

# OFFICE OF THE STATE AUDITOR

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## Assessing Transportation Network Companies' Financial Obligations to Massachusetts Programs



## Introduction

Over the past decade, the emergence and exponential growth of Transportation Network Companies (TNCs) such as Uber and Lyft have transformed the personal transportation industry across the United States, while also raising important questions about rideshare companies' broader economic and societal impacts.<sup>1</sup> Massachusetts is currently debating the classification of TNC drivers—specifically, whether they are independent contractors or employees. This classification has significant financial implications for entitlement benefits and employee protection programs such as workers' compensation, unemployment insurance, and paid family and medical leave.<sup>2</sup>

Several states have taken legislative and legal steps in the last few years aimed at better defining the relationship between TNCs and their drivers, crafting fair labor practices, and ensuring adequate contributions to state benefit programs. A 2022 landmark case in New Jersey resulted in Uber and a subsidiary paying \$100 million to the state's Unemployment Trust Fund because of the misclassification of drivers as independent contractors.<sup>3</sup> In California, a study estimated that Uber and Lyft would have owed \$413 million to the state's Unemployment Insurance Fund between 2014 and 2019 had they classified drivers as employees.<sup>4</sup> In late 2023, the Office of the New York State Attorney General announced significant settlements with Uber and Lyft totaling \$328 million; these settlements resulted from a multi-year investigation, which found that Uber and Lyft policies had prevented drivers from accessing state financial benefits.<sup>5</sup> Most recently, a study commissioned by the Minnesota Department of Labor and Industry highlighted the need to establish a minimum compensation standard for Minnesota's TNC drivers to ensure that their earnings align with the state's minimum wage laws, as many drivers make less than the minimum wage (after accounting for vehicle-related expenses).<sup>6</sup>

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<sup>1</sup> Note that this report focuses on TNCs only, and omits Delivery Network Companies due to a lack of data availability.

<sup>2</sup> The classification may also financially impact other Massachusetts programs such as MassHealth, which are not the subject of this study due to data availability limitations.

<sup>3</sup> New Jersey Department of Labor and Workforce Development. (2022, September 13). *Uber pays \$100M in driver misclassification case with NJ Department of Labor and Workforce Development and Attorney General's Office*. [[Press release](#)].

<sup>4</sup> Jacobs, K. & Reich, M. (2020). *What would Uber and Lyft owe to the State Unemployment Insurance Fund?* University of California, Berkeley, Center for Wage and Employment Dynamics.

<sup>5</sup> New York State Office of the Attorney General (2023). *Attorney General James secures \$328 million from Uber and Lyft for taking earnings from drivers*. [[Press release](#)]. Note that while the settlements address issues such as unfair pay deductions and lack of benefits like paid sick leave, which are generally associated with employee status, they make no direct statement about a potential reclassification of drivers as employees rather than independent contractors.

<sup>6</sup> Parrott, J., & Reich, M. (2024). *Transportation Network Company Driver Earnings Analysis and Pay Standard Options*. Prepared for the Minnesota Department of Labor and Industry. It is noteworthy that after the Minneapolis City Council passed an ordinance setting the minimum wage for rideshare drivers at \$15.57 per hour, Lyft and Uber announced they will cease

At the federal level, the Biden administration enacted a new labor rule in January 2024 to address the misclassification of workers as independent contractors with the goal of providing millions of US workers enhanced legal protections and compensation.<sup>7</sup> This rule broadened the criteria for determining employee status by introducing a six-factor analysis for determining whether a worker is an employee or a contractor. The major TNCs had a muted response to this federal action, claiming that the rule change is not likely to impact them.<sup>8</sup>

In Massachusetts, critical questions have been raised about the adequacy of TNC contributions to state benefit programs. In 2020, the Office of the Attorney General (AGO) filed a lawsuit to classify Uber and Lyft drivers as employees under the Commonwealth's wage and hour laws, asserting that "Uber and Lyft are unable to meet a three-part test under state law that would allow them to classify drivers as independent contractors."<sup>9</sup> AGO explained that drivers do not meet the law's criteria for independent contractors because of their lack of autonomy, stating, "Uber and Lyft drivers are not engaged in an independently established occupation or business. The drivers are not true independent entrepreneurs with the ability to grow their businesses using their individual abilities."<sup>10</sup> In a press release dated July 14, 2020, AGO asserts:

*By misclassifying drivers as independent contractors, Uber and Lyft deny their drivers basic protections under the Massachusetts Wage and Hour Laws. Many drivers are not even guaranteed the state minimum wage or overtime because the companies don't pay them for time spent between rides or reimburse them for necessary business expenses such as fuel, vehicle maintenance, and insurance. The companies only recently began offering drivers temporary paid leave due to the COVID-19 pandemic, but even these new policies fail to comply with the Massachusetts Earned Sick Time Law. And drivers who think they were wrongly suspended or terminated cannot challenge those actions in court because their service agreements require them to go to arbitration.*

