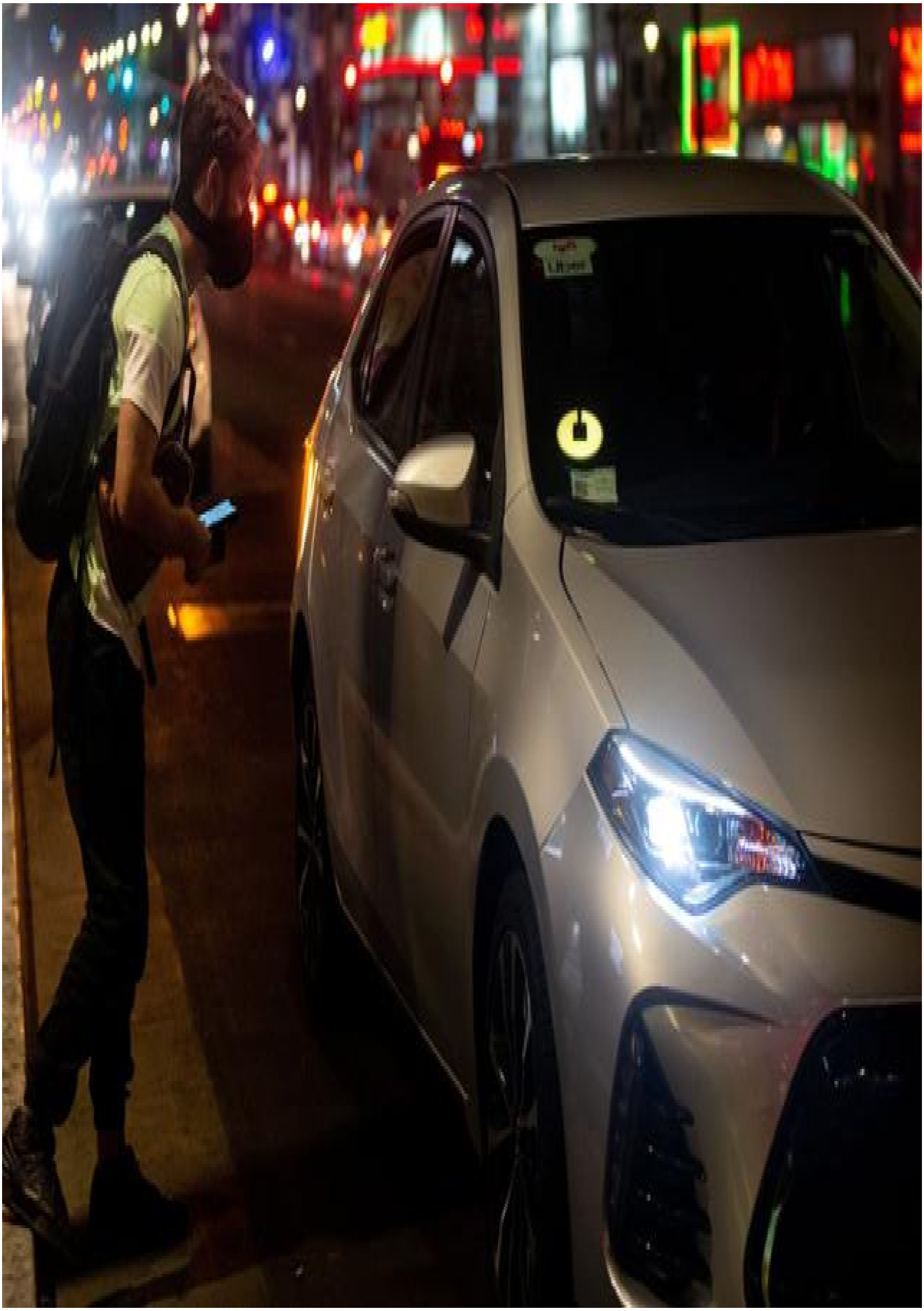

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Uber fares in the U.S. increased 27% between January and May. PHOTO: Allison Zaucha for The Wall Street Journal

A shortage of drivers in the U.S. is propelling prices for Uber and Lyft rides to record highs and pushing the

