

Driven Into Poverty

A Comprehensive Study of the Chicago Taxicab Industry

Report I: Income

RITZ-CARLTON



University of Illinois

School of Labor and Employment Relations

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Table of Contents

- I. Introduction: History of the Taxi Worker Organizing Project 1**
- II. Survey Methodology 2**
- III. Data Set 4**
- IV. Income and Expense Report Findings 5**
- V. Conclusion 13**
- VI. Charts and Tables Section 16**

I. Introduction: History of the Taxi Worker Organizing Project

The initial idea for the American Friends Service Committee's (AFSC) Taxi Worker Organizing Project came about in 2006 when leaders from its partnering organization, the Council of Islamic Organizations of Greater Chicago (CIOGC), urged AFSC to publically respond to the violent murder of cabdriver, Haroon Paryani. The Council has functioned as an advocacy group for the city's roughly 60 percent of cabdrivers who are Muslim.

AFSC and CIOGC decided to jointly respond to the murder of Haroon Paryani and address other problems plaguing Chicago cabdrivers. These problems included crimes in the form of physical violence as well as poor working conditions, racial profiling, and anti-cabdriver media bias.

Under the auspices of AFSC's national Human Migration and Mobility/Project Voice program a partnership was built between the two organizations to develop a long-term strategy to organize Chicago cabdrivers for the purpose of attaining better working conditions and respect for the rights of the mostly immigrant worker population.¹ The partnership produced the Taxi Worker Organizing Project.

In 2007, CIOGC stepped back from its role as an active partner while AFSC continued to be at the forefront of the project. In December 2007, the Taxi Worker Organizing Project was instrumental in persuading the suburban Village of Skokie to partially overturn its ban on street parking for cabs. A few months later, leaders of what would soon become the United Taxidivers Community Council and Taxi Worker Organizing Project staff worked with the City of Chicago to come to a resolution to stop ticketing drivers for parking while they were praying at the O'Hare Airport Staging Area.

In January 2008, the United Taxidivers Community Council (UTCC) was formed after core leadership from the Taxi Worker Organizing Project campaigns met to discuss a long-term strategy to organize cabdrivers. A top priority of AFSC-UTCC was to collect reliable data on the working conditions experienced by city cabdrivers. While a few studies have reported on cab drivers in other major urban areas, this is the first comprehensive study of Chicago taxicab drivers.

¹ Project Voice is a program that focuses on immigrants' and workers' rights.

II. Survey Methodology

AFSC-UTCC set out to design an unprecedented baseline study of Chicago taxi drivers addressing issues of *income, leasing, violence, and interactions with law enforcement*. In early 2008 the organization developed and piloted an initial questionnaire. Subsequent to the piloting period, AFSC-UTCC met with faculty at the University of Illinois' School of Labor and Employment Relations (LER) to assess the survey and recommend substantive changes. At that point LER faculty in Chicago agreed to assume direction and control of the survey project. The final product was a 49-item survey instrument that was administered to 920 taxi drivers between June and August of 2008.² According to statistics that the Department of Consumer Services provided to AFSC-UTCC, there were approximately 10,500 licensed taxi drivers in Chicago at the time the survey was conducted. The number of survey responses therefore represents 8.76 percent of the total population.

It is important to note that AFSC-UTCC did not have access to drivers' names, mailing addresses or phone numbers. Therefore randomly drawing a sample population to survey was impossible. Instead, survey recipients were approached and interviewed in person by AFSC employees predominately at the taxi staging area of O'Hare International Airport. The majority of interviews occurred between the hours of 12:00pm and 3:30pm and took approximately 20 minutes to complete.

This survey was not assessed by the UTCC or AFSC. Although this does not ensure survey validity or eliminate all response biases, the independent origin of the analysis work does provide some important mitigation against such problems. In addition, all responses were recorded anonymously thereby protecting the respondent from first-person pressure to answer as he or she believed was expected. It is also important to note that responses originated from within a unitary population, i.e., Chicago taxi drivers. As a largely single site survey, the sample responses can better approximate the actual assessment of the larger population than questionnaires spread across multiple groups and locations. It also mitigates against a group sampling bias skewing the final results.

The survey included the following eight control variables: country of origin, race/ethnicity, religious affiliation, fluency in other languages, residential zip code, voter registration or eligibility, age, and gender. All responses were selected from closed-choice items except language and age. Those questions concerning country of origin and religion also allowed for self-reported specification of "other."

² All questions may be directed to Dr. Robert Bruno, Director of the Labor Education Program at the School of Labor and Employment Relations at the University of Illinois.

Variables related to income in the survey included both objective and subjective questions. Objective variables included: length of tenure as a Chicago taxi driver, how many days drivers worked in the past 30 days, time shift begins and ends, days off due to illness or injury, ownership or leasing of taxi, driver's expenses, taxi affiliation, insurance, type of lease and specific itemized charges, maintenance cost, costs incurred through law enforcement and Department of Consumer Services (DCS) ticketing and gross income.

Subjective variables included drivers' opinions on credit card commission rates, the necessity of a fare increase and the gas surcharge that was in place for the duration of the summer of 2008. In addition, multivariate analysis of covariance was also run using the demographic characteristics of the respondents as the independent variable to determine if any particular items explained the observed outcomes.

In order to address the overall topic of Chicago taxi drivers' income, the study assesses the survey respondents according to the four divergent business models that predominate in the city. The business arrangements and the percentage of drivers represented in this study are as follows: weekly-lease drivers (54.7 percent), shift-lease drivers (17.9 percent),³ medallion owners (25.7 percent) and medallion-only lease drivers (1.7 percent). The study findings are divided into four subsections according to the four respective business models. There are certain expenses that all drivers encounter and others that are specific to each business model.

At the end of each subsection, there is a summary table detailing the average of each itemized expense. Each table concludes with the average of total expenses, gross annual income, net annual income and hourly income of drivers within the respective business model category. Importantly, the sum of each *itemized* expense does not equal the average *total* expenses. This is not an error, rather it is due to two different averaging techniques. The authors first averaged each expense (e.g., fuel expense and maintenance expense) in order to compare the relative impact of each expense. By examining individual items we are able to construct an average expense for each item. The authors then calculated each driver's income, in order to compare their different financial situations. Doing this produced an average income and expense for each driver.

While the Taxi Driver study is a comprehensive examination of issues related to income, leasing, violence, and interactions with law enforcement, separate reports will be developed and issued on each subject. The report included below focuses on driver incomes and expenses.

³ Shift-lease drivers can be further sub-categorized as "12-hour" or "24-hour." Weekly-lease drivers can be further sub-categorized into "12-hour maintenance included, 12-hour no maintenance, 24-hour maintenance included, or 24-hour no maintenance." There will be a forthcoming report analyzing the details of leasing.

III. Data Set

There are 920 taxi drivers participating in this survey, however only 711 answered all the questions relating to income. Therefore this report includes 711 survey respondents. The taxi drivers participating in this survey are a very diverse group representing 76 countries and demonstrating fluency in over 100 languages (Chart 1.1. All charts and tables are in an appendix following this report.). The most common foreign languages⁴ (Chart 1.2.) are Arabic (17.7 percent), Yoruba (13.8 percent), Urdu (13.7 percent), and French (12.6 percent). The majority of drivers (53 percent) were born in Nigeria (18.3 percent), United States (9.9 percent), Pakistan (9.8 percent), Somalia (8.2 percent) and Ghana (6.8 percent). A majority of the respondents who were born in the United States (Chart 1.3), were African-American (51.6 percent), however, they are closely followed by Caucasian drivers (38.7 percent).

Respondents are overwhelmingly male (98.3 percent). Drivers' age ranges from 20 to 78 years, with the average age being 42 years.

Survey participants are nearly equal numbers Christian (42.0 percent) and Muslim (37.0 percent). Some drivers self-identify as having no religious affiliation (11.4 percent). There were also small numbers of drivers self-identifying as Buddhist, Hindu, Jain, Jewish, and Sikh (Chart 1.4).

Respondents included both seasoned and newer drivers, but this survey (Chart 1.5) captured a majority of newer drivers who began driving within the past 6 years (53.2 percent). A slight majority of respondents are registered voters (50.9 percent), while 12.5 percent are eligible (Chart 1.6) but not registered to vote.

Drivers' residences are dispersed over a large area (Chart 1.7). Respondents live within 142 different zip codes. The most common residential zip codes of Chicago taxi drivers are 60660, 60625, 60626, 60659, 60645 and 60640 (42.3 percent of respondents). These zip codes make up an area of Chicago's far north side, bordered by Lake Michigan to the east, Montrose Avenue (4400 North) to the south, Pulaski Road (4000 West) to the west and Touhy Avenue (7200 North) to the north.

⁴ Respondents were asked the open-ended question, "What language(s) do you speak fluently other than English."

IV. Income and Expense Report Findings

The income study had two objectives. The first objective was to create a baseline survey of Chicago taxi drivers' income and expenses. The second objective was to calculate individual drivers' hourly wages and assess the sufficiency (or insufficiency) of their wages.

Weekly-Lease Drivers

Weekly-lease drivers compose the majority (54.7 percent) of the respondent population. Weekly-lease drivers lease their vehicle every week. As defined by the city of Chicago, "*Taxicab lease* means a written contract between the licensed owner of a City of Chicago taxicab medallion ("lessor") and a City of Chicago licensed public chauffeur ("lessee") authorizing the use of the medallion and, if applicable, a taxicab vehicle, by that chauffeur for a specific period of time."⁵ These drivers incur the typical expenses of fuel, summer and winter upkeep (including interior and exterior cleaning and windshield wiper fluid, but excluding maintenance such as repairing breaks or engine), airport taxes and credit card fees. In addition, 26.8 percent of weekly-lease drivers also pay "insurance deductibles or have any other out of pocket expenses for damage to that taxi during the past twelve months." Finally, lease drivers also pay for the lease agreement itself. Listed below are the average typical expenses incurred by lease drivers.

Fuel

In 2008, the United States Department of Energy recorded the price of one gallon of regular grade gasoline in Chicago to be \$4.23 in June, \$4.27 in July and \$4.06 in August.⁶ When respondents were asked to describe the cost of fuel per day, responses ranged anywhere from \$10.00 to \$210.00. The average weekly-lease driver spent \$59.80 per day. When asked, "In the past 30 days, how many days have you driven a taxi," weekly-lease drivers responded with an average of 25 days. The authors calculated each weekly-lease driver's monthly fuel expenses to average \$1,494.88 (Chart 2.1).

⁵ *Rules and Regulations for Taxicab Medallion and License Holders*. City of Chicago, Department of Consumer Services, Public Vehicle Operations Division. Section VIII, Rule 8.01a.

⁶ *Weekly Retail Gasoline and Diesel Prices*, US Department of Energy, Energy Information Administration, 2008. http://tonto.eia.doe.gov/dnav/pet/pet_pri_gnd_dcus_yord_m.htm.

General Upkeep (excluding maintenance)

General upkeep costs do not include maintenance such as repairing the brakes or engine. Instead, upkeep includes washing the interior and exterior of the vehicle and adding additional windshield fluid. The questionnaire addressed both summer and winter upkeep costs. The authors averaged the two figures in order to construct an average monthly upkeep cost for each respondent. Weekly-lease drivers averaged \$91.47 in monthly upkeep costs (Chart 2.2).

Airport Taxes

Drivers also pay an airport tax when picking-up and dropping-off customers at the airports (O'Hare and Midway International Airports). On average, weekly-lease drivers reported paying \$6.37 per day in airport taxes on days they travel to the airport. However, most drivers do not pick-up or drop-off at the airport everyday. Drivers go to airports anywhere from 0 to 30 days per month, and they average 21 days per month. Weekly-lease drivers therefore averaged \$116.69 in monthly airport taxes (Chart 2.3).

Credit Card Cost

While a standard fee of 5 percent of each credit card fare payment is charged to the taxicab driver, the study was not able to determine how many passengers are paying with credit cards. Anecdotal data collected from drivers suggested that credit card payments to and from the city airports are substantial. However, we could not independently verify the rate of credit card fare payments in relation to cash payments and consequently, this cost could not be measured with our survey tool.

Insurance Deductible Fees

About 26.9 percent of weekly-lease drivers stated "yes" when asked if they "pay any insurance deductible or have any other out-of-pocket expenses for damage to that taxi during the past twelve months." Drivers with insurance deductibles or out of pocket expenses pay, on average, \$35.45 monthly (Chart 2.4).

Weekly Lease Agreement Cost

Weekly-lease drivers spend an average of \$493.39 per week for a vehicle lease agreement. Weekly-lease drivers can choose the number of weeks per month to rent a taxicab. Some rent for only 1 week per month, while others rent continuously, i.e., every week.. The result is an average monthly cost of \$1,837.72 (Chart 2.5).