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operations in Minneapolis starting May 1. Lyft described the ordinance as "deeply flawed" and unsustainable for their operations, while Uber criticized the council for disregarding data, predicting the move would leave 10,000 workers jobless and many residents without transportation services. Mayor Jacob Frey expressed support for a minimum wage for drivers but criticized the ordinance for mandating "inappropriate driver compensation." For more details: CNN. (2024, March 15). [Lyft and Uber to cease operations in Minneapolis after new minimum wage law.](#)

<sup>7</sup> [Employee or Independent Contractor Classification under the Fair Labor Standards Act, 89 Fed. Reg. 1638-1743 \(Jan. 10, 2024\) \(codified at 29 C.F.R. pts. 780, 788, and 795\).](#)

<sup>8</sup> Uber Technologies, Inc. (2024). Department of Labor's final rule on worker classification. Uber Newsroom. Retrieved from <https://www.uber.com/newsroom/dol-final-rule-2024/> and Lyft, Inc. (2024). Lyft's view on the 2024 Department of Labor rule. Lyft Blog. Retrieved from [https://www.lyft.com/blog/posts/lyfts-view-on-2024-department-of-labor-rule.](https://www.lyft.com/blog/posts/lyfts-view-on-2024-department-of-labor-rule)

<sup>9</sup> Massachusetts Attorney General's Office (2020, July 14). "AG Healey: Uber and Lyft Drivers are Employees Under Massachusetts Wage and Hour Laws." [Press release].

<sup>10</sup> *Id.*

To explore whether TNC contributions to state benefit programs have been sufficient, this analysis considers two primary scenarios. In the first scenario, TNC drivers are assumed to be classified in a correct manner. As a result of that hypothetical correct classification, there may be no change in the payments owed to various public benefit programs.<sup>11</sup>

In the second scenario, TNC drivers are assumed to be wrongly classified as independent contractors. In this scenario, TNCs owe a financial obligation to the Commonwealth comparable to that of a taxi company. As demonstrated below, from 2013 through 2023, Massachusetts benefit programs would have suffered a conservatively estimated loss of **\$266,416,315** if TNCs incorrectly classified drivers as independent contractors. Were TNC drivers to be recognized as employees, the Division of Local Mandates (DLM) believes the state could continue to foster innovation in the transportation sector while ensuring drivers have access to vital worker benefit programs, appropriately funded with employer contributions.

## Quantifying TNC Drivers' Earnings in Massachusetts

In drafting this report, DLM requested data on the number of active drivers, as well as other critical data points such as driver earnings, from the TNC Division at the Department of Public Utilities (DPU). The TNC Division was unable to share this data, however, citing in its response Massachusetts General Laws (MGL) c. 159A1/2, § 8(e).<sup>12</sup>

In the absence of DPU data, DLM approximated the number of drivers by reviewing the number of TNC vehicle inspections from the state's Registry of Motor Vehicles (RMV). The RMV provided data for the latest available 12-month period; from September 2022 through August 2023, 76,187 drivers had TNC vehicle inspections.<sup>13</sup>

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<sup>11</sup> The issue of whether payments are due even if TNC drivers are currently correctly classified as independent contractors is unsettled. First, according to DLM's interpretation of the Massachusetts Workers' Compensation Manual, some payment to workers' compensation may be required even under the current classification, as we have been informed through a conversation with staff from the Workers' Compensation Rating and Inspection Bureau of Massachusetts. Similarly, payments to PFML may be required for drivers classified as independent contractors, as indicated by a rate calculator publicly made available at <https://calculator.eol.mass.gov/pfml/contribution/>. However, TNCs take an opposing view, and the matter is ultimately likely to be settled through the judicial process.

<sup>12</sup> MGL c. 159A1/2, § 8(e): "Any record furnished to the division or other state agency by a transportation network company pursuant to this chapter including, but not limited to, the roster of permitted transportation network drivers, shall not be considered a public record as defined in clause Twenty-sixth of section 7 of chapter 4 or chapter 66."

<sup>13</sup> Note that the number of TNC drivers can be estimated either by looking at TNC vehicle inspections, which tend to be renewals, or by the number of background checks, which are completed by prospective drivers on sign-up. We obtained the number of TNC vehicle inspections from the RMV, as well as the number of background checks from the TNC Division at DPU. Background checks represent a far higher number: In 2023, there were 97,084 new applicants and 158,130 total background checks completed, while in 2022 there were 78,683 new applicants and 122,741 total background checks completed. There is no

With regard to earnings, this report sourced data from a recent report from the Drivers Demand Justice Coalition, a grassroots coalition of unions and advocacy groups.<sup>14</sup> While this report is from an advocacy group and relies on survey data, its results track closely with findings from TNC data from other states, as seen in a 2024 report commissioned by the Minnesota Department of Labor and Industry.<sup>15</sup> Notwithstanding the closeness of this tracking, we would have preferred to use data from TNCs or different agencies of the Commonwealth that capture relevant information. This information was not provided to us, however, necessitating our reliance on a study that we believe provides a fair representation of the relevant data.

