



## EVALUATION OF E-HAILING DRIVER'S WELFARE: AN ANALYSIS ON DRIVER'S REVENUE AND EXPENSES

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## Abstract

This study estimates the economics of e-hailing drivers by analysing the results from a survey conducted on 254 drivers focused on their revenue and also expenses. Revenue includes basic fares and tips they collected while driving, while expenses can be further divided into operational expenses, taxes and social security packages (socso, epf, insurance). Results estimated that drivers average 120 trips per week and average yearly revenue can up to MYR 59,184 inclusive of tips. However, factoring the operational expenses, their net profit per year can drop to MYR 10,107 - 13,983 subject to taxes, insurance and social security commitments. The net profit of driver is way less than the Malaysia minimum wage policy. Social securities were perceived as secondary for most drivers when it comes to welfare concerns. Policy implication were discussed with concerns of over-regulations will diminish the e-hailing industry and the welfare of drivers indirectly.

## Research Highlights

1. This study provides evidence on the economics of e-hailing drivers by focusing on their revenue and expenses.
2. This study found out that driving e-hailing services in long run might be not sustainable, as the revenue is offset by the costs.
3. Driving e-hailing service full-time will be challenging, perhaps it is more suitable for part-time drivers.

## Research Objectives

The objective of this study is to analyse and understand the welfare status of e-hailing drivers in Malaysia. Specifically, this proposed research aims to:

1. To assess the revenue-expenses of the e-hailing drivers in Malaysia.
2. To evaluate the sustainability of e-hailing services in Malaysia.

## Methodology

Estimation method was adapted from Zoepf et al. (2018) estimation on ride hailing economics. Survey was conducted and the questionnaire were distributed to 254 e-hailing drivers in Klang Valley region, Malaysia between January-February 2020 to obtain their self-reported revenue and costs. Revenue were divided into to fares and tipping. Expenses were divided to tax, maintenance, licensing, and fuel costs. Social securities packages such as insurance, SOCSO,





and EPF were treated as additional costs as well. The average revenue, costs, and social securities were used to estimate the profits of the drivers. Two estimation scenarios were used to estimate the net profit, I.e., 1) by substituting the RM0.64 per km mileage claim (MEF 2015) as the average of maintenance and fuel costs; and 2) by calculating the maintenance and fuel costs separately as expenses.

## Results

Initial results showed the e-hailing drivers driving 5,885 km per month, mostly work 48 hours per week, which equivalent to six full working days. Their fares and tipping averages RM4,500 per month and RM4.50 per tip respectively with an average of 20 trips per day. By assuming 20% of their trips getting tips, the average yearly revenue of a driver is around RM59,184. By substituting mileage claim as the costs of maintenance and fuel (scenario 1), the yearly earnings of drivers can drop to RM13,983. In scenario 2, the yearly earnings can further dropped to RM10,177. Both estimations suggest that average driver could earn less than the national minimum wage of RM1,200 (Federal Government Gazette 2020) inclusive of operational expenses.

## Findings

The results indicate that driving e-hailing service in Malaysia might not be sustainable in long run, as the average net profit of drivers are comparable to minimum wage set by the government. At the same time, this implies that the gig economy of e-hailing service might be more suitable as part-time job rather than a full-time one. Perhaps, the policy makers should have a new perspective in regulating future policies in regards to the development of e-hailing industries, as additional regulations might further diminish the already weak net income of drivers.

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