

How Sara Nelson’s CB 120775 delivers a **sub-minimum wage** for gig workers

As independent contractors, gig workers like delivery drivers are responsible for significant work expenses, and extra unpaid work time, that employees do not incur. This means contractors’ **hourly gross minimum wage for “engaged” time** — the time they spend on deliveries from acceptance to completion — **must be set at a higher rate than employee minimum wage** in order to ensure minimum wage after accounting for additional work time and costs.

The proposed pay cut in CB 120775 would result in net pay of **\$13.17/hour**—more than \$6 below Seattle’s minimum wage

Both Seattle’s existing gig worker pay law (PayUp) and the Uber/DoorDash proposal put forth by Council President Sara Nelson (CB 120775) pay an hourly rate on “engaged” work time, and a per-mile rate on “engaged” miles — that is, the time and miles spent actively running deliveries. PayUp accounts for the extra time and expenses borne by contractors by paying a higher rate for this “engaged” time, resulting in net pay roughly equivalent to minimum wage. By contrast, CB 120775 fails to account for the additional time and costs borne by contractors — and as a result, would set a sub-minimum wage for gig workers.¹

Under CB 120775, workers would earn just \$19.97/hour during engaged time, and 35 cents per mile driven during engaged time. To examine what real pay for a gig worker would look like under CB 120775, we’re analyzing how the proposal would pay for a real sample shift on DoorDash that includes **5 hours of engaged work time** and **32 engaged miles**.²

How CB 120775 delivers sub-minimum wages

Proposed pay rate for engaged time and miles	\$19.97/hour + 35¢/mile
Gross pay for typical sample shift (5 engaged hours + 32 engaged miles over 6 hours of total work time)	\$111.05
...accounting for cost of mileage (at IRS rate)	- \$21.44
...accounting for taxes & other expenses (11.8% of pay)	- \$10.57
Net pay for sample shift	\$79.04
Hourly net pay after accounting for all work time	\$13.17/hour

¹ CB 120775 would also average-down the standard over a pay period, instead of requiring each individual job to meet the standard as the PayUp law requires. Because of this averaging-down over a pay period, the proposal would effectively establish a sub-minimum wage ceiling, rather than a floor.

² See screenshots of typical delivery shift [here](#). Many shifts involve much higher mileage driven per hour worked, resulting in overall lower net pay. This example shift was selected because its hour-to-mile ratio was the median among a sample of one month of work on DoorDash in Seattle. The typical shift with 5 hours of “engaged time” would require at least 6 hours of total work time (see next section for details).

Digging into the numbers: Why CB 120775 pays only \$13.17/hour

When accounting for the net pay earned by gig workers as compared to employees, it's necessary to account for both the additional expenses contractors bear as compared to employees, *and* the extra time contractors spend on their work when not directly engaged in a specific job. Delivery drivers pay for mileage costs, self-employment taxes, and other significant costs not covered by employees. Additionally, they are paid only for the “engaged time” they spend directly working on a delivery. All their other work time — including relocating to “hotspots,”³ returning from deliveries, reviewing offers, and administrative time — is not directly paid for. For all of these reasons, contractors’ gross pay on engaged time must be high enough to cover their additional mileage and self-employment costs, and the additional time they spend working between deliveries.

Under the proposed pay cut, the gross pay for this typical shift would be:

\$99.85 for time (5 hours of engaged time, at a rate of \$19.97 per hour); and
+ \$11.20 for miles (32 miles on engaged time, at a rate of \$0.35 per mile); for a total of
= \$111.05 in gross pay before accounting for additional mileage, expenses, and time.

Pay after accounting for the cost of mileage

Factoring in only the cost of “engaged” mileage at the IRS rate provides a conservative estimate of vehicle expenses paid by workers.⁴ In reality, the cost of mileage for gig workers is higher than the cost of engaged miles at the IRS rate alone, due to two factors: 1) Gig workers drive additional work miles between jobs — for example, relocating to “hotspots” or returning from a delivery. 2) Personal auto insurance does not cover workers on all their work miles, and workers must pay extra for [“rideshare” insurance policies](#). But for the purpose of providing a conservative estimate of the impact of mileage costs on net pay, we will calculate mileage costs here using only engaged miles multiplied by the IRS reimbursement rate — the gold standard for determining the typical cost of using a personal vehicle for business purposes.

\$111.05 in total gross pay for shift
- \$21.44 in mileage costs (IRS rate of \$0.67/mile x 32 miles)
= \$89.61 in pay after accounting for mileage.

Pay after accounting for self-employment expenses

After factoring in the additional expenses covered by typical employers but not by app companies like Uber and DoorDash, workers’ net pay for the shift is even lower. These expenses are the “employer share” of various payroll taxes, and other expenses borne by independent contractors that would be covered by conventional employers. Accounting for

³ “Hotspots” are locations where delivery offers are often available, which apps encourage workers to drive to. Often, workers must drive to these hotspots after deliveries in order to receive their next offer.

⁴ The IRS rate factors in the cost of vehicles, maintenance, insurance, and gas to provide an average cost of driving a personal vehicle for business purposes. The IRS rate is almost universally used by employers when calculating the cost of mileage driven for work. While app companies have argued that the IRS rate — a national average — is higher than the cost of driving a vehicle in Seattle, independent studies actually suggest the opposite: Seattle is [one of the most expensive cities in the country](#) to drive a car.

federal employer-side payroll taxes, and statewide averages of the cost of other basic work expenses that would be covered by employers, works out to 11.8% of pay.⁵

\$89.61 in pay after accounting for mileage
- **\$10.57** to account for self-employment expenses of 11.8%
= **\$79.04** in net pay after accounting for expenses and mileage.