According to the Drivers Demand Justice Coalition report, the average Massachusetts TNC driver had a mean gross hourly pay of \$25.11 and driving expenses of \$12.29 per hour in 2023, resulting in an hourly net pay of \$12.82. The report also lists the distribution of drivers by time worked, which is shown in Table 1 below.

**Table 1: Distribution of TNC Drivers by Hours Worked per Week in Massachusetts (2023)<sup>16</sup>**

	Hours per Week	Share of Drivers	Share of Trips
Casual Drivers	Less than 10 hours	50.7%	16.6%
Dependent Drivers	10 to 35 hours	36.6%	47%
All-In Drivers	35 or more hours	12.7%	36.4%

The Minnesota Department of Labor and Industry study, which relied on data provided by Uber and Lyft,<sup>17</sup> found that a Minnesotan TNC driver's average gross pay in 2022 was \$22.03 per hour and the median gross pay was \$21.04 per hour.<sup>18</sup> This study classified the drivers into four categories by time commitment, with their distribution being very similar to the one provided by the Massachusetts Drivers Demand Justice Coalition report, as seen in Table 2 below.

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way to know from the available data how many applicants do in fact become drivers after sign-up. Consequently, this report uses the more conservative estimate, obtained from the number of TNC vehicle inspections.

<sup>14</sup> Drivers Demand Justice Coalition (2023). *The real economics of ridehail work: What it's like to work for Uber and Lyft in Massachusetts*. Big Lake Data.

<sup>15</sup> Parrott and Reich (2024).

<sup>16</sup> Drivers Demand Justice Coalition (2023), p. 10, categorizes drivers: Casual drivers work less than 10 hours, Dependent drivers work 10 to 35 hours, and All-In drivers work 35 or more hours per week.

<sup>17</sup> "This study analyzed extensive data provided by Uber and Lyft about more than 18 million Minnesota transportation network company (TNC) trips and driver earnings for all of 2022." Parrott & Reich (2024), p. 8.

<sup>18</sup> Parrott & Reich (2024), p. 9.

**Table 2: Distribution of TNC Drivers by Hours Worked per Week in Minnesota (2022)**

	Hours per Week	Share of Drivers	Share of Trips
<b>Casual Drivers</b>	Less than 10 hours	45%	11%
<b>Committed Drivers</b>	10 to 20 hours	22%	20%
<b>Highly Committed Drivers</b>	20 to 32 hours	18%	28%
<b>Full-Time Drivers</b>	32+ hours	15%	41%

Given the most recent 12-month total of Massachusetts TNC vehicle inspections (76,187) and the reported average hourly rate of \$25.11, it is possible to construct a broad range of TNC drivers' total yearly earnings. For purposes of this analysis, we estimated that drivers work, at a minimum, an average of 5 hours per week and, at a maximum, an average of 40 hours per week. A middle of the road assumption at 20 hours per week is also offered. The following table delineates the resulting range of total yearly gross earnings for these three estimates (low-end, middle, and high-end estimates).

**Table 3: Estimated Range of TNC Drivers' Gross Earnings in Massachusetts (2023)**

	Assumed Hours per Week (All Drivers)	Yearly Gross Earnings <sup>19</sup>	Total Yearly Earnings
<b>Low-End Estimate</b>	5	\$6,278	\$478,263,893
<b>Middle Estimate</b>	20	\$25,110	\$1,913,055,570
<b>High-End Estimate</b>	40	\$50,220	\$3,826,111,140

While the table above provides a wide range of earnings for all drivers, it is possible to use the driver categories from Table 1 (the distribution of TNC drivers by hours worked per week) to arrive at a best point estimate.<sup>20</sup> By using the same estimate of drivers from TNC vehicle inspections (76,187) and an hourly rate of \$25.11, together with the aforementioned time distribution, DLM approximates that TNC drivers' gross earnings in Massachusetts totaled \$1.428 billion in 2023, as shown in Table 4.

<sup>19</sup> The amounts in this column were calculated assuming 50 work weeks per year. This assumption accounts for vacation time, holidays, and sickness. Example: 5 hours/week \* \$25.11/hour \* 50 weeks/year = \$6,277.50 earnings/year for casual drivers. Note that a less conservative estimate of 52 work weeks per year could also be made.

