



**platform labour in
urban spaces**

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Taxi industry in Tallinn

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Taxi industry in Tallinn: liberally regulated, yet unequal

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Methodology

The main source of data for this report is the focus group that took place on March 22 2021 via Zoom. The participants were a representative of a taxi company¹ (with extensive experience in the industry, including participation in the policy making process) and three representatives of Tallinn's Municipal Police Department (MUPO) who are involved in issuing necessary licences for taxi drivers and supervising the drivers at the local (Tallinn) level. Moderator of the focus group was PLUS team member Kairit Kall, assisted by team leader Marge Unt. We planned the focus group to be 90 minutes long, but it lasted for 108 minutes, as the discussion was very lively. The participants seemed to be quite open and willing to share their experiences and insights and were quite critical when discussing the situation in the taxi industry. The focus group was recorded, transcribed and thematically analysed; participants gave informed consent and were promised confidentiality.

Employment situation and working conditions of workers in incumbent industries

As highlighted by the representative of a taxi company, regarding the changes (or lack thereof) in employment situation of taxi drivers in Tallinn, it is crucial to understand that taxi industry was rather lightly regulated (compared to other cities) already before platform taxis came into the market. For example, in Estonia even one-man companies can have taxi licences. Most importantly, traditional taxi companies are not providing (and usually have not provided) the possibility to be employed as a taxi driver. The sector has long used a model of (false) self-employment when hiring taxi drivers. Taxi drivers usually operate as sole proprietors or through some kind of juridical person, most notably their own small company and through that provide services to bigger taxi companies (e.g. through franchise agreements). This practice has not been changed with the market entrance of platforms. The representative of a taxi company explained that if a company would actually hire taxi drivers, they would be in a clearly disadvantageous position in the market, as happened with one of the biggest taxi companies:

They [the taxi company] initially hired all the taxi drivers, produced... I don't know, like several million of kroons [previous currency] of losses every year until they realised that this model does not work. And they started using the same model than all the rest. This [the model] means that taxi driver is private entrepreneur, typically either renting or owning the car and offering the service as (s)he pleases. So in that sense there has not been important change. (Tallinn taxi industry focus group March 2021)

This means that the employment conditions of taxi drivers are largely dependent on themselves and to some extent on specific agreements with the companies they provide the service for. It was also highlighted during the focus group that usual practice among taxi drivers seems to be to pay only

¹ We sent invitations to focus group for another 12 taxi companies. One of them promised to take part, but did not show up. One answered that times are complicated and they cannot participate, others just did not answer. In addition, we invited Estonian Transport and Road Workers' Trade Union, but they did not answer.

minimum amount required to get social security coverage as a salary and not pay taxes on the rest of their income, so the grey economy has long been part of Tallinn's taxi industry.

What did change with the entrance of platforms, however, is that platforms established the practice of using natural persons without providing employment contract to them². This practice is generally not used by traditional taxi companies. The grey economy increased further, as more drivers are not paying taxes at all. It is also extremely difficult and energy consuming to control the taxi drivers for tax avoidance:

I have spoken to a tax official once who tried to carry out tax inspections in taxi industry. (S)he said they spent two kroons to find one. This means they cannot in any way control sole proprietors' [type of registered self-employment in Estonia] when it comes to taxes, so actually no control was exercised. This means taxi drivers always declare minimum wage...tax expense. This means they pay necessary minimum social tax to get social insurance. (Tallinn taxi industry focus group March 2021)

The representative of the taxi company elaborated that with the entrance of the platforms the income of taxi drivers may have stagnated over the years compared to the rest of the economy. Uber drivers we interviewed for WP2 saw the decreases in incomes over the years rather clearly. The market, however, expanded (until the COVID hit), as new customer groups started using taxi services. Generally, Estonian taxi industry has been and is low-income, so much, indeed, that according to the taxi company representative it is even not possible to get decent compensation for your work if you declare all your income and pay taxes from that: so tax avoidance is written into the business model. The constant supply of new drivers enhances the situation.

What has also happened related to the entrance of platforms into the market is that taxi drivers have started using multiple taxi companies and platforms simultaneously and, according to the representative of the taxi company, usually this is not restricted by the taxi companies (although some have non-competition clauses with their drivers). This also raises the question of which taxi company can be held responsible for this driver's licences etc.

Taxi driver's occupation has changed also in a sense of de-professionalization. The representative of taxi company argued that very few taxi companies train their drivers at all, and definitely this is done less extensively than before (training was mandatory before the changes in the Public Transport Act in 2018, and voluntary now).