Weekly-Lease Driver Summary

Weekly-lease drivers reported working an average of 13.26 hours per shift (Chart 3.1) and 25 days per month (Chart 3.2). In addition to expenses, drivers were asked, “On average, what was your total (gross) monthly income from driving that taxicab, including both tips and fares?” The average reported gross income was \$56,085.72. (Chart 3.3) By multiplying respondents’ average gross income by the number of monthly hours worked and then subtracting appropriate expenses (Chart 3.4), the authors calculated that weekly-lease drivers earn an average net annual income of \$13,518.20 (Chart 3.5).

Current Illinois minimum wage is \$7.75 per hour.⁷ Weekly-lease drivers earn on average \$4.81 per hour (Chart 3.6). It is also significant that only 5.0 percent of weekly-lease drivers are working an 8 hour shift or shorter, while 77.6 percent of weekly-lease drivers work a 12 hour shift or longer. Weekly-lease drivers also work 25 out of 30 days on average.

| Weekly Lease Drivers Summary Table | |
|---|-----------------------------|
| Expense Item | Average Monthly Cost |
| Fuel | \$1,494.88 |
| General Upkeep | \$91.47 |
| Airport Taxes | \$116.69 |
| Insurance Deductible Fees | \$35.45 |
| Lease Agreement | \$1,837.72 |
| Total Annual Expenses | \$42,567.48 |
| Gross Annual Income | \$56,085.72 |
| Net Annual Income | \$13,518.20 |
| Hours per Shift | 13.26 |
| Shifts per Month | 25 |
| Hourly Income | \$4.81 |

⁷ Minimum Wage Law, Illinois Department of Labor. <http://www.state.il.us/agency/idol/Laws/Law105.htm>

Shift-Lease Drivers

Instead of agreeing to lease on a weekly basis, 17.9 percent of drivers lease their taxicabs on a daily 12 or 24 hour basis. Shift-lease drivers incur similar general expenses as weekly-lease drivers, and the average monthly costs of these items are listed in the summative table at the end of this subsection.

Shift Lease Agreement Cost

Shift-lease drivers spend an average of \$82.88 daily for their vehicle lease agreement. The majority of lease agreements range from \$70.00 to \$92.00 per week. Shift-lease drivers can choose the number of days per month to rent a taxicab. Some rent for only 1 week per month, while many (34.6 percent) rent continuously, i.e., 30 out of 30 days. The result is an average monthly cost of \$2,022.66 .

Shift-Lease Driver Summary

Shift-lease drivers reported working an average of 12.73 hours per shift and 24 days per month. On average, their gross income from driving a taxicab was \$55,716.66. After subtracting relevant expenses the authors calculated that shift-lease drivers earn an average annual net income of \$11,496.90. Shift-lease drivers earn on average \$4.07 per hour and only 7.1 percent of shift-lease drivers are working an 8 hour shift or shorter, while 77.2 percent of shift-lease drivers work a 12 hour shift or longer.

| Shift Lease Drivers Summary Table | |
|--|-----------------------------|
| Expense Item | Average Monthly Cost |
| Fuel | \$1,503.13 |
| General Upkeep | \$67.49 |
| Airport Taxes | \$105.38 |
| Insurance Deductible Fees | \$15.70 |
| Lease Agreement | \$2,022.66 |
| Total Annual Expenses | \$44,219.76 |
| Gross Annual Income | \$55,716.66 |
| Net Annual Income | \$11,496.90 |
| Hours per Shift | 12.73 |
| Shifts per Month | 24 |
| Hourly Income | \$4.07 |

Medallion-Owner Operators

Approximately a quarter of (25.3 percent) of all respondents own the license, i.e., medallion, on the car and the taxi he or she is driving. Approximately 74.7 percent of medallion-owner operators are making payments on the medallion, the vehicle or both. Owner operators avoid the costs of leasing a car, however, along with the typical expenses (see tables listed below subsection) they also incur other costs. All owner operators are responsible for a medallion renewal fee, affiliation fees, ground taxes, car insurance premiums and maintenance costs. Drivers with outstanding vehicle and medallion loans are also making monthly payments.

Vehicle and Medallion Loan Payments

Approximately half (48.3 percent) of medallion-owner operators are “still making payments on the vehicle.” While there was a wide range of monthly payments reported, the average monthly car payment is \$607.49 per month. (Chart 2.6) In addition, nearly two-thirds of medallion owner operators (63.1 percent) are making an average monthly medallion loan payment of \$1,037.45 (Chart 2.7).

Medallion Renewal Fee

In order for a taxicab in the city of Chicago to be legally licensed to operate it must display a medallion. According to the city of Chicago, “*Medallion* means a metal plate, furnished by the commissioner, for display on the outside hood of a taxicab, of such size and shape and bearing such impression thereon as shall be required by this ordinance (Municipal Code of Chicago) and by the commissioner.”⁸ Chicago medallion prices have tripled over the past several years to over \$140,000.⁹ Medallions used to be given away but are now auctioned off by the city and the price has risen approximately 500% since 1991 when medallions cost \$28,000.¹⁰ It is estimated that owners now hold over 10,000 medallions in the city, up from 6,750 in 2002.¹¹

⁸ Municipal Code of Chicago, MCC 9-112- 010. <http://www.chicityclerk.com/municipalcode.php>

⁹ “Medallion Financial Corp. Reports 2008 Third Quarter Results,” *Trading Markets*, available at <http://www.tradingmarkets.com/.site/news/Stock%20News/1990063/>, Nov. 3, 2008.

¹⁰ Estimate derived from data in a “Metro Briefings” Section of *The Chicago Sun-Times*, July 17, 1991.

¹¹ Fran Spielman, “Cabbies Shun Roof Ads: Can’t Make any Money off it: Fewer Than 23% Apply for Displays Designed to Ease Fare Hikes,” *Chicago Sun-Times*, May 23, 2006, p. 22.

Drivers who own their medallions are responsible for paying an annual “medallion renewal fee.” The city of Chicago charges an annual “medallion renewal fee,” which must be paid because, “it shall be unlawful for any person to operate a public passenger vehicle for hire without the metal plate or emblem for *the current year* affixed.”¹² Based on responses from medallion-owner operators, the annual average cost of renewing a medallion is \$568.00 or \$47.33 monthly.

Affiliation Fees

Three quarters (75.5 percent) of owner operators also pay an "affiliation fee" to their affiliated cab company. Affiliation fees afford owner operators the privilege of using the cab company's colors and dispatch service. According to medallion-owner operator respondents, affiliation fees average \$27.86 per month (Chart 4.1).

Ground Tax

“The Ground Transportation Tax applies to businesses that provide ground transportation vehicles for hire in Chicago to passengers for a charge or other consideration in whatever form.” The Chicago Department of Revenue states that owners “will pay a flat monthly fee of \$78.00 per medallion.”¹³

Car Insurance Premiums

Car insurance is another responsibility of owner operators. Some owner-operators pay their insurance as part of their affiliation fee. According to owner operator respondents, monthly insurance premiums average \$649.69 (Chart 4.2).

Maintenance

Owner operators also incur “maintenance costs.” Maintenance is separate from the aforementioned “upkeep.” Upkeep includes tasks such as cleaning the vehicle's interior and exterior and replacing windshield fluid. Maintenance includes repairing breaks, engine work and repairing body damage. Medallion-owner drivers spend an average of \$307.57 in monthly maintenance expenses (Chart 4.3).

¹² Municipal Code of Chicago, MCC 9-112- 160. <http://www.chicityclerk.com/municipalcode.php>

¹³ *Ground Transportation Tax*. Chicago Department of Revenue, Dec 2008. <http://www.cityofchicago.org/>

Summary of Medallion-Owner Operators

Medallion-owner operators paying on medallion, vehicle or both loans (74.7 percent) reported an average gross income of \$50,674.60 by working an average of 13.09 hours per shift, and 24 days per month. But after accounting for relevant expenses (\$47,248.80) the average net annual income of medallion-owner operators who are still making medallion and/or car payments fell to \$3,425.86. Medallion-owner operators paying on loans earn on average a miniscule \$0.56 per hour.

For those drivers who are no longer paying off loans (24.7 percent) the net income improves to \$18,581.09 after taking into account the average gross income (\$49,756.36) and average expenses (\$31,175.28). There is a significant difference between the aforementioned \$0.56 per hour income for drivers who are paying off loans and the \$6.41 per hour income for medallion-owner operators who no longer make loan payments. These owner operators who are not making loan payments work an average of 12.28 hours per shift, and 23 days per month.

Significantly only 3.3 percent of all medallion-owner operators are working an 8 hour shift or shorter, while 72.8 percent of medallion-owner drivers work a 12 hour shift or longer.

| Medallion-Owner WITH Loans Summary Table (74.7%) | |
|---|-----------------------------|
| Expense Item | Average Monthly Cost |
| Fuel | \$1,387.61 |
| General Upkeep | \$96.01 |
| Airport Taxes | \$117.14 |
| Insurance Deductible Fees | \$73.82 |
| Medallion Loan Payment | \$1,037.45 |
| Vehicle Loan Payment | \$607.49 |
| Medallion Renewal Fee | \$558.91 |
| Affiliation Fees | \$629.75 |
| Ground Tax | \$78.00 |
| Car Insurance Premiums | \$667.01 |
| Maintenance | \$317.20 |

| | |
|-----------------------|--------------------|
| Total Annual Expenses | \$47,248.80 |
| Gross Annual Income | \$50,674.60 |
| Net Annual Income | \$3,425.86 |

| | |
|------------------|--------|
| Hours per Shift | 13.09 |
| Shifts per Month | 24 |
| Hourly Income | \$0.56 |

| Medallion-Owner WITHOUT Loans Summary Table (24.7%) | |
|--|-----------------------------|
| Expense Item | Average Monthly Cost |
| Fuel | \$1,294.75 |
| General Upkeep | \$78.23 |
| Airport Taxes | \$116.05 |
| Insurance Deductible Fees | \$177.57 |
| Medallion Renewal Fee | \$515.00 |
| Affiliation Fees | \$592.79 |
| Ground Tax | \$78.00 |
| Car Insurance Premiums | \$549.61 |
| Maintenance | \$265.48 |

| | |
|-----------------------|--------------------|
| Total Annual Expenses | \$31,175.28 |
| Gross Annual Income | \$49,756.36 |
| Net Annual Income | \$18,581.09 |

| | |
|------------------|---------------|
| Hours per Shift | 12.28 |
| Shifts per Month | 23 |
| Hourly Income | \$6.41 |

Medallion-Only Lease Drivers

Medallion-only lease drivers own their vehicle (although most are still making car payments), however, instead of owning a medallion, they lease it from a medallion corporation. This business model represents only 1.7 percent of the study respondents. Medallion-only lease drivers closely approximate medallion-owner operators in that the and are revealed in the table at the end of this subsection.

Medallion Lease Cost

When asked, “How much do you pay for your medallion lease per week?” medallion-only lease drivers responded with an average of \$371.00 per week, resulting in a \$1,484.00 average monthly charge.

Vehicle Loan Payments

Like many medallion-owner operators, medallion-only lease drivers own their vehicle. However they are also making payments towards vehicle loans averaging \$504.82 monthly.

Summary of Medallion-Only Lease Drivers

Medallion-only leased operators work 11.94 hours a day and 25 days per month. They reported an average annual gross income of \$64,000.00. After accounting for relevant expenses the average net annual income of medallion-only-leases operators is \$18,443.33. Medallion-only-leased operators earn on average \$5.65 per hour. Only 16.7 percent of those drivers are working an 8 hour shift or shorter, while 50 percent of medallion-only lease drivers work a 12 hour shift or longer.

| Medallion-Only-Lease Driver Summary Table | |
|--|-----------------------------|
| Expense Item | Average Monthly Cost |
| Fuel | \$1,444.58 |
| General Upkeep | \$68.67 |
| Airport Taxes | \$122.00 |
| Insurance Deductible Fees | \$36.11 |
| Medallion Lease Payment | \$1,484.00 |
| Vehicle Loan Payment | \$504.82 |
| Affiliation Fees | \$100.00 |
| Ground Tax | \$78.00 |
| Car Insurance Premiums | \$231.50 |
| Maintenance | \$232.83 |

| | |
|-----------------------|--------------------|
| Total Annual Expenses | \$45,556.68 |
| Gross Annual Income | \$64,000.00 |
| Net Annual Income | \$18,443.33 |

| | |
|------------------|---------------|
| Hours per Shift | 11.94 |
| Shifts per Month | 25 |
| Hourly Income | \$4.82 |

V. Conclusion

Respondents were asked whether they agreed or disagreed that “drivers need a fare increase.”¹⁴ Not unexpectedly, a robust 81.1 percent agreed or strongly agreed that a fare increase was warranted. Although this is not a remarkable finding, the income report substantiates taxicab drivers’ claims for a fare increase, as they are earning well below minimum wage and working nearly 13 hours per shift. It is likely the low hourly wage is the root cause of drivers working such long shifts.

The respondents’ broad range of business models (e.g., owner-operators, daily lease-drivers and weekly-lease drivers), required examining expenses and incomes from different vantage points. Nonetheless, no matter the perspective the study results show that Chicago taxi drivers incur significant and multiple expenses.