Hourly pay after accounting for additional work time between deliveries

After accounting for these basic expenses, the worker's net hourly pay for 5 engaged hours of work would be **\$15.81/hour** — more than \$4/hour less than Seattle's minimum wage. However, even this figure does not accurately capture how low workers' net pay would be after accounting for all their work time. Workers put in significant work time between their "engaged" time spent on deliveries, and this additional time must also be accounted for when calculating a worker's net hourly pay.

To estimate the additional time spent working outside this shift's 5 hours of engaged time on deliveries, we can conservatively assume a total of one hour of "non-engaged" work time dispersed throughout the day — for example, time spent reviewing offers, traveling to "hotspots" for more offers, communicating with app support, and other such additional work time. In reality, the amount of "non-engaged" work time is typically much higher: based on the [study used to set NYC's pay standard](#), a shift with 5 hours of engaged time would require on average over 7 hours of total work time,⁶ resulting in a much lower net hourly pay calculation. But in order to provide the most conservative possible estimate here, we will assume a typical shift with 5 hours of engaged time involves just 1 additional hour of work time, for a total of 6 work hours.

\$79.04 in net pay
÷ **6 hours** of total work time
= **\$13.17/hour in net pay** after accounting for contractors' extra costs and work time.

Simply paying gig workers the same gross minimum wage as employees, with no accounting for contractors' additional expenses or additional unpaid work time, results in net pay far below minimum wage. That's why a proposal like CB 120775, which pays gross minimum wage on engaged time only and reimburses mileage at a rate well below the IRS rate, results in **net pay of just \$13.17/hour — \$6.80 less than Seattle's minimum wage.**

⁵ The 11.8% figure for "self-employment expenses" considered in this calculation is a minimal accounting of expenses typically borne by employers. as listed on slide 18 of [this 2022 City Council presentation](#):

- 1) Employer-paid FICA taxes (7.65%)
- 2) Cost for contractors to opt in to WA's Paid Family and Medical Leave program (0.25%)
- 3) Average cost of unemployment insurance in Washington (1.06%)
- 4) Average employee share of workers' compensation (2.84%)

⁶ See page 6 [here](#). This study examined apps' "utilization rate" across six quarters for DoorDash, Grubhub, and Uber Eats. The highest "utilization rate" for any quarter was just 68% — meaning engaged time accounted for 68% of total work time. Using this number, a shift involving 5 hours of engaged time would include an extra 2.35 hours of work time. In order to provide a very conservative estimate of additional work time, we are accounting for just 1 hour of additional work time rather than 2.35.

PayUp is not unique in its accounting for contractors' extra time and expenses. In fact, **every existing city or state pay standard for app-based workers in the U.S.** acknowledges these extra costs and hours by setting a rate higher than minimum wage for engaged time, including:

- [Washington state's pay standard for Uber and Lyft drivers](#), which pays **\$1.55/mile** and **\$0.66/minute for engaged time** in Seattle.
- [California's pay standard for delivery and rideshare drivers](#), which pays **120% of local minimum wage** for engaged time. Keep in mind this standard was written by app companies like Uber and Doordash, who spent more than \$200 million to [run a ballot initiative](#) to set pay at this rate. Notably, [academic researchers found](#) that even this 120% pay level results in net pay well below minimum wage.
- [New York City's pay standard for delivery drivers](#), which requires apps to pay either **\$19.56/hour** (about 123% of minimum wage) for all *online* time, or **\$32.60/hour for engaged time**.

If CB 120775 were to pass as written, with pay of only gross minimum wage on engaged time and a mileage reimbursement of \$0.35/mile, **it would be the lowest of all existing standards for gig workers in the country.**

Gross pay & net hourly pay for a typical shift under PayUp vs. CB 120775

To capture the importance of paying *above* minimum wage on direct engaged time in order to ensure contractors earn minimum wage after accounting for all their time and costs, the following chart compares pay on the typical shift under the current minimum pay ordinance against the lower pay rates required by CB 120775.

	Under PayUp	Under CB 120775
Gross “engaged time” pay for 5 hours engaged time on delivery	\$132.00 (5 hours x \$26.40/hour)	\$99.85 (5 hours x \$19.97/hour)
Gross mileage pay for 32 engaged miles	+ \$23.68 (32 miles x \$0.74/mile ⁷)	+ \$11.20 (32 miles x \$0.35/mile)
Gross pay for shift	= \$155.68	= \$111.05
Cost of mileage (IRS rate of \$0.67 x 32 miles)	- \$21.44	- \$21.44
Cost of self-employment expenses (11.8% of pay after accounting for mileage)	- \$15.84	- \$10.57
Net pay after accounting for all expenses	= \$118.40	= \$79.04
Total hours worked (engaged + additional work time)	6 hours	6 hours
Net hourly pay	\$19.73/hour	\$13.17/hour
Comparison to Seattle’s minimum wage	Net hourly pay is essentially equivalent to Seattle minimum wage	Net hourly pay is \$6.80 less than Seattle minimum wage

⁷ PayUp includes an “Associated Mileage Factor” of 10% to account for the cost of miles driven between jobs. Similar to the way a higher minimum rate on “engaged time” accounts for extra work time, this mileage factor accounts for the extra miles driven during non-engaged time for purposes like returning from a dropoff point or relocating to a hotspot.