<sup>20</sup> The "best point estimate" is the single point value DLM determines to be most reasonable given the data from our analysis from the estimated range of total yearly earnings in 2023.

**Table 4: Best Point Estimate of TNC Drivers' Gross Earnings in Massachusetts (2023)**

	Hours per Week <sup>21</sup>	Annual Gross Earnings <sup>22</sup> (per capita)	Share of Drivers <sup>23</sup>	Number of Drivers <sup>24</sup>	Estimated Total Earnings <sup>25</sup>
<b>Casual Drivers</b>	5	\$6,278	50.7%	38,627	\$ 242,479,793
<b>Dependent Drivers</b>	20	\$25,110	36.6%	27,884	\$ 700,178,339
<b>All-In Drivers</b>	40	\$50,220	12.7%	9,676	\$ 485,916,115
<b>Total</b>				<u>76,187</u>	<u>\$ 1,428,574,247</u>

We believe this estimate to be conservative because the actual number of drivers is likely larger than the listed 76,187. Note that in 2023, there were 97,084 new applicants processed for background checks and 158,130 total background checks completed by the TNC Division at DPU on TNC drivers (see footnote 13). The main reason for the discrepancy between the number of DPU background checks and the number of TNC vehicle inspections is that this RMV process can be done within a year of a driver onboarding with a TNC. There are, however, many drivers who pass a background check, drive for a few weeks or months but never go through a TNC vehicle inspection. The estimated total earnings shown in Table 4 does not include earnings from drivers who have not obtained a TNC vehicle inspection.

All following sections use this conservative estimate of yearly TNC drivers' earnings (\$1,428,574,247) in order to compute potential lost payments to benefit programs.

### **Estimated Lost TNC Payments to Workers' Compensation (2023)**

Workers' compensation in Massachusetts is an insurance system designed to provide benefits to employees who suffer work-related injuries or illnesses. Workers' compensation ensures that injured

<sup>21</sup> These represent assumptions made by DLM. DLM does not have discrete data on the actual hours worked for each category beyond the estimates of the aforementioned report from the Drivers Demand Justice Coalition.

<sup>22</sup> The amounts in this column were calculated assuming 50 work weeks per year. This assumption accounts for vacation time, holidays, and sickness. Example: 5 hours/week \* \$25.11/hour \* 50 weeks/year = \$6,277.50 earnings/year for casual drivers. Note that a less conservative estimate of 52 work weeks per year could also be made.

<sup>23</sup> The percent of drivers per category is taken from the aforementioned Drivers Demand Justice Coalition (2023) report.

<sup>24</sup> Using the above estimates, the average Massachusetts TNC driver works 14.93 hours per week.

<sup>25</sup> Note that decimals have been omitted to improve legibility, resulting in a small discrepancy in the resulting totals. E.g., the precise computation for the first line is \$6,277.50 \* 38,626.81 = \$242,479,793.50.

employees receive medical treatment, wage replacement, and other necessary services without the need for litigation.<sup>26</sup>

The Workers' Compensation Rating and Inspection Bureau of Massachusetts (WCRIBMA) is responsible for calculating workers' compensation insurance rates in the Commonwealth. WCRIBMA is a private, nonprofit association of insurers that provides underwriting and statistical services to its members. WCRIBMA submits rate filings to the state's Division of Insurance, recommends rate adjustments, and manages the classification system for workers' compensation insurance.

The Office of the State Auditor, through DLM, consulted with WCRIBMA on what would constitute an appropriate contribution to the program from TNCs. DLM first explored the example of a driver employed by a taxicab company, who would be assigned according to the Workers' Compensation Manual<sup>27</sup> to Code 7370 – Taxicab Co: All Other Employees & Drivers. The current filed and approved rate, effective July 1, 2023, is \$3.66 per \$100 of payroll. For example, if a driver employed by a taxicab company earned \$40,000 during an annual insurance policy period, the associated workers' compensation premium for this driver would be  $\$40,000/100 \times 3.66 = \$1,464$ .

However, unlike most taxicab drivers, Lyft and Uber drivers use their own vehicles and are responsible for the maintenance and expenses associated with providing their services. Should this matter be litigated, TNC drivers may be subject to Rule IX-C 3(c) of the Workers' Compensation Manual, which calls for using 33 1/3% of the contract price to reflect the cost of fuel, maintenance, or other services that are associated with the operation of the vehicles of employees or subcontractors of uninsured independent contractors:

*If vehicles with drivers, chauffeurs or helpers are engaged under contract and the owner of such vehicles has not furnished evidence that the workers compensation obligation has been insured, the total payroll of such drivers, chauffeurs or helpers shall be included as payroll of the insured employer that contracted for such vehicles. Such payroll shall be assigned to the classification applicable in that risk to drivers. If that payroll cannot be obtained, 33 1/3% of the total contract price for the vehicles shall be considered as payroll of the drivers, chauffeurs or helpers. If the owner of a vehicle under contract also is a driver and is entitled to workers compensation benefits and has not furnished evidence that such workers compensation obligation has been insured, 33*

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<sup>26</sup> Department of Industrial Accidents. *Workers' Compensation for Injured Workers*. Accessed March 22, 2024. <https://www.mass.gov/workers-compensation-for-injured-workers>.