A composite assessment of all drivers also reveals a tenuous financial arrangement. Taken as a unified group, taxi drivers reported an average gross annual income of \$54,723.92 and \$42,402.96 in average annual expenses. The average net annual income for a driver was \$12,320.95 and the global hourly wage was only \$4.38.

| All Drivers Summary Table | |
|---------------------------|----------------------|
| Expense Item | Average Monthly Cost |
| Fuel | \$1,459.99 |
| General Upkeep | \$88.61 |
| Airport Taxes | \$171.24 |
| Insurance Deductible Fees | \$53.71 |

| | |
|--|--------------------|
| Monthly Business Model Specific Expenses | \$1,864.29 |
| Total Annual Expenses | \$42,402.96 |
| Gross Annual Income | \$54,723.92 |
| Net Annual Income | \$12,320.95 |

Drivers as a group averaged 13.05 hours per shift including 5.06 percent of all drivers working 8 hours or less per shift and 74.54 percent working 12 hours

| | |
|------------------|---------------|
| Hours per Shift | 13.05 |
| Shifts per Month | 25 |
| Hourly Income | \$4.38 |

or more per shift. On average, drivers as a group invested 324.04 working hours per month. On an annualized basis monthly working hours amount to the equivalent of more than one and half fulltime jobs (3,888.48 hours per year).¹⁵ Drivers also take an average of less than one day off (0.62 days) in a month “because of an injury or illness to [himself/herself].”

¹⁴ Drivers were asked to respond with their level of agreement on a scale of 1 through 5 (1= Strongly Disagree, 5= Strongly Agree) to a variety of statements relating to taxi drivers’ working conditions. When given the statement “Drivers need a gas surcharge,” the majority of respondents (71.1 percent) agree or strongly agree that “drivers need a gas surcharge,” (Chart 6.5, p#). However, drivers showed a stronger preference for a fare increase (81.1 percent agreed or strongly agreed that “drivers need a fare increase”).

¹⁵ Based on working 40 hours per week for 52 weeks, 2,080 hours is generally accepted as the equivalent of a full time job.¹⁶ *Weekly Retail Gasoline and Diesel Prices*, US Department of Energy, Energy Information Administration, 2008. http://tonto.eia.doe.gov/dnav/pet/pet_pri_gnd_dcus_yord_w.htm

A sizeable minority (28.1 percent) of drivers are actually losing money. That is, their business expenses exceed their income. Anecdotally, we know that some of these drivers may be supplementing their income either through a second job or leasing their vehicle out to another taxicab driver during the time the owner is not driving.

Finally, because the length of time a driver has been working could impact his/her economic condition, we assessed the relationship between income and length of time driving (i.e., years). There was, however, no statistical relationship between driving tenure and hourly wage.

In addition to the data assessed in this report, there are two seasonal elements that should be noted when interpreting these findings.

First, the income and expense findings in this report were calculated based on data collected during the summer months. Interviews with drivers however indicate the gross incomes are typically higher during the winter season. Drivers revealed that the more inclement weather conditions caused more people to take taxis thereby increasing total fares. While the survey did not independently verify the claim, if cab usage is higher during the winter then income and expense figures collected during the winter may have been different. Drivers further attest that their maintenance and upkeep costs are also higher in the winter, so in effect there may have been little statistical difference between the seasons.

Second, income and expense data along with seasonal cab use is also related to the price of a gallon of gasoline when the survey was conducted. In other words, the relationship between income and expense is "price sensitive." When the survey was done a gallon of regular gas in Chicago ranged from \$4.06 to \$4.27. If, for example, the survey was administered in December of 2008, the price of a gallon of regular gas would be between \$1.69 and \$1.82.¹⁶ The fuel charge for the later period would be approximately half of the earlier dates. All other variables held constant the lower fuel charge would have produced a higher net income.

An alternative model for controlling for the volatility of gas prices would be to use a rolling average price and apply it to different driving seasons. Our report however has the advantages of reporting "the facts on the ground" or as they actually were.

In addition, data from this particular questionnaire revealed significant deficits in taxi driver budgets. Despite working more than one fulltime job (measured in hours worked) high operating expenses and a low fare rate results in a very modest net income from driving a cab. While this study did not address the economic value contributed to the city of Chicago by maintaining a fleet of experienced cabdrivers, it is undoubtedly substantial. Allowing so large a workforce to labor so near the margins of economic failure would seem to put at risk the infrastructure necessary to promoting Chicago as first-class international city.

Finally, as this is a baseline study, it does not speak to trends in the industry. The authors recommend applying a similar research technique in the future to determine changes in the economic conditions of drivers in the Chicago taxi industry.

Charts Section*

| | |
|-------------------------------|----|
| Demographics | 17 |
| Lease –Driver Expenses | 21 |
| Income | 24 |
| Owner Operator Expenses | 27 |

* All values indicated on Charts 2.1– 4.3 are averages.

