

Seattle Second in Nation to Pass Rideshare Driver Minimum Wage Law

One year after New York City did the same, Seattle enacted an ordinance in 2019 that guarantees a minimum wage for local rideshare drivers. Following an independent city-commissioned study that determined the exact amount that drivers must earn to be guaranteed a minimum wage in Seattle, the new minimum wage for rideshare drivers has been approved by the Seattle City Council and will go into effect in 2021.

Seattle Minimum Compensation Ordinance

The Seattle City Council approved a new minimum compensation standard in September 2020 that allows drivers contracted with rideshare companies to earn a minimum wage and charge the rideshare companies for business expenses like rest breaks and car cleaning. The compensation standard completes Seattle Mayor Jenny Durkan's Fare Share Plan that passed the Seattle City Council in November 2019. The Fare Share Plan includes two ordinances.

The first ordinance is the Driver Deactivation Rights Ordinance No. 125976 that precludes unwarranted removal of rideshare drivers from apps and provides a right to challenge deactivations that may be unwarranted.

The second ordinance is the Minimum Compensation Ordinance No. 125977 that requires rideshare companies to pay drivers a minimum compensation standard that comprises at least the equivalent of the Seattle hourly minimum wage plus reasonable expenses. The ordinance also called for community input and an independent study to determine the exact minimum compensation standard that would guarantee drivers a minimum wage. The city commissioned economists James Parrott of The New School and Michael Reich of University of California, Berkeley to conduct the study, which was completed in July 2020 and found rideshare drivers in Seattle often earn \$9.73 per hour after expenses.

The Fare Share Plan has been supported by housing, transit, labor, environmental, health, and social justice groups. Mayor Durkan reports that "drivers in King County are disproportionately low income and predominately from immigrant and refugee communities. The ordinance is part of Seattle's commitment to address the disparate access to economic opportunity experienced by these communities." Employers and other opponents, however, argue the new laws will hurt job growth and increase prices for riders.

New York City was the first in the nation to pass a similar law in December 2018. Beginning in early 2019, rideshare companies began paying drivers about \$5.00 more per hour to ensure they earned a minimum wage. There have since been reports that the change has resulted in increased prices for riders and a decrease in the number of rideshare trips taken in the city.

Seattle's compensation standard guarantees that drivers will be paid at least \$0.56 per minute and \$1.33 per mile driven while transporting passengers. The compensation standard goes into effect January 1, 2021, and will be enforced by the City of Seattle Office of Labor Standards.

Takeaway

The minimum compensation standard and Fare Share Plan are examples of many recent laws that are being passed throughout the nation aimed at broad labor and employment protections for gig economy contract workers. Employers that are gig economy companies or exploring future opportunities in the gig economy should pay close attention to these rapidly evolving regulations.

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