<sup>27</sup> Workers' Compensation Rating and Inspection Bureau of Massachusetts (2024). *Massachusetts Workers' Compensation Manual*.



*1/3% of the contract price for that vehicle shall be included as payroll of the insured employer that contracted for the vehicle.<sup>28</sup>*

To provide an illustrative example, according to Rule IX-C 3(c) of the Workers' Compensation Manual, if Company A is subcontracting transportation to Contractor B (who is not paying into workers compensation), and Contractor B is further subcontracting to Independent Contractor C, then Company A is responsible for paying a premium of \$488 for an Independent Contractor C paid \$40,000 (at 2023 rates).

Given the WCRIBMA-provided rate of \$3.66 per \$100 of payroll, lost workers' compensation payments can thus be estimated at  $(\$1,428,574,247/100) \times \$3.66 = \$52,285,817$  for the year 2023, if TNC drivers were considered to be analogous to taxicab drivers. However, in an effort to provide a more conservative assessment, DLM estimates \$17,428,606 in lost workers' compensation payments if Rule IX-C 3(c) of the Workers' Compensation Manual was applied instead (meaning 33 1/3% of \$52,285,817).

Under either assessment, TNCs have failed to pay between tens and hundreds of millions of dollars into the system over the past decade, precluding employees from accessing workers' compensation benefits. Workers ineligible but in need of workers' compensation assistance must look elsewhere for support—and when that support is not employer-funded, it is often realized at the state's expense through services provided via emergency medical assistance programs, community health centers and clinics, Medicaid/MassHealth, and/or general assistance programs such as SNAP food benefits or RAFT housing assistance.

### **Estimated Lost TNC Payments to Unemployment Insurance (2023)**

Unemployment Insurance (UI) is a state-operated insurance program designed to provide temporary financial assistance to workers who are unemployed and who meet eligibility requirements.<sup>29</sup> This program is funded through taxes paid by employers on the wages of their employees. UI benefits are intended to partially replace lost wages if an individual must search for new employment. TNC drivers, like other workers, may find themselves in need of this benefit. Furthermore, the state may have an interest in ensuring that transportation companies in Massachusetts operate on a level playing field. In this case, that would mean that TNCs and taxicab companies each pay into UI.

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<sup>28</sup> *Id.*, p. R-41.

<sup>29</sup> To qualify for UI benefits in Massachusetts, individuals must fulfill several requirements. First, an applicant should have earned at least \$6,300 over the last four calendar quarters. Second, they must be authorized to work in the United States. Third, individuals must be unemployed through no fault of their own. Finally, they must be both able and willing to commence suitable work without delay and actively seek employment by making three work search attempts each week. See more details at: <https://www.mass.gov/info-details/check-eligibility-for-unemployment-benefits>.

Assuming a UI tax rate of 1.45% (the prevailing employer rate for employers in the non-construction industry in 2023) and estimated total earnings of TNC drivers at \$1,428,574,247, lost UI payments for all TNC drivers would be  $\$1,428,574,247 \times 0.0145 = \$20,714,327$  in 2023.

### **Estimated Lost TNC Payments to Paid Family and Medical Leave (2023)**

The Massachusetts Paid Family and Medical Leave (PFML) Act provides workers with up to 20 weeks of paid medical leave for a serious health condition and up to 12 weeks of paid family leave to care for a family member with a serious health condition or to bond with a new child. PFML is funded through payroll contributions from both employees and employers, including self-employed individuals who opt into the program.<sup>30</sup>

Employer contributions to PFML began October 1, 2019 and are a percentage of wages. Employers with 25 or more employees are required to contribute to the Paid Family and Medical Leave Fund on behalf of their workforce, including a mandatory employee contribution. This payroll tax applies to earnings up to the contribution and benefit base limit set by the US Social Security Administration for the Federal Old-Age, Survivors, and Disability Insurance program.<sup>31</sup>

The Massachusetts Department of Family and Medical Leave provides a calculator in order to calculate estimated dues.<sup>32</sup> Using this tool, with the following inputs: (1) “Year”: 2023; (2) “Employees”: 76,187; and (3) “Total wages”: \$1,428,574,247, DLM estimated the TNCs’ total annual contribution for PFML in 2023 at \$9,000,018. (Of this amount, \$1,571,432 is for family leave and \$7,428,586 is for medical leave.) Note that when the calculation is completed by marking the drivers as “contractors” rather than “employees,” the total due amount does not change.