Chart 1.1: Most Common Foreign Languages

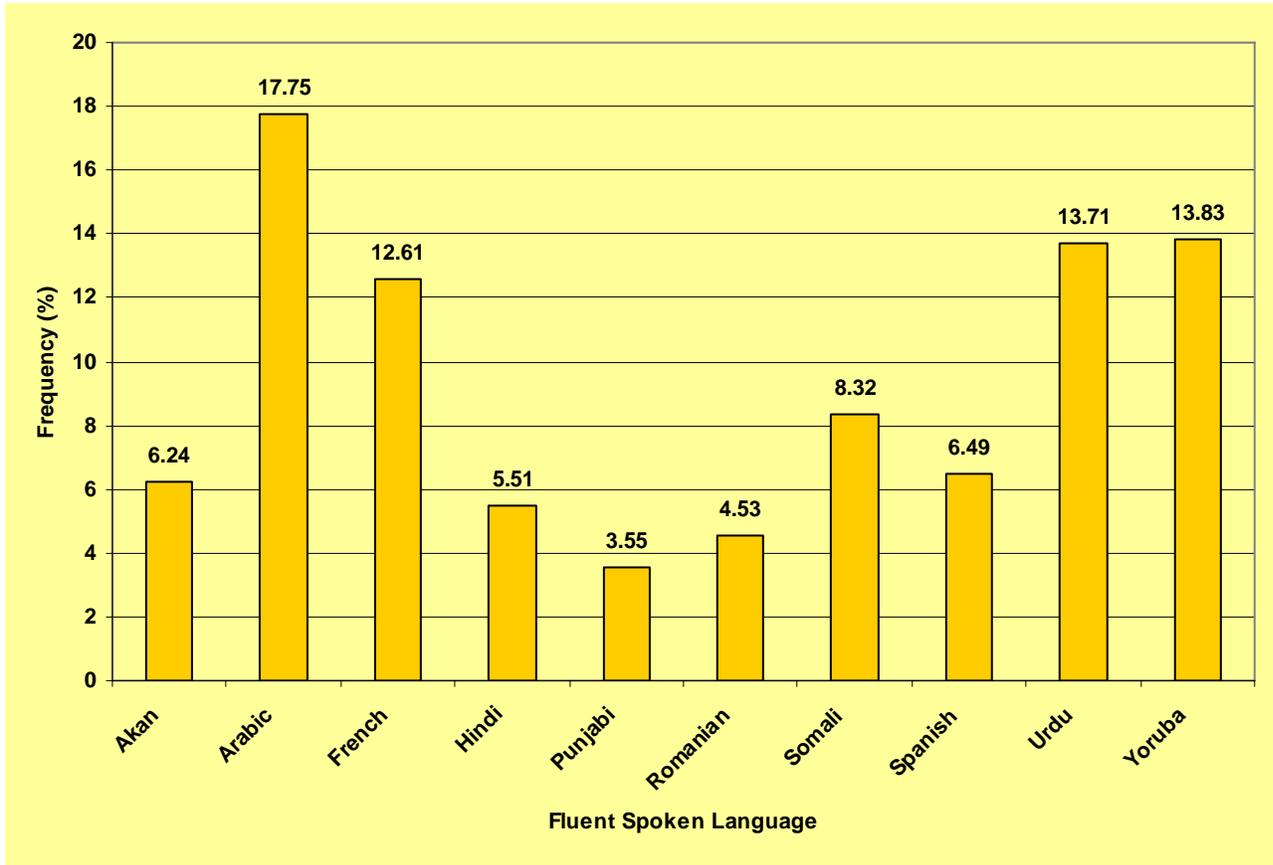


Chart 1.2: Most Common Countries of Origin

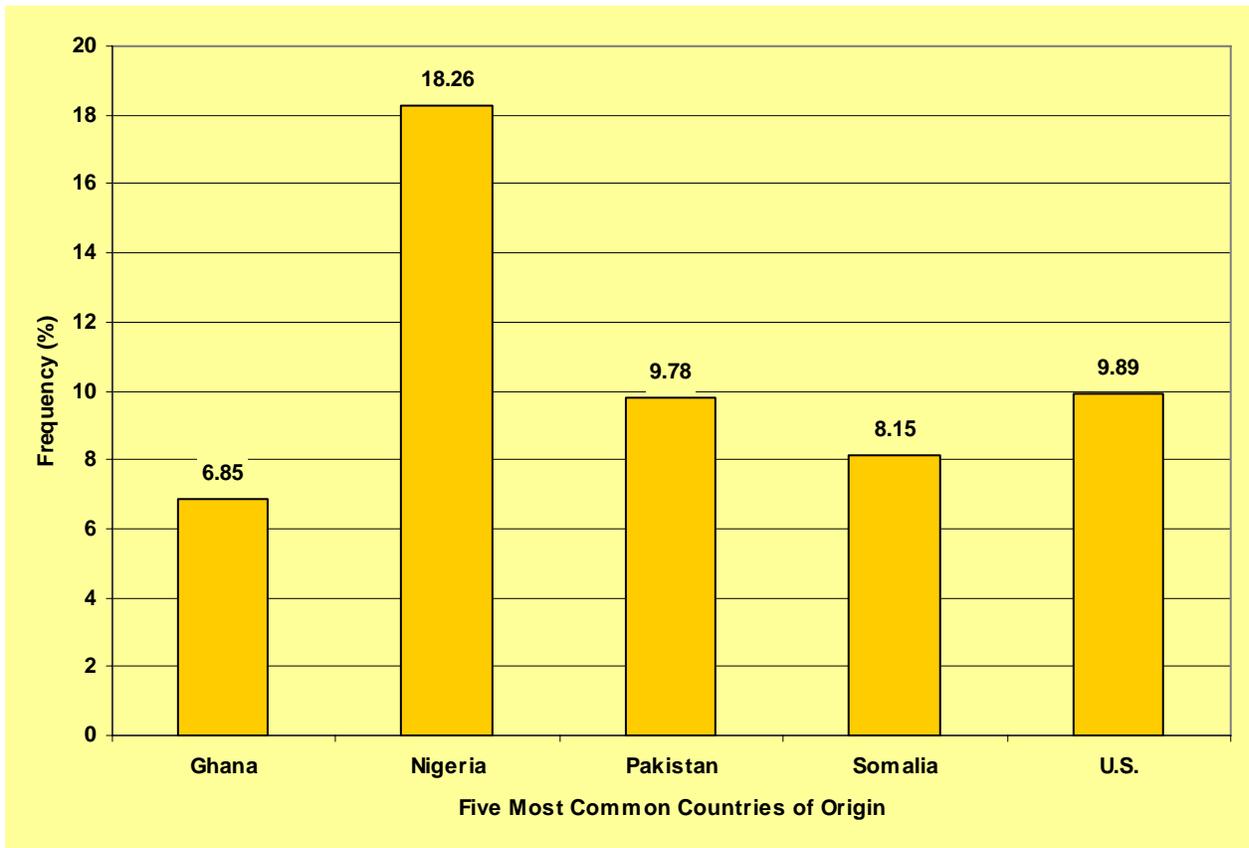


Chart 1.3: Race/ethnicity of American-born Drivers

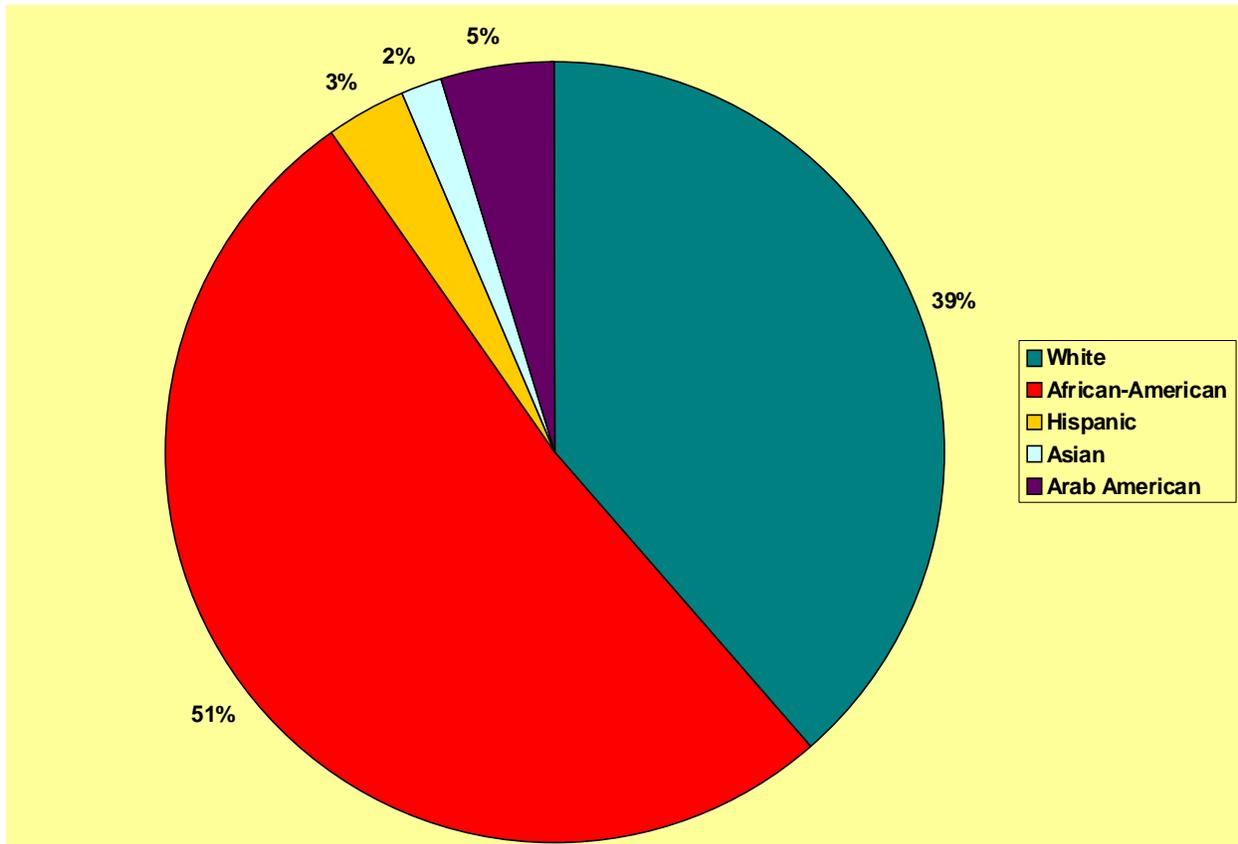


Chart 1.4: Religious Affiliation

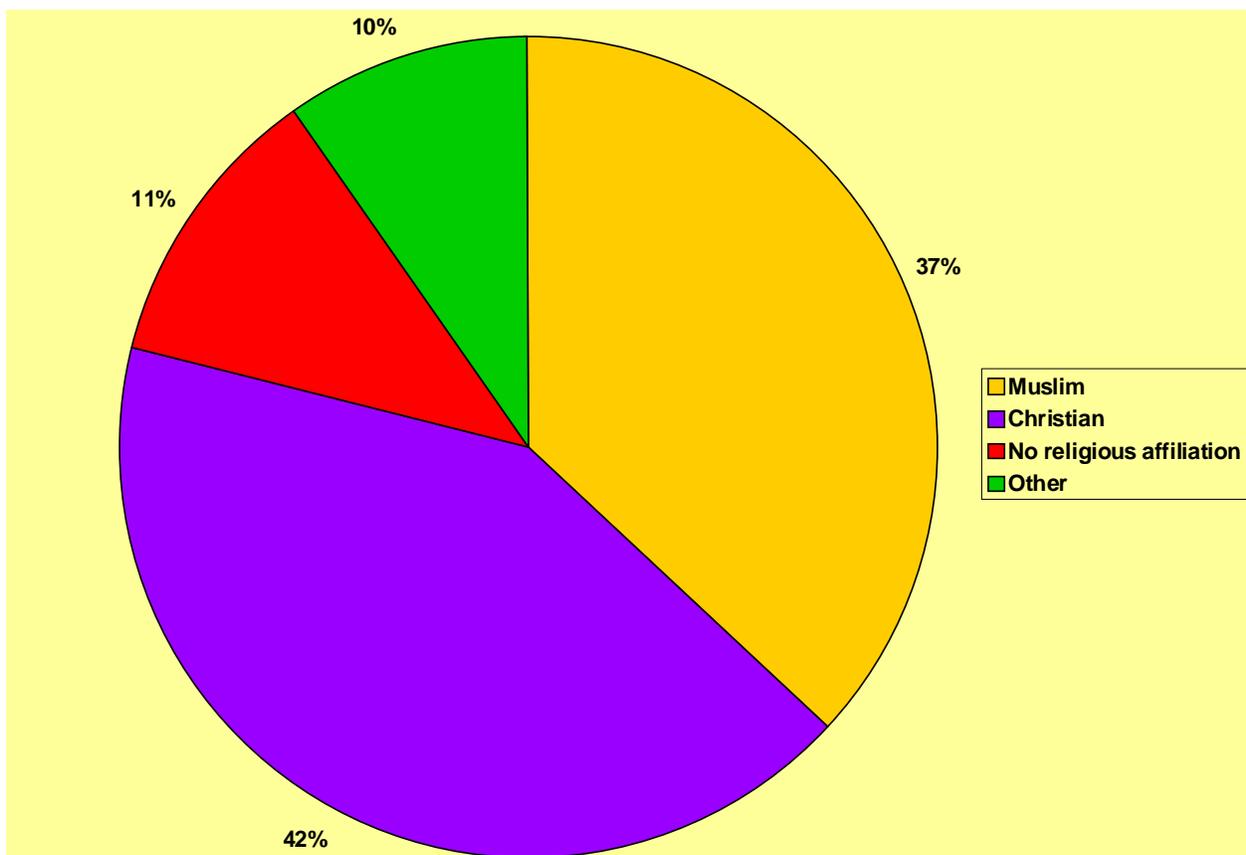