Expert from the Tallinn Transport Department we interviewed in 2019 argued that ride hailing introduced new and better taxi standards for customers. Service has become more comfortable, simple and accessible. There is more competition, so taxi companies try harder. He concluded that "*I do not see any negative aspects related to the ridesharing. People [=clients] win.*" (TA-EX-4, 2019). However, the impact of platforms may have been in two directions: first the quality of service indeed increased, as new drivers and more competition came into market. But when Bolt started dominating

² When natural persons work through platforms they might declare their income from driving as random income and pay only income tax from it or pay the taxes through the new option of Simplified Business Income Taxation Act which sets lower level of tax obligations, but when fulfilling certain requirement, a person may also get social security through that (see Tallinn's city report for WP2 task 2.2)

the market (as it does now), it started to decrease, reaching maybe even worse levels than before. Now *“the situation is so that no self-respecting person will choose to drive a taxi. You go drive a taxi under Bolt when you are in trouble.”* (Tallinn taxi industry focus group March 2021). Also, the diversity of drivers has increased. According to the representative of the taxi company, Bolt’s dominance is clear and other taxi companies have had to considerably decrease the number of taxis they operate and taxi drivers they have.

An important development related to the platforms’ entry into the market that directly influences the working situation of taxi drivers, is the specific taxi insurance introduced by insurance companies after vehicle cards (mandatory for taxi drivers) became publicly available. Although before that insurance companies also wanted to know, if the vehicle is used as a taxi, the insurance did not differ much. Currently the difference is huge, as the taxi company representative explains: in extreme cases it can be 100 times higher. The high cost of taxi insurance was highlighted as very problematic by some of the Uber drivers we interviewed for WP2. This is also an aspect that might push some drivers into grey economy.

The current pandemic situation has clearly decreased earnings of drivers and shrunk the taxi market in general. Regarding the safety of drivers, MUPO representatives elaborated that traditional taxi companies usually have provided decent protections (masks/shield/disinfectants), but with platforms it has mostly been the responsibility of the driver. Regarding social security, it depended on the concrete driver. If s(he) paid minimum amount to get social security, then s(he) had access to it (for example when losing a job during the pandemic), otherwise not.³

Changing strategies of incumbent companies

According to the taxi company representative, a clear direction in Tallinn’s taxi business has been the usage of applications through which clients can order a taxi (in parallel to calling option). This already started happening before platforms like Bolt and Uber came into the market. However, nowadays apps are common: some taxi companies have developed them together, some have personal apps. Nevertheless, no other taxi app has experienced such a success as platforms like Uber and Bolt have.

If we talk about additional services like food delivery, then some traditional taxi companies have special agreements with food sellers that they deliver their orders and this has already been a long practice. However, none has a special app for that, which requires considerable investment: *“/.../ companies like Uber and Bolt have a huge advantage because they have the possibility to lose billions [to develop something] without any hassle. We do not.”* (Tallinn taxi industry focus group March 2021).

Regarding dynamic pricing that platforms use, traditional taxis are basically not allowed to use it, as local municipality has set the upper price limit for taxis with taximeters etc., which puts traditional taxi companies in a disadvantageous position compared to platforms.

³ See Tallinn’s COVID report and WP2 report’s focus group part.

According to the statistics of the Estonian Motor Insurance Bureau, in 2019 taxis that are operated via application caused 1.8 times more traffic accidents than traditional taxis, and seven times more than regular cars.⁴ The focus group participants highlighted that it might be partly because platform taxi drivers spend more hours in the traffic, so obviously have a higher chance of getting into an accident. MUPO representative also elaborated that platform taxi drivers often have their „eyes on the app“, so they pay less attention to the traffic. In addition, as platforms sometimes offer bonuses for faster/more rides, drivers might hurry in the traffic.

New aspects of industry regulation

Although the amendments of the Public Transport Act that entered into force in 2018 unified most requirements for traditional and platform-based taxis – making them looser for the traditional taxis, e.g. language and training requirements were eliminated –, there are still some distinctions. Platform taxis do not have to have a taximeter, printer, printed price list, and an illuminated sign.⁵ Furthermore, Tallinn has established some local rules, that can only be extended to traditional taxis (currently local government cannot do that for platform taxis), including maximum prices for rides and requirement to have less-polluting car.⁶ These distinctions still create quite a lot of inequality between traditional versus platform taxis.