### **2023 Estimates Summary**

The table below summarizes lost workers’ compensation, UI, and PFML payments for 2023, following the best estimate model used in previous calculations, as well as the low-end, middle, and high-end estimates for driver yearly compensation presented in Table 3.

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<sup>30</sup> Department of Family and Medical Leave. *Paid Family and Medical Leave (PFML) Overview and Benefits*. Accessed March 22, 2024. <https://www.mass.gov/info-details/paid-family-and-medical-leave-pfml-overview-and-benefits>

<sup>31</sup> David J. Santeusano & Stephanie M. Merabet, *Paid Family and Medical Leave Under New Massachusetts Law*, 46 Emp. Rel. L.J. 43 (2020), available at <https://www.hklaw.com/-/media/files/insights/publications/2020/05/paid-family-and-medical-leave-under-new-massachusetts-law.pdf?la=en>.

<sup>32</sup> This calculator is publicly available at <https://calculator.eol.mass.gov/pfml/contribution/>.

**Table 5: Summary of Lost TNC Payment Estimates (2023)<sup>33</sup>**

	Assumed Hours per Week (Driver Average)	Lost TNC Payment Estimates (2023)
<b>Low-End Estimate</b>	5	\$15,782,708
<b>Middle Estimate</b>	20	\$63,130,834
<b>High-End Estimate</b>	40	\$126,303,952
<b>Best Estimate</b>	<b>14.93</b>	<b>\$47,142,950</b>

## **Estimated Lost Payments to Massachusetts State Aid Programs, 2011 through 2022**

Uber began operations in Massachusetts in 2011 and Lyft in 2013. This timeline raises questions about potential missed payments over the intervening decade. The following analysis extends previous estimates with some new assumptions in order to estimate lost payments since 2013.

Assuming a linear increase from 0 drivers in 2010 to 53,792 in 2019,<sup>34</sup> and using the number of TNC vehicle inspections for 2020, 2021, and 2022, Table 6 displays lost workers' compensation, UI, and PFML payments per year. Lost payments were calculated by multiplying the number of drivers by the estimated annual amount arrived for each program: \$228.76/driver per year for workers' compensation,<sup>35</sup> and \$271.88/driver per year for UI.<sup>36</sup> For PFML, the calculation is more laborious, as contributions began only on October 1, 2019, and rates do not necessarily stay unchanged from year to year.<sup>37</sup> Additionally, PFML contributions are capped at Social Security limits, although these limits are high and the assumption here is that no rideshare drivers earned income beyond these limits. Table 6 presents the evolution of PFML rates.

<sup>33</sup> Formulas and detailed calculations are provided in [Appendix A](#).

<sup>34</sup> A linear increase is an increase at a constant rate. Years from 2013 through 2019 are assumed to have seen an increase of 5,556 drivers per year. For 2019, the RMV was able to provide us with only partial data, for 9 months, from April through December. The numbers for the first 3 months were extrapolated from the available data, by assuming that the first 3 months had an average of added TNC drivers equal to that of the subsequent 9 months (4,483 drivers/month).

<sup>35</sup> Using DLM's conservative estimate of \$17,428,606 in lost workers' compensation payments.

<sup>36</sup> Note that as the intermediate estimates were in 2023 dollars, the entire resulting table is also in 2023 dollars. The reader may convert the US dollar value between any two years with any number of inflation calculators, e.g. the one provided by the Bureau of Labor Statistics at <https://data.bls.gov/cgi-bin/cpicalc.pl>.

<sup>37</sup> For this report, the assumption is that the 2023 rates hold steady for all years, as there is no set rate for TNCs.

**Table 6: PFML Rates by Year, 2019–2023<sup>38</sup>**

Year	PFML Contribution Rate	Income Cap for PFML Purposes <sup>39</sup>
2019	0.75%	\$132,900
2020	0.75%	\$137,700
2021	0.75%	\$142,800
2022	0.68%	\$147,000
2023	0.63%	\$160,200

Using the previously mentioned figures for workers' compensation and UI, and applying the yearly PFML rates from Table 6 to the total amount of driver earnings, it is possible to estimate lost payments for the entire 2013–2023 period, as seen in Table 7 below.