Chart 1.5: Length of Tenure

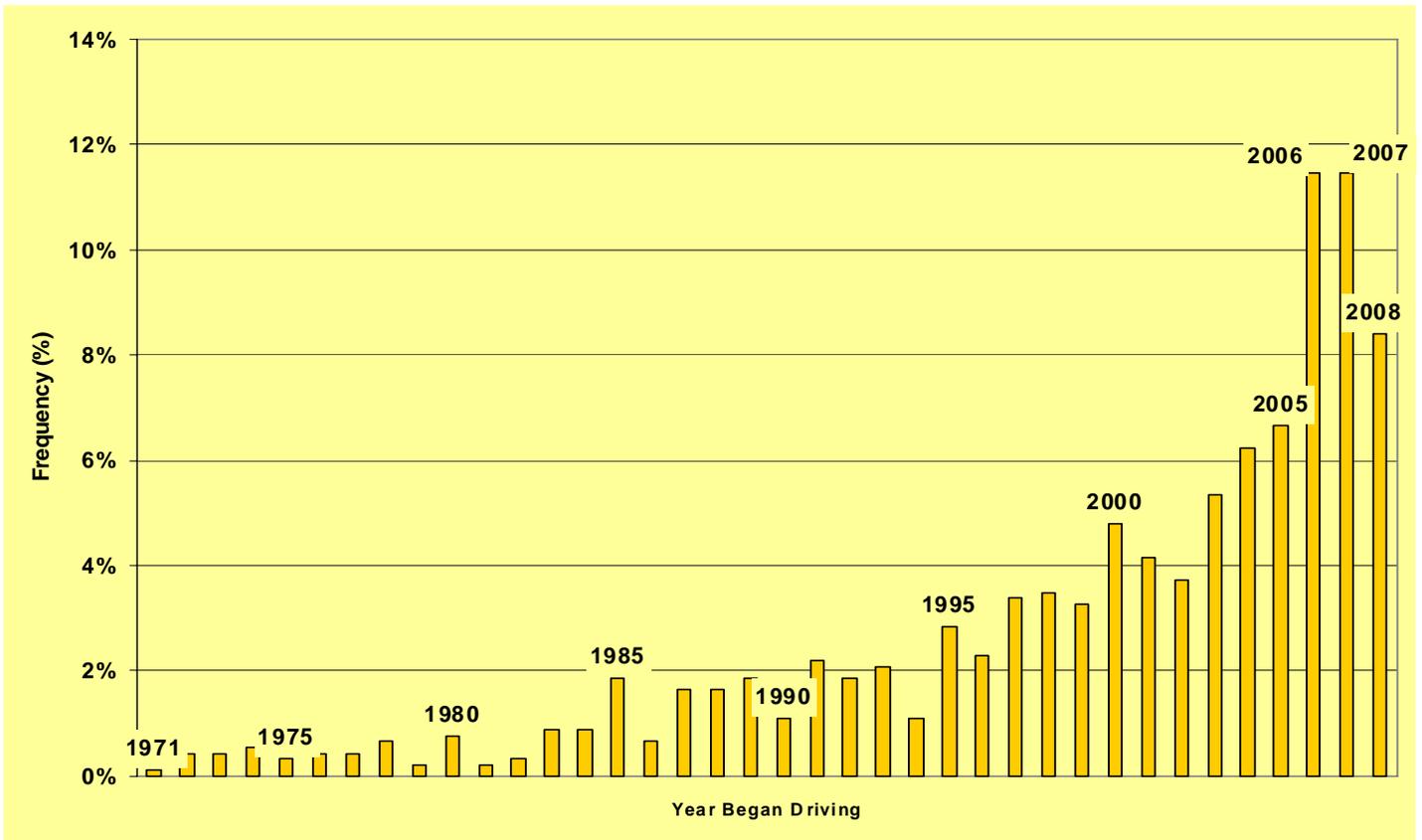


Chart 1.6: Voter Registration and Eligibility

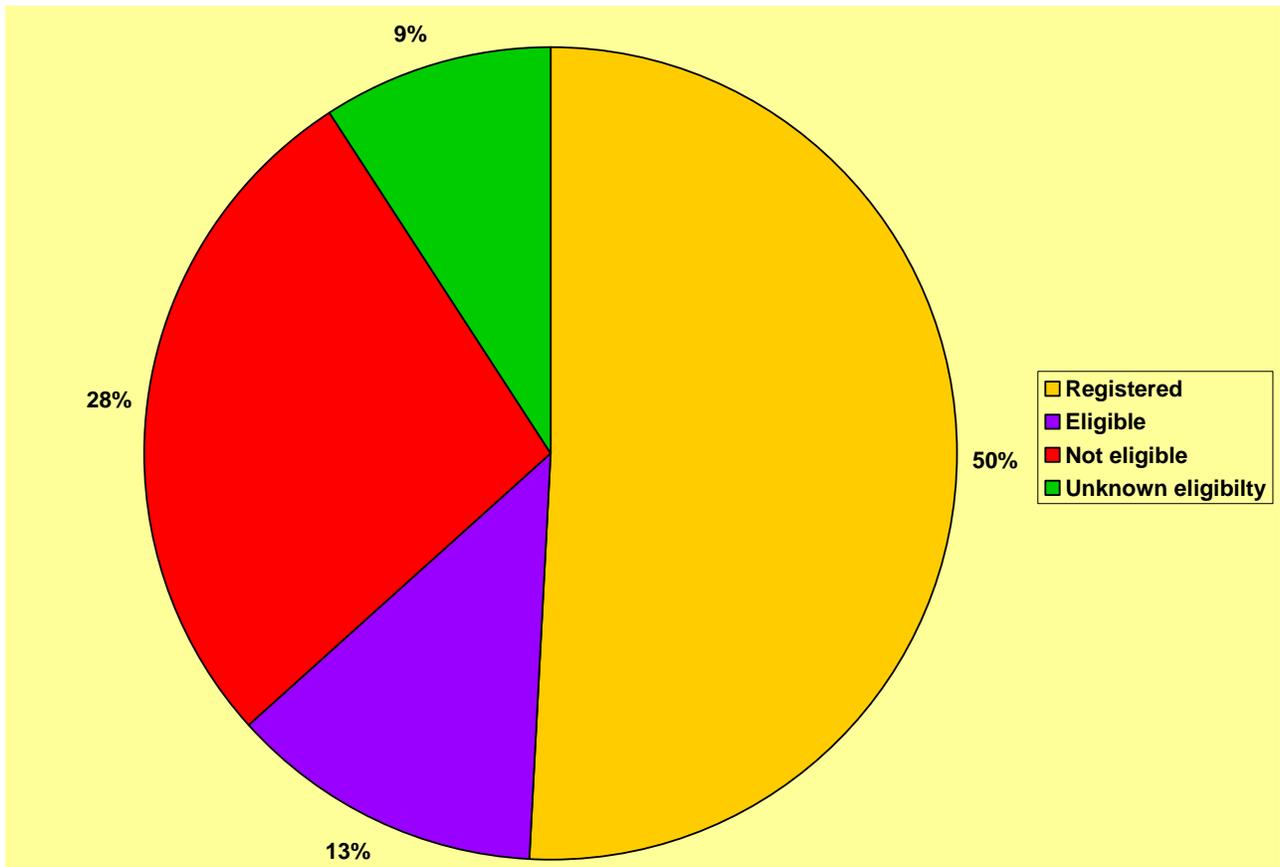


Chart 1.7: Most Common Residential Zip Codes

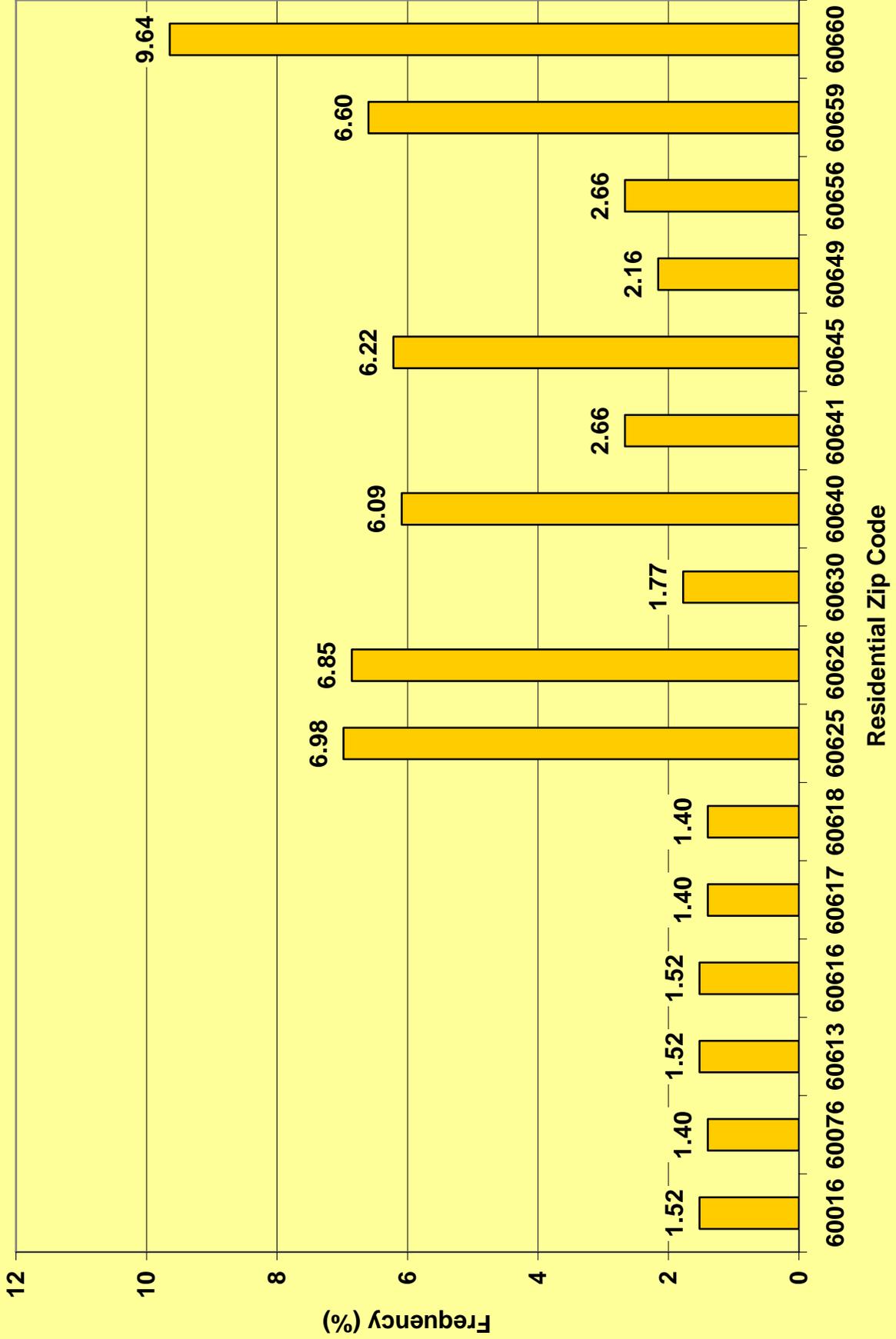


Chart 2.1: Fuel Expense

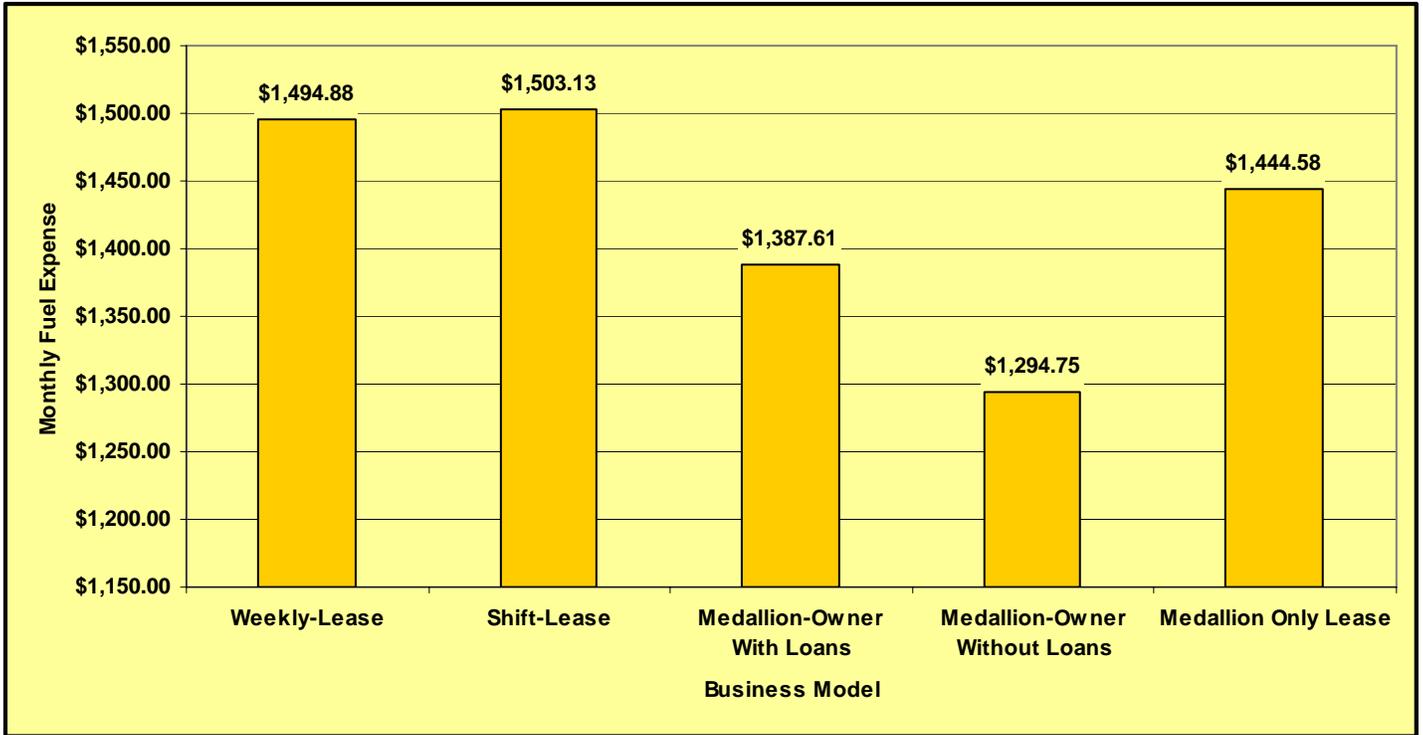