services to rethink how they attract gig workers.
Uber Technologies Inc. and Lyft Inc. are pouring millions of dollars into incentives for drivers to return, a short-term fix that has helped alleviate the scarcity and tempered fare increases in some areas but that has also raised the companies' costs.
The labor crunch isn't projected to end anytime soon. Some analysts expect the problem will persist through the third quarter, pressuring Uber and Lyft to deal with shifting dynamics of gig labor that they acknowledge will require long-term solutions.
Executives say the model they built their businesses on—luring riders with deep discounts and then incentivizing drivers to provide those rides—can't be the model that sustains them.
"This is a moment of deep introspection and reflection for a company like ours to pause and say, 'How do we make the proposition for drivers more attractive longer term?" said Carrol Chang, Uber's chief of driver operations for the U.S. and Canada. "It is absolutely a reckoning," she said.
Ms. Chang's team, tasked with managing the shortage for Uber, is in talks to fund education and career-building programs for drivers. Lyft is exploring a new partnership aimed at reducing drivers' expenses, which could involve sizable discounts on gas or insurance or help with buying vehicles, according to a person familiar with its plans.
Both companies recently began emailing drivers more insights into earnings opportunities , previously a black box for them.
The fight for drivers comes as many industries are battling for lower-wage workers, giving job seekers more leverage and opportunities. For Uber and Lyft, it coincides with their pursuit to end years of hefty losses and move toward profitability .
The efforts—the first in a series of long-term initiatives that Uber and Lyft plan to announce in the coming weeks—won't immediately solve the labor crunch, analysts say.
Youssef Squali, who covers the ride-share sector for Truist Securities, estimates the driver shortage will continue through at least September. Longer term, he says consumers should expect to pay a few extra dollars per ride compared with the discounted rates before the pandemic but doesn't think that prices will stay at their current heights.
Uber fares in the U.S. increased 27% between January and May, Chief Executive Dara Khosrowshahi tweeted last month. Over the same period, he said, driver pay per trip increased 37%. He didn't say whether the ongoing driver incentives drove the uptick.
Gridwise Inc., which tracks Uber and Lyft prices, estimates that second-quarter fares in the U.S. were up 79% from the second quarter of 2019, before the pandemic.
Sara Brown was startled to find that her Uber ride from downtown San Francisco to the nearby Mission district last month cost nearly four times what she was used to paying. "It was totally nuts," said the 32-year-old. Ms. Brown, who was returning home from dinner, said she took it anyway because she didn't want to wait for public transport.
Gad Allon, a professor at the University of Pennsylvania's Wharton School who focuses on the gig economy, said if we favor better driver benefits, we also should be willing to pay higher prices in the long run. "Our preferences in terms of speed and time and cost is what is dictating" the companies' relationship with drivers, he said.
For now, the companies' biggest challenge is wooing drivers and differentiating themselves from the host of other services competing for their participation. Many ride-share drivers turned to food and grocery delivery during the pandemic. Others say they are still concerned about safety, or are waiting for unemployment benefits to expire.
One of the perks Uber plans to offer are free learning programs for drivers, Ms. Chang said, without offering much in the way of specifics. The training could equip drivers that run their own businesses with better tools and resources and help immigrants seek other opportunities, she said, adding that many refugees take to driving Uber when they land in the U.S. While helping drivers with other employment may seem counterintuitive, it could serve as a recruiting tool because most of them work part-time anyway.
Unlike some existing Uber and Lyft partnerships that are available only to drivers who complete a certain number of trips, the companies plan to make the new resources available to anyone who drives for them.

Drivers and economists say these moves might be a step in the right direction, but they don't necessarily address the primary issue.

"A long-term solution is solving a problem drivers have, not solving an imaginative problem," said Prof. Allon of Wharton. Drivers' biggest grievance is pay, he said, and so far the companies haven't addressed it in a meaningful way beyond near-term bonuses.

Part of the frustration is that driver pay isn't linked to what riders pay. While drivers are paid extra for rides that are "surging" because of demand, the additional earnings are set in a way that doesn't reflect the multiple that riders paid. Drivers have limited visibility into how these amounts are calculated, perpetrating a widespread notion that they are being shortchanged while consumers pay top dollar.

Uber and Lyft decoupled driver pay and rider payments in the U.S. in 2016 saying the new calculus allows drivers to earn more on average. It means drivers make less on longer trips than they did before, but the companies say it fetches them more money on shorter trips, which are the majority of rides.

The companies' latest efforts "look really nice on a screen saying we're going to give you this and that, but at the end of the day does that actually put money in my bank account?" said Robert Thompson, a 50-year-old who drives part-time for Uber and Lyft in New Hampshire. "People want to know what they can make now—not two years down the road when they, maybe, get a better job."

A Lyft spokeswoman said the company is investing in new features and partnerships to serve as long-term upgrades for drivers, without elaborating.

Some drivers say they are returning now only for the bonuses. Wharton's Prof. Allon studied 8,000 drivers before the pandemic and found that once the platform offered a steady source of income, most stayed and drove longer hours. While drivers want flexibility, they also want consistency, he said.

Uber's Ms. Chang said her team is going "to great lengths to communicate the consistency." The company recently started a weekly email for drivers showing expected hourly earnings in their localities, alongside a list of the busiest locations and times. Lyft began serving drivers with something similar. The companies say these insights will continue after the supply crunch is over.

Uber said separately it will launch features to make driving a smoother experience, such as telling drivers what side of the street riders are on.

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