**Table 7: Estimated Lost TNC Payments to Workers' Compensation, UI, and PFML (2013–2023) ("Best Estimate" Model)**

Year	Number of Drivers <sup>40</sup>	Lost Workers' Compensation Payments	Lost UI Payments	Lost PFML Payments	Total <sup>41</sup>
2013	16,668	\$ 3,812,987	\$ 4,531,828	-	\$ 8,344,815
2014	22,224	\$ 5,083,982	\$ 6,042,438	-	\$ 11,126,420
2015	27,780	\$ 6,354,978	\$ 7,553,047	-	\$ 13,908,025
2016	33,336	\$ 7,625,973	\$ 9,063,657	-	\$ 16,689,630
2017	38,892	\$ 8,896,969	\$ 10,574,266	-	\$ 19,471,235
2018	44,448	\$ 10,167,964	\$ 12,084,875	-	\$ 22,252,840
2019	50,004	\$ 11,438,960	\$ 13,595,485	\$ 7,032,147	\$ 32,066,592
2020	31,305	\$ 7,161,360	\$ 8,511,452	\$ 4,402,475	\$ 20,075,287
2021	54,041	\$ 12,362,467	\$ 14,693,097	\$ 7,599,877	\$ 34,655,441
2022	64,766	\$ 14,815,928	\$ 17,609,095	\$ 8,258,058	\$ 40,683,081
2023	76,187	\$ 17,428,606	\$ 20,714,327	\$ 9,000,018	\$ 47,142,950
<b>Total</b>		<b>\$105,150,172</b>	<b>\$124,973,567</b>	<b>\$36,292,576</b>	<b>\$266,416,315</b>

<sup>38</sup> Jessica Mason & Vasu Reddy, *Financing Sustainable Paid Family and Medical Leave Programs*, NationalPartnership.org (2023) at p. 7, available at <https://nationalpartnership.org/wp-content/uploads/financing-sustainable-paid-family-medical-leave.pdf>.

<sup>39</sup> Note that the PFML Act uses the same income cap as the Social Security Administration's Old-Age, Survivors, and Disability Insurance program.

<sup>40</sup> Note the assumed yearly progression of 5,556 drivers per year through 2019. (Actual data is available only after 2019, with the requirement of TNC vehicle inspections.) As previously noted, this progression relies on an initial starting point of 0 drivers in 2010, an end point of 53,792 drivers in 2019, and an assumption of an increase at a constant rate between 2010 and 2019.

<sup>41</sup> Decimals have been omitted to improve legibility. This explains a resulting small discrepancy in the reported totals.

Thus, for the 2013–2023 period, a reasonably conservative estimate (the “best estimate” model) for total lost payments for workers’ compensation, UI, and PFML is **\$266,416,315**. (A low-end estimate for the period, assuming that all drivers in Massachusetts worked 5 hours per week, is \$89,191,937; a mid-point estimate, assuming drivers worked 20 hours per week, is \$356,767,746; and a high-end estimate, assuming that all drivers worked 40 hours per week, is \$713,535,493.)<sup>42</sup>

## Conclusion

If TNCs are not classifying their drivers correctly, using the best available data, this report conservatively estimates that TNCs have failed to contribute approximately \$266.4 million into workers’ compensation, UI, and PFML for the 2013–2023 period. This includes \$47.1 million for 2023 alone.<sup>43</sup> Estimated losses in benefit contributions align with third-party research in other states, as well as with Uber’s own internal assessment.<sup>44</sup>

We must ensure that TNCs are making required contributions to sustain worker benefits and protections that maintain a level playing field across transportation industries. This analysis underscores the need for greater oversight and data reporting requirements for TNCs operating in Massachusetts. We encourage the State Legislature and Administration to enact measures enforcing full transparency of driver earnings, hours worked, and other vital employment statistics.

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<sup>42</sup> Appendix A displays detailed calculations for year 2023 estimates. The low, mid, and high estimates for the entire period are not present in Appendix A, but DLM can forward, upon request, an Excel file with all calculations.

<sup>43</sup> Collateral financial impact arising from workers accessing state emergency assistance programs such as MassHealth, SNAP (food), or RAFT (housing) rather than worker benefit programs are difficult to quantify due to data limitations, and are beyond the scope of this report.

<sup>44</sup> In a 2020 editorial, Uber’s CEO stated that a driver in Colorado averaging over 35 hours per week would have accrued approximately \$1,350 in benefit fund contributions in 2019, if classified as an employee.<sup>44</sup> Assuming 50 workweeks per year, Uber essentially admitted owing payouts of \$0.77 per hour.<sup>44</sup> Taking into account the differential between 2019 and 2023 dollars, the CEO’s numbers are relatively close to the estimations of the present report, which approximates the average Massachusetts TNC driver’s work schedule at 14.9 hours per week. This activity of 14.9 hours per week would result in lost payments amounting to \$618.77 per year per driver in 2023, or \$0.83 per hour. In fact, adjusting for inflation, \$0.77 in 2019 represents the value of \$0.92 in 2023. Consequently, our estimate of \$0.83 per hour is approximately 10% below the Uber CEO’s own estimate when adjusted for inflation Federal Reserve Bank of Minneapolis. *Inflation Calculator*. Available at <https://www.minneapolisfed.org/about-us/monetary-policy/inflation-calculator>.