Chart 2.2: Upkeep Expense

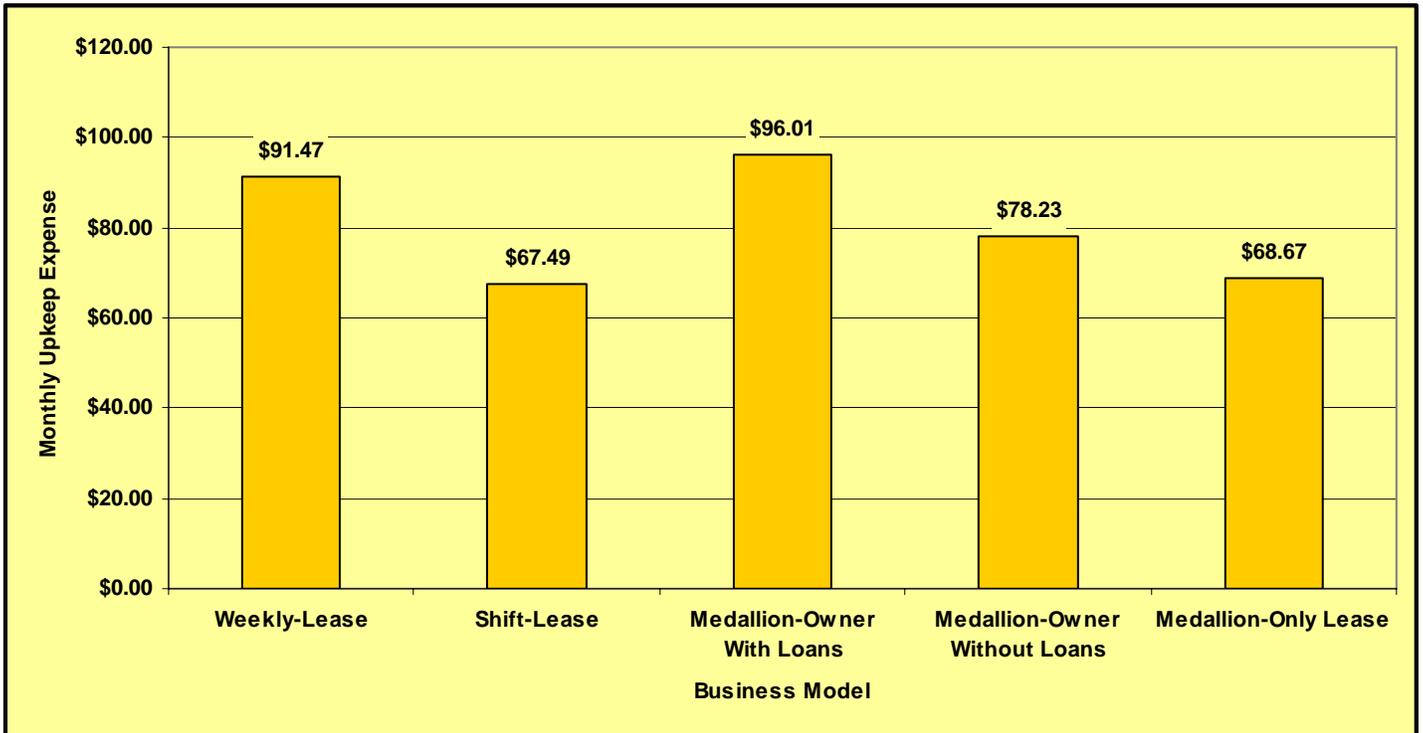


Chart 2.3: Airport Tax

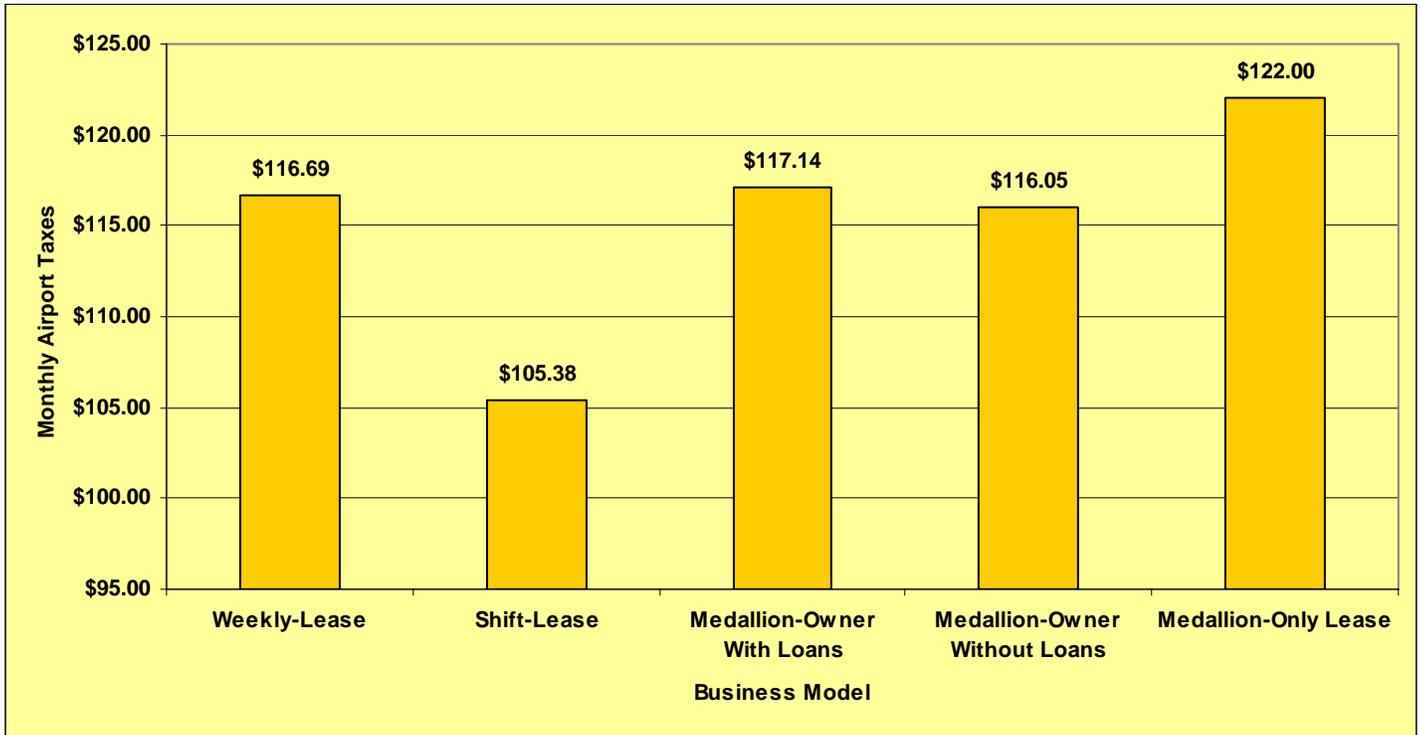


Chart 2.4: Insurance Deductible Expense

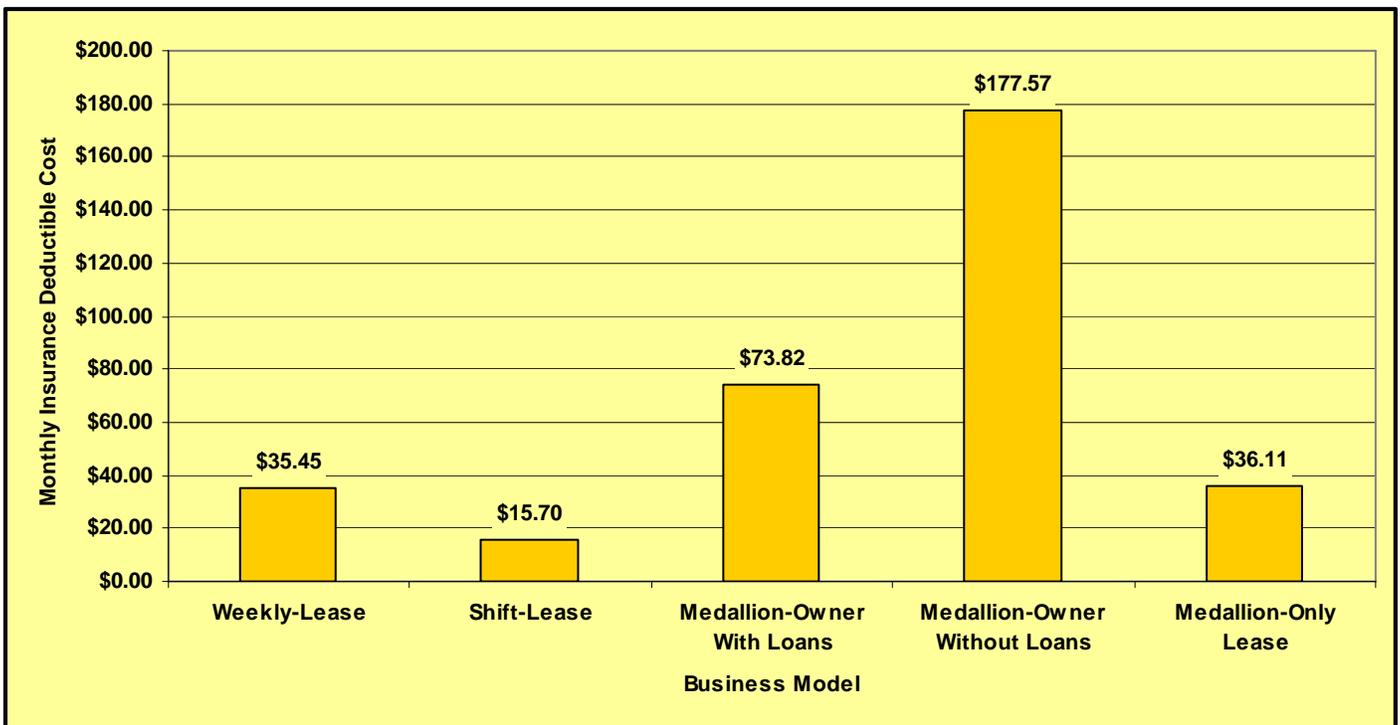


Chart 2.5: Vehicle Lease Expense

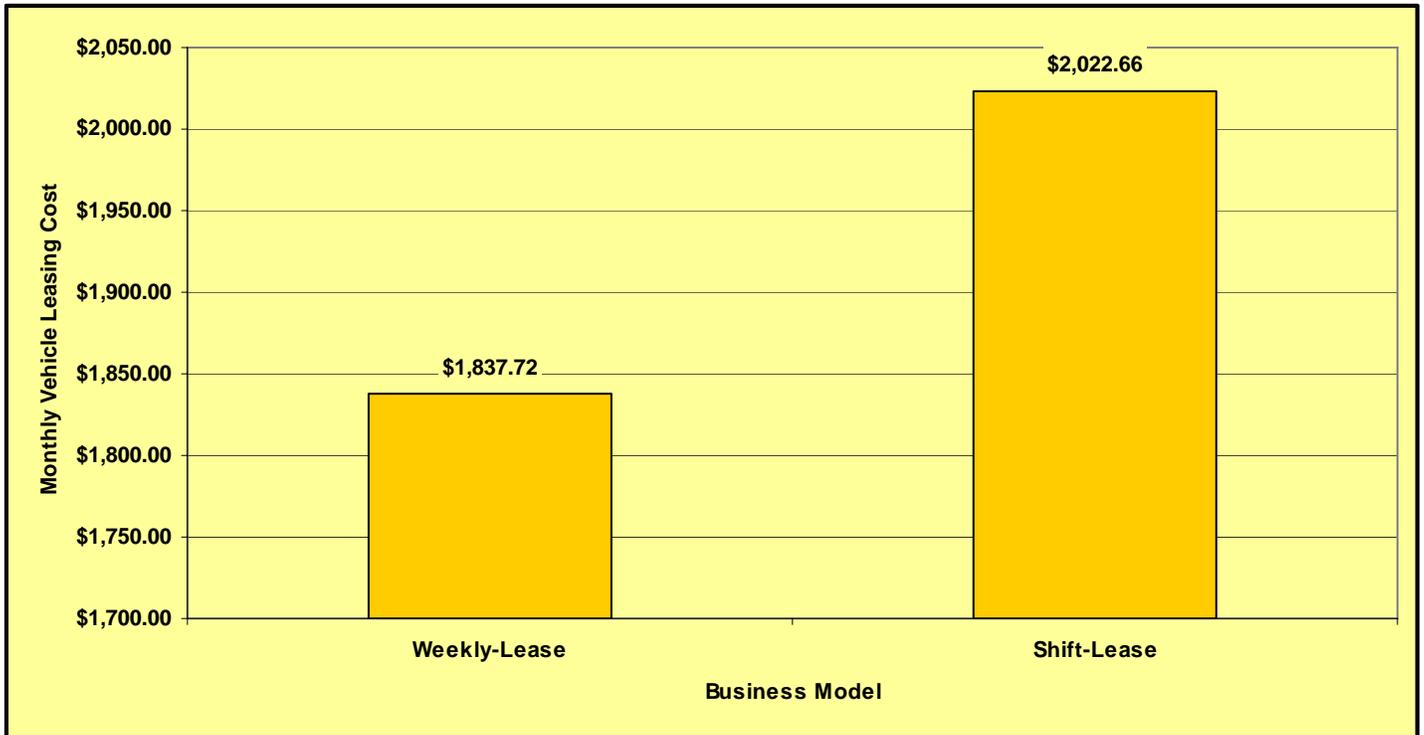


Chart 3.1: Hours Per Shift