Although Public Transport Act does not explicitly set language requirements to drivers, Language Act states that drives of public transport vehicles have to be proficient in Estonian at least B1 level. MUPO does not have the competence to control language level of taxi drivers, but they have refused to issue the service provider card if the applicant was not even able to express themselves at the elementary level when turning to MUPO. According to the officials some potential taxi drivers do not even speak English or Russian. The Estonian Ministry of Economic Affairs and Communication on the other hand argues that MUPO should issue the card and only if the driver will be caught during the drive, then their data can be sent to the language inspectorate who should evaluate the situation.⁷

It was highlighted by focus group participants throughout the interview that the discrepancy between quite extensive control exercised over traditional taxi companies versus lack of control over platform taxi is *THE* crucial issue that makes the situation in the industry so unfair. MUPO is struggling with controlling if all platform taxi services are provided legally (e.g. taxi drivers should have both service provider card and vehicle card, in Tallinn issued by MUPO). Controlling platform taxi drivers is complicated for several reasons. First, it is difficult to distinguish platform taxis from regular cars, as the former might not have any visual clues indicating the car is used for providing taxi services. Secondly, legislation does not provide effective means for controlling platform taxis.⁸

⁴ https://www.lkf.ee/sites/default/files/20200304-Taksod_tavasoidukid.pdf?750

⁵ Public Transport Act: (2) Where the illuminated taxi sign has been installed on the vehicle and the name of the carrier or the carrier's trade mark enjoying protection for the purposes of § 5 of the Trade Marks Act or the trade mark granted use of to the carrier under a contract is visible on the outer right side of the vehicle, the passenger may be serviced from a taxi stop and the lane designated for public transport may be used upon provision of taxi services.

⁶ <https://www.riigiteataja.ee/akt/429102015031>; See also PLUS Tallinn city report I.

⁷ <https://tehnika.postimees.ee/6681315/haige-olukord-tallinnas-umbkeelsete-taksojuhtide-pealetung>

⁸ <https://www.err.ee/1608103294/mupo-on-teinud-sadu-ebaseaduslikke-kontrolloste>

MUPO does not have a right to stop „regular“ cars for control purposes. They do make control purchases by ordering platform taxis, but recent decision by the Supreme Court of Estonia⁹ stated that their tactics for targeting and controlling platform taxi drivers this way are illegal, as Public Transport Act does not provide a possibility for authorities to order taxi via mobile app for controlling a driver. The court concluded that the current legislation does not provide a possibility to effectively control platform taxi drivers. MUPO officials expressed hope that maybe due to this recent decision finally some changes to the legislation will be made to make the control activities possible. However, the participants were also a bit sceptical towards changes, as political will to regulate the sector more strongly might be missing: *[for more than three years] we have made proposals to the ministry how to better monitor [platform taxis]. (Tallinn taxi industry focus group March 2021).* Nothing has changed this far.

Another recent court decision (in the court of first instance) that might have an impact on the industry concerns Bolt. A person who ordered a taxi via Bolt application got into an accident and got minor injuries. S(he) sued Bolt as Bolt was the company who owned the licence to provide taxi service that was related to the driver's service provider's card. The court ordered Bolt to pay damages. Bolt is planning to appeal the decision.¹⁰ The taxi company representative present in the focus group felt that the decision was unfair and taxi companies should not be responsible to drivers' accidents. The representative was worried that this decision might put pressure on taxi companies to insure drivers for this kind of lawsuits, but taxi companies do not have finances for that.

The topic of collecting mobility data by platforms was not elaborated thoroughly during the focus group. However, participants emphasised that platforms do not have the right to share the data they are collecting, only exception being when taxi driver gives permission and for criminal and misdemeanour proceedings.

To conclude, all participants of the focus group expressed the feeling that the biggest problem in Tallinn's taxi industry is the unequal situation between traditional taxi companies and platform taxi companies. Taxi companies are not very unified in Estonia/Tallinn and they do not have a unified perspective whether the regulations should be strengthened or loosened, but they should be the same for everyone. Even if the rules and regulations would be unified, it is crucially important also to make it possible to effectively control both business models equally.

⁹ <https://www.riigikohus.ee/et/uudiste-arhiiv/riigikohus-seadus-ei-luba-mobiilirakenduse-abil-taksosid-kontrollida>

¹⁰ <https://www.err.ee/1608147517/kohus-bolt-vastutab-ettevõttena-oma-juhtide-tekitatud-kahju-ees>