## APPENDIX A

### Formulas and Calculations (Year 2023)<sup>45</sup>

	Description	Calculation and Annotations
<b>1. Best Estimate</b>	Lost Workers' Compensation Payments (Taxicab Analogous)	= Total Payroll \$1,428,574,247/100 * 2023 Workers Compensation Rate of [\$3.66 per \$100] = \$52,285,817.44
	Lost Workers' Compensation Payments (Conservative)	= Taxicab Analogous Calculation \$52,285,817.44 * 33 1/3% = \$17,428,605.81
	Lost UI Payments	= Total Earnings \$1,428,574,247 * UI Tax Rate 1.45% = \$20,714,326.58
	Estimated PFML Contributions (Family, Medical, Total)	= Family Leave: Total Earnings \$1,428,574,247.00 * Family Rate 0.11% = \$1,571,431.67 = Medical Leave: Total Earnings \$1,428,574,247.00 * Medical Rate 0.52% = \$7,428,586.08 = Total Annual Contribution \$9,000,017.76 (Family Leave: \$1,571,431.67 + Medical Leave: \$7,428,586.08)
	Total	\$17,428,605.81 + \$20,714,326.58 + \$9,000,017.76 = \$47,142,950.15
<b>2. Low-End Estimate</b>	Lost Workers' Compensation Payments (Taxicab Analogous)	= Total Payroll \$478,263,893/100 * 2023 Workers Compensation Rate of [\$3.66 per \$100] = \$17,504,458.48
	Lost Workers' Compensation Payments (Conservative)	= Standard Calculation \$17,504,458.48 * 33 1/3% = \$5,834,819.49
	Lost UI Payments	= Total Earnings \$478,263,893 * UI Tax Rate 1.45% = \$6,934,826.45
	Estimated PFML Contributions (Family, Medical, Total)	= Family Leave: Total Earnings \$478,263,893 * Family Rate 0.11% = \$526,090.28 = Medical Leave: Total Earnings \$478,263,893 * Medical Rate 0.52% = \$2,486,972.24 = Total Annual Contribution \$3,013,062.52 (Family Leave: \$526,090.28 + Medical Leave: \$2,486,972.24)
	Total	\$5,834,819.49 + \$6,934,826.45 + \$3,013,062.52 = \$15,782,708.46

<sup>45</sup> Calculations have been done with a precision of up to four decimals, but sums are displayed here with cents only. Consequently, minor discrepancies may be apparent.

<b>3. Middle Estimate</b>	Lost Workers' Compensation Payments (Taxicab Analogous)	= Total Payroll \$1,913,055,570/100 * 2023 Workers Compensation Rate of [\$3.66 per \$100] = \$70,017,833.86
	Lost Workers' Compensation Payments (Conservative)	= Taxicab Analogous Calculation \$70,017,833.86 * 33 1/3% = \$23,339,277.95
	Lost UI Payments	= Total Earnings \$1,913,055,570 * UI Tax Rate 1.45% = \$27,739,305.77
	Estimated PFML Contributions (Family, Medical, Total)	= Family Leave: Total Earnings \$1,913,055,570 * Family Rate 0.11% = \$2,104,361.13 = Medical Leave: Total Earnings \$1,913,055,570 * Medical Rate 0.52% = \$9,947,888.96 = Total Annual Contribution \$12,052,250.09 (Family Leave: \$2,104,361.13 + Medical Leave: \$9,947,888.96)
	Total	\$23,339,277.95 + \$27,739,305.77 + \$12,052,250.09 = \$63,130,833.81
<b>4. High-End Estimate</b>	Lost Workers' Compensation Payments (Taxicab Analogous)	= Total Payroll \$3,826,111,140/100 * 2023 Workers Compensation Rate of [\$3.66 per \$100] = \$140,035,667.72
	Lost Workers' Compensation Payments (Conservative)	= Taxicab Analogous Calculation \$140,035,667.72 * 33 1/3% = \$46,678,555.91
	Lost UI Payments	= Total Earnings \$3,826,111,140 * UI Tax Rate 1.45% = \$55,478,611.53
	Estimated PFML Contributions (Family, Medical, Total)	= Family Leave: Total Earnings \$3,826,111,140 * Family Rate 0.11% = \$4,208,722.25 = Medical Leave: Total Earnings \$3,826,111,140 * Medical Rate 0.52% = \$19,895,777.93 = Total Annual Contribution \$24,104,500.18 (Family Leave: \$4,208,722.25 + Medical Leave: \$19,895,777.93)
	Total	\$46,678,555.91 + \$55,478,611.53 + \$24,104,500.18 = \$126,261,667.62

## **APPENDIX B**

### **Acknowledgment**

This report was prepared for the  
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