Lyft IPO: Wall Street rakes in billions from the growth of casualized labor

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Shares of ride-share company Lyft rose by as much as 21 percent above its Public Offering Price of $72 per share during its first day of trading on the NASDAQ exchange on Friday. The share price rose to a high of $87.21 before dropping down to $78.29 at the end of the day's trading. The share price fell again to $77.60 during after-hours trading Friday evening.

Lyft's initial public offering (IPO) was larger than all of the other 17 IPOs for the first quarter of 2019 combined. The immense rise in the company's share price allowed its shareholders to make hundreds of millions of dollars in a single day's trading.

Some of the largest Lyft shareholders include the Japanese e-commerce giant Rakuten owning shares valued at $2.5 billion, General Motors with a $1.5 billion stake, the venture capital firm of Andreesen Horowitz with a $1.2 billion stake, Google parent company Alphabet with a $923.7 million stake and company founders Logan Green and Zimmer with $656 million and $452 million respectively.

In a single day, a small number of current and former employees gained $1.5 billion in stock, enough to buy every home currently listed on the market in San Francisco. By contrast, the average San Francisco worker would have to work more than 18 years to earn the cost of one average city home valued at $1.6 million. A typical Lyft driver would have to drive several decades to accomplish the same.

Lyft is the first in a series of tech companies going public this year which are major platforms in the so-called gig economy. The Lyft IPO will be followed next month by rival ride-sharing platform Uber, and later this year by delivery service Postmates, along with WeWork, Airbnb and others. Most of these companies began operations either during or immediately following the 2008 financial crisis in which mass layoffs and the cutting of job protections and the social safety net for millions of workers led to the creation of a highly casualized labor force.

The so-called gig economy now accounts for 34 percent of the US workforce. That number is expected to grow to 43 percent by the year 2020. Across North America and Western Europe 150 million workers are now considered independent contractors—the majority employed in low wage temporary work—according to the Harvard Business Review.

In the case of Lyft and Uber, drivers must purchase their own gas, their own car insurance and must otherwise maintain and pay for their own vehicles when not leasing from the company itself. Each of the companies has a car lease program which leases vehicles well above market rates forcing drivers to work longer hours to make payments.

After these expenses are deducted, many drivers can expect to bring home between $8 and $10 on average and in some cases as low as $3 per hour. Additionally, as the companies can classify their drivers as "independent contractors" rather than full employees, the drivers do not receive any health, retirement, unemployment insurance, vacation or any other benefits from the company.

Marketing materials for both companies cynically claim that drivers are free to set their own hours, be their own bosses and make however much or little money as they like. The reality, however, is that working a full 40-hour week driving would still earn a driver less than the official poverty rate of $25,570 for a family of four. In fact, in January 2017, Uber was forced to settle a $20 million lawsuit with the Federal Trade Commission over false claims that its drivers could earn a median income of more than $90,000 per year in New York and $74,000 per year in San Francisco.

At a strike of Los Angeles Uber drivers last Monday, many of those participating reported being homeless as they simply could not make enough money driving for the firms to afford rent. Though there is no accurate count as yet of the number of homeless drivers, it is likely to be significantly high. Responding to a series of interviews on National Public Radio with homeless ride-share drivers waiting for passengers near the heavily trafficked arrivals section of Los Angeles International Airport, Uber simply said that it was “up to drivers to decide when, where and how long to drive.”

“There is no doubt that most of us are happy to decide when we work and turn on the app when we need to. But in terms of the independent freedom of being able to turn your app on, if you’re making $35 in six hours of driving, yeah, you have the independence to work an 18-hour day and barely make a living,” a Los Angeles Uber told National Public Radio during the strike.

The strike in Los Angeles was triggered by Uber’s plans to drop their per mile compensation rate for drivers by 25 percent from 80 cents to 60 cents. “Both Lyft and Uber are driving the wages down to see—what is the lowest amount of money they’re willing to accept?” one driver complained at the strike.

Moreover, the drop in per mile compensation has proceeded by only a few weeks Uber’s own IPO, signaling to investors that the company will do whatever it takes to drive shareholder returns as high as possible at the expense of its workforce. Lyft has not changed its driver compensation for more than 12 months, while Uber was also recently embroiled in controversy over using tips in its calculation of a $10 per hour minimum rate it had promised to prospective drivers.

There can be no doubt that should the Lyft share price fail to meet investor expectations—and its performance on Friday was already considered to be totally underwhelming by analysts—even greater concessions will be expected from drivers.

The growth of low-wage, casual work is certainly not a solely American phenomenon and ride-share companies now operate in nearly every city and country around the globe. Uber itself has recently conducted a series of significant investments in, or acquisitions of, other ride-share platforms in the Middle East, Europe and Asia. Lyft has begun expanding operations into Canada and has recently acquired several scooter and bicycle sharing platforms.

Both companies have been spending millions on autonomous vehicle research while Lyft hopes to capitalize on the astronomically high cost of health care, teaming up with electronic health records company Allscripts to arrange rides for patients using Lyft drivers untrained in medical transport.

The growing prevalence of such low-wage work is also of growing concern to the ruling class. In spite of the companies’ efforts to pit “self-employed” workers against one another in a race for sporadic jobs, the ride-share drivers in particular are recognizing the need to organize and oppose the firms. This has prompted the imposition of slap-on-the-wrist fines for the companies, and toothless legislation meant to improve driver conditions.

Among the latter was recent legislation introduced by Democratic Virginia Senator Mark Warner for a “Portable Benefits Model” for workers in the casualized labor market. The proposed pilot initiative for the legislation includes a mere $20 million in funding, underscoring the fact that absolutely nothing will be done to help the affected workers.

The Democratic and Republican parties alike support the growth of casualized labor. The growing field of 2020 presidential candidates will also doubtless be actively courting the newly-minted layers of tech millionaires and billionaires in their search for large campaign contributions.

Drivers and workers should also place no faith whatsoever in the trade unions, which are seeking to take advantage of the growth of workers’ anger to expand their dues base and act as well-paid accomplices of the companies in the further exploitation of their workforces. Workers must instead take the conduct of the struggle into their hands, forming their own rank and file committees independently of the trade unions and the Democratic and Republican parties. They must link up their struggles with those of traditional taxi drivers, public transit workers and with all sections of the working class.

Workers must demand that billions be made available to drastically increase driver compensation and lower fares. Affordable public transportation must be demanded as a social right rather than a privilege.

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