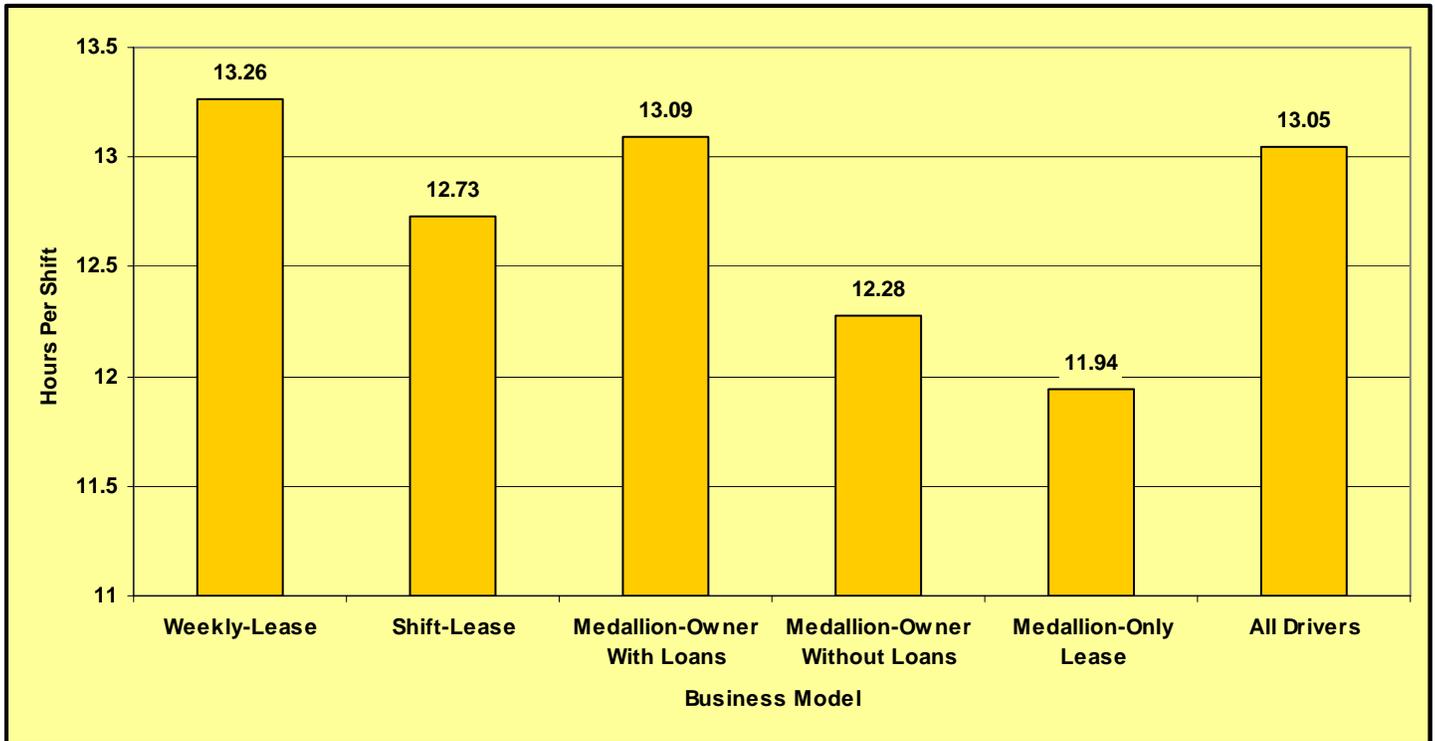


Chart 3.2: Shifts Per Month

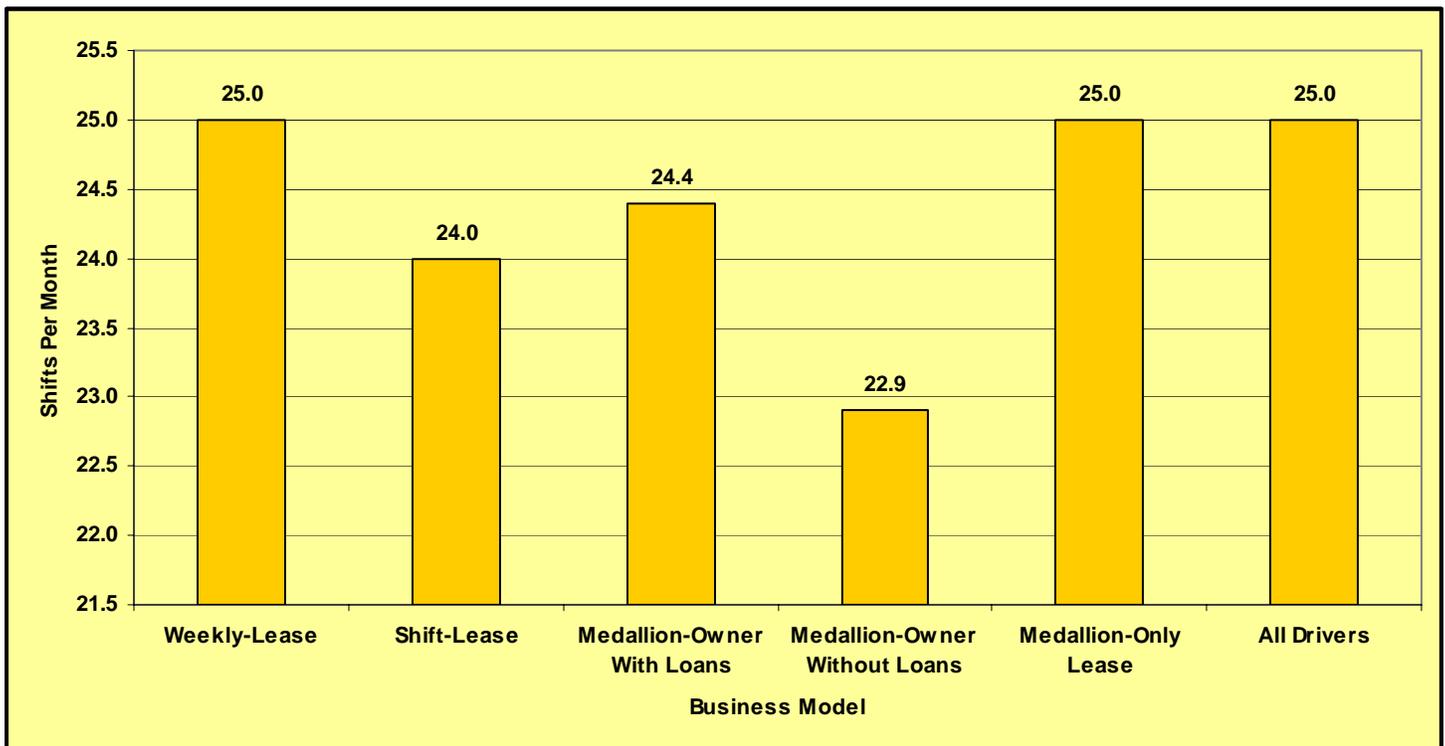


Chart 3.3: Gross Annual Income

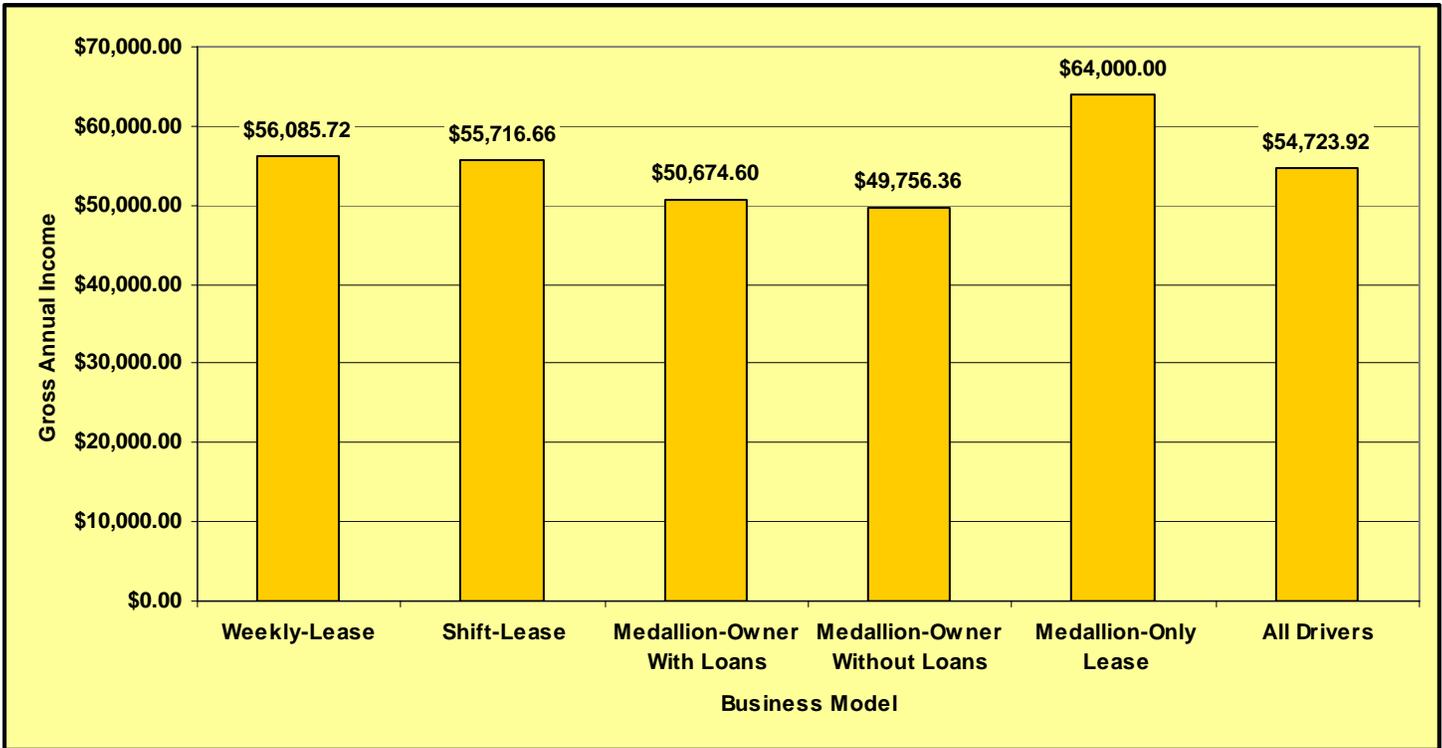


Chart 3.4: Total Expenses

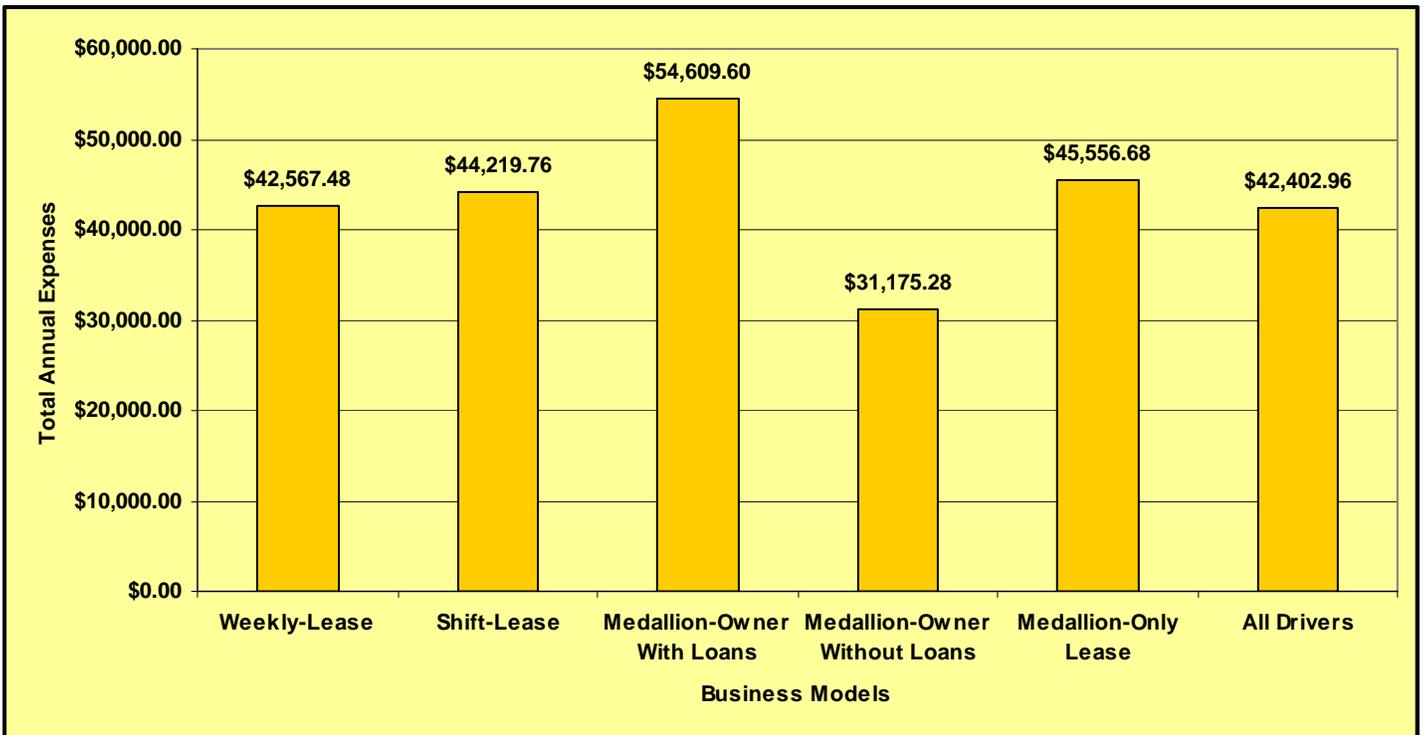


Chart 3.5: Net Annual Income

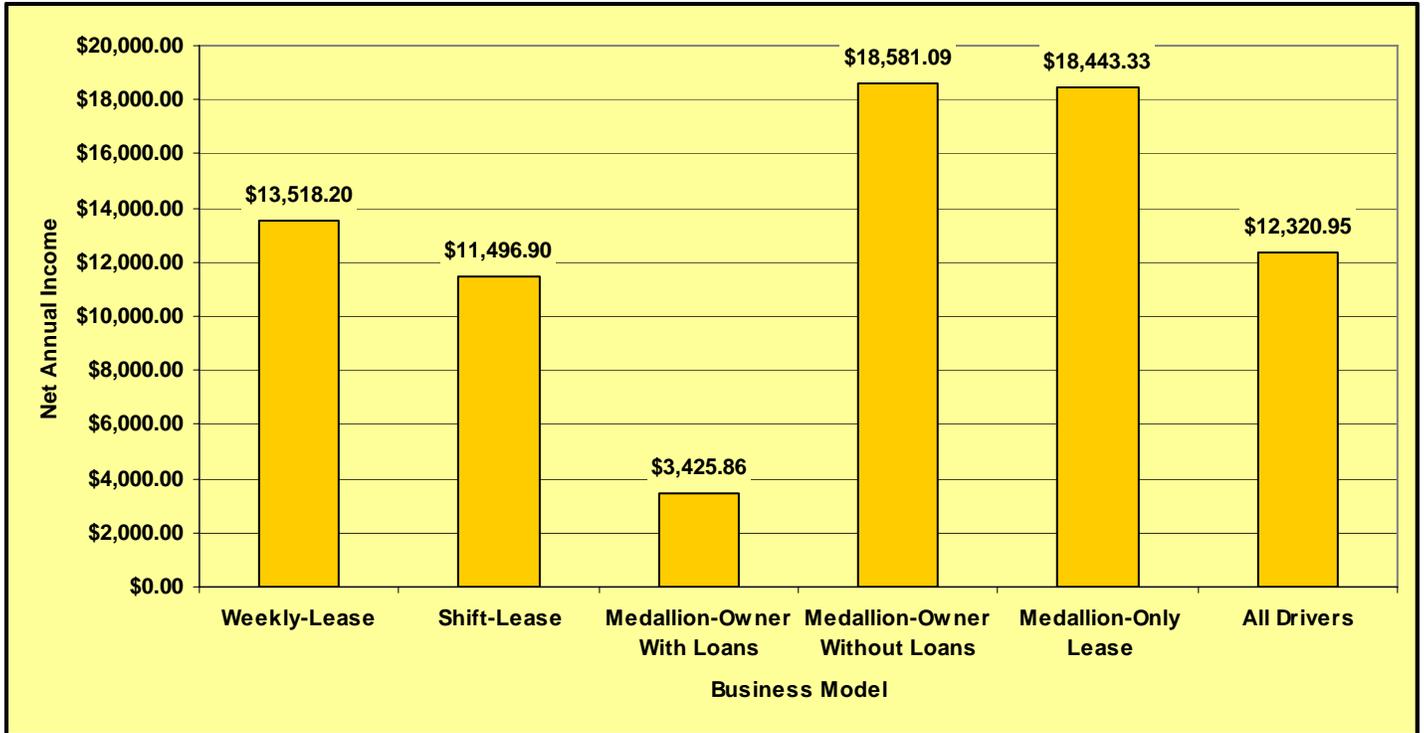


Chart 3.6: Hourly Income

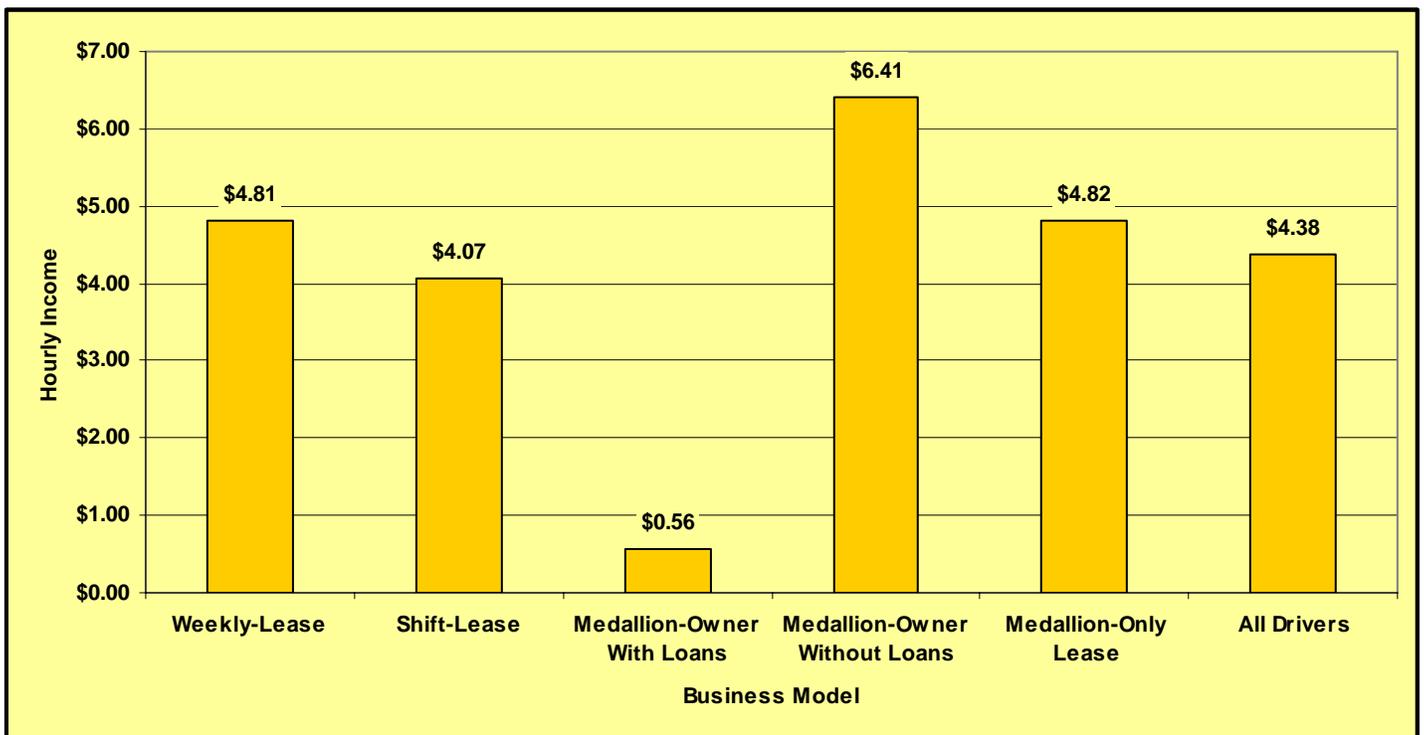


Chart 4.1: Affiliation Fees

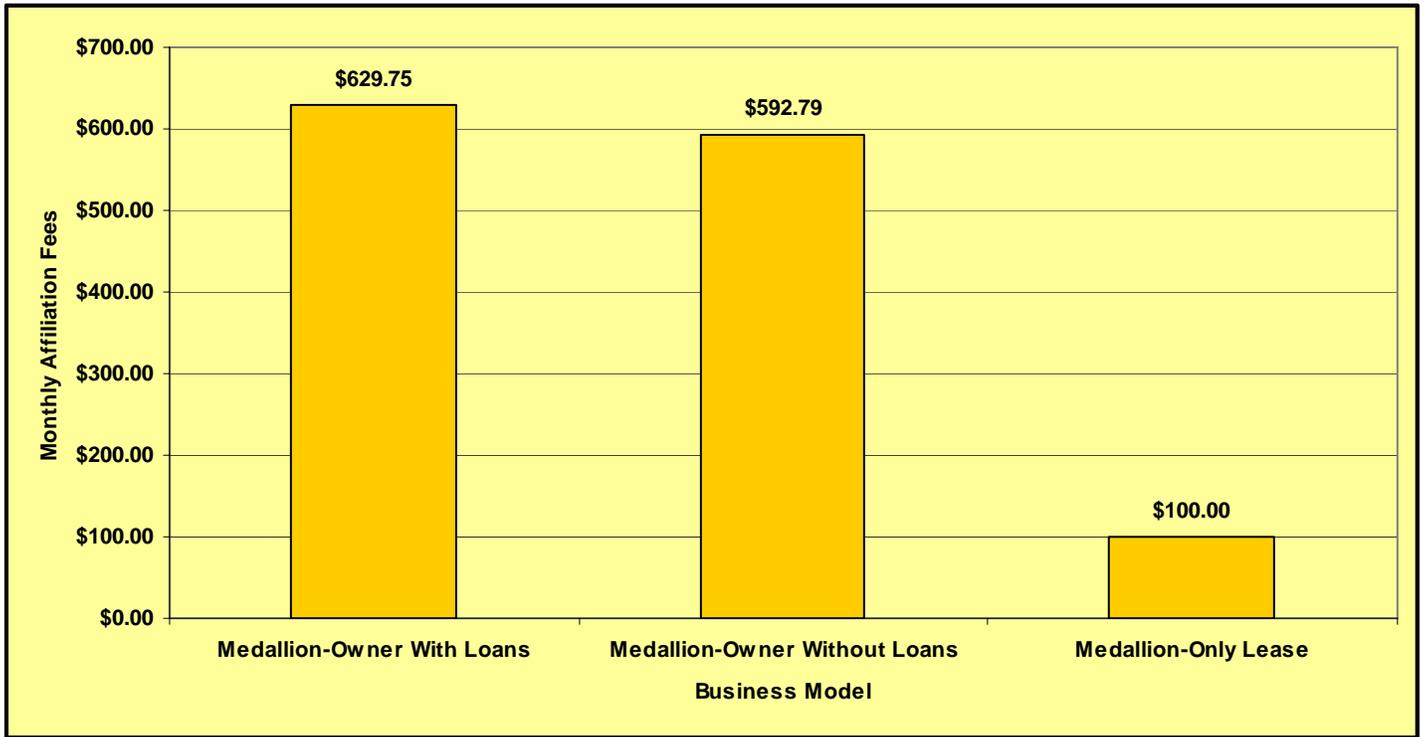


Chart 4.2: Insurance Premiums

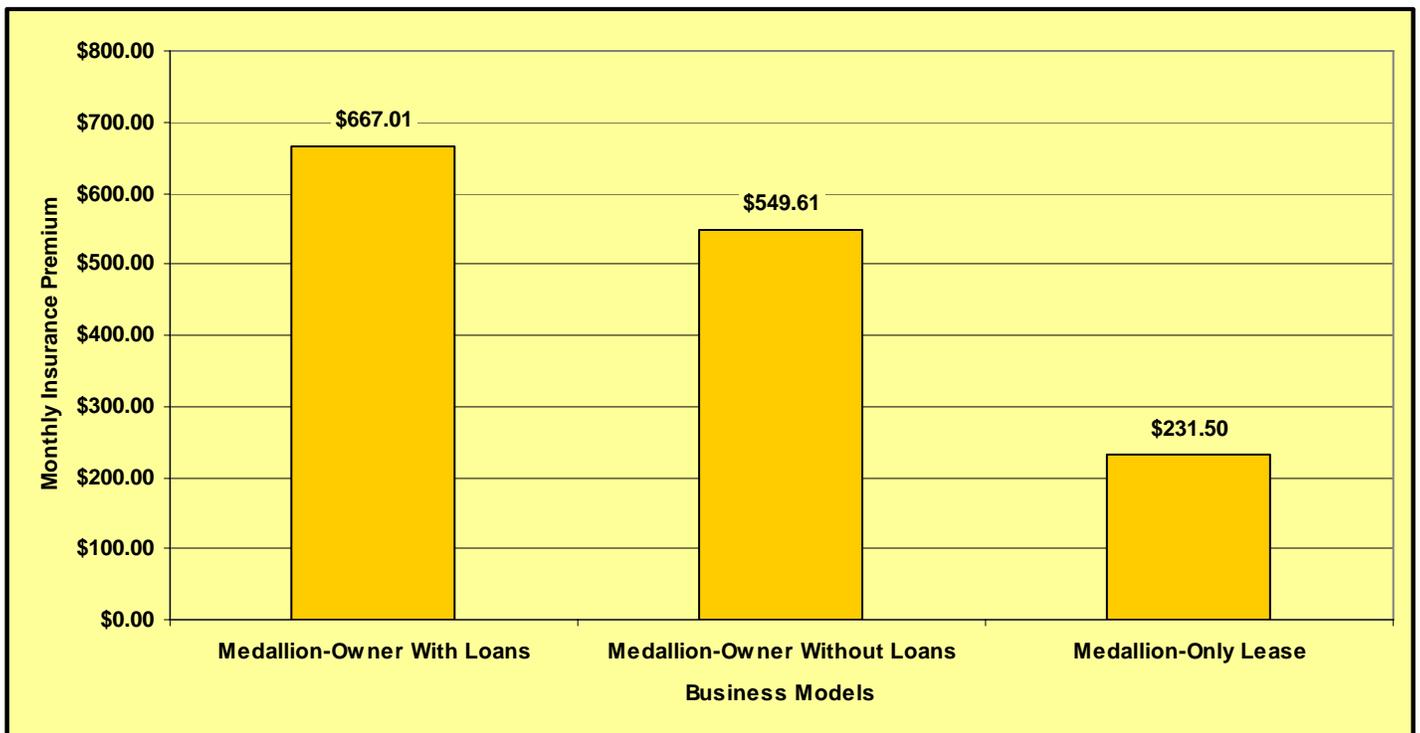
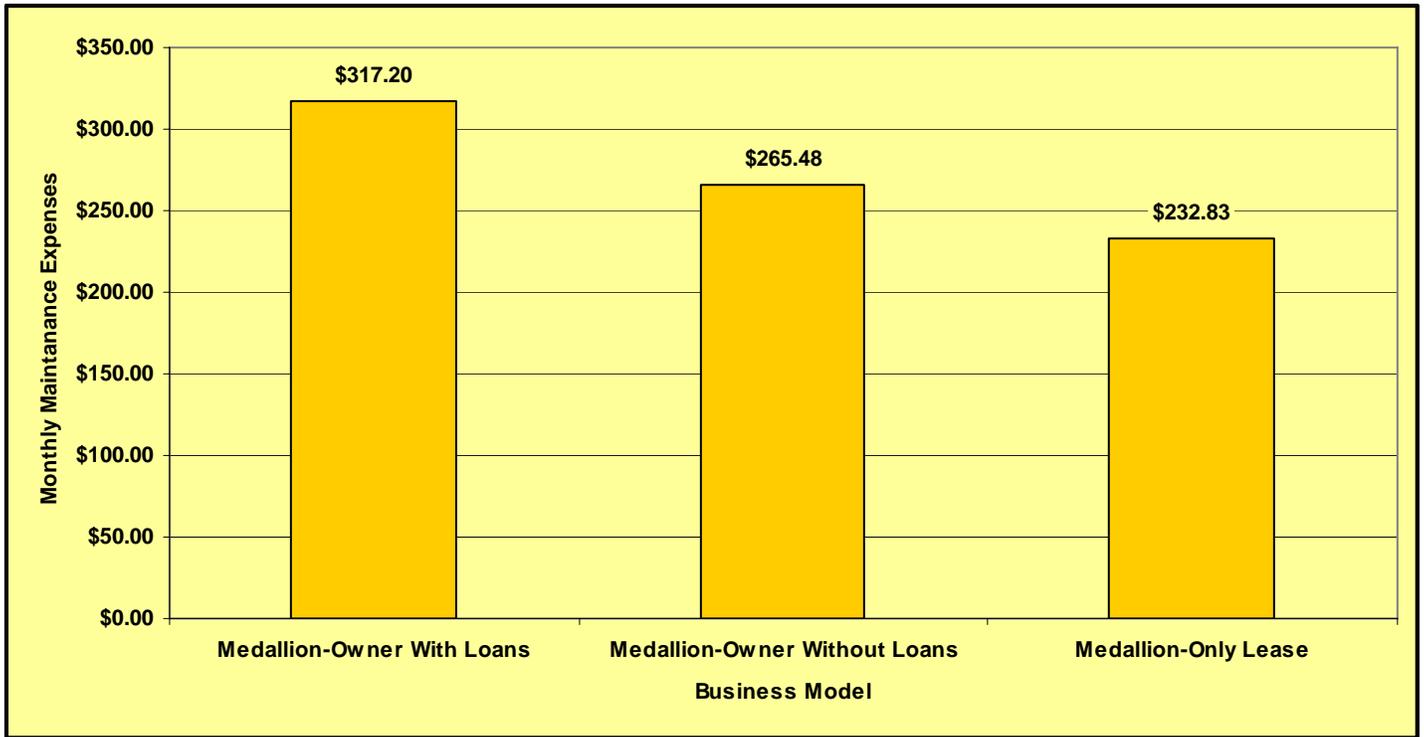


Chart 4.3: Maintenance Cost





University of Illinois

School of Labor and Employment Relations