

Grubhub drivers say app change eats into tips, jeopardizing a usually generous season

BY SUHAUNA HUSSAIN

Los Angeles Times

A recent tweak to the food delivery app Grubhub that changes the way customers are prompted to tip delivery drivers has frustrated many workers, who say the change discourages tipping and is slashing their potential earnings.

Popular food-delivery apps typically allow customers to tip drivers a percentage of their meal's cost, with the default tip often ranging from 10% to 25%. Grubhub switched from that model Dec. 16 when the Chicago company rolled out new fees for customers in California to help cover the costs of driver benefits granted by voters in the state last month. The app now defaults to zero, or no, tip.

A new message also appears atop the prompt, saying customers may "Leave an optional tip on top of Driver benefits." Drivers said the change is costing them and offsetting any gains from the newly added benefits.

On Christmas Eve, Los Angeles driver Audrey Wilson, 55, crisscrossed the city delivering meals, earning \$1 or so

on most orders, she said. A \$10 tip from a resident of a palatial home just off Mulholland Drive was one of her biggest that night.

Wilson had recently restarted driving for the service after a months-long break. Because of the change in tip policy, she said, she plans to switch to a competitor, the food-delivery platform DoorDash.

"I was digging the work. I got to make my own hours," Wilson said. "But now it's rare to get a tip over a dollar. It's unbelievable." She estimates she now makes 30% to 50% less daily than she did months before.

Grubhub spokeswoman Katie Norris said that California drivers for the platform are making 20% higher pay per order, including tips, since Proposition 22 came into effect, and that app users can still choose to leave a tip for their driver.

Proposition 22 — bankrolled by Uber, Lyft and other gig economy companies — won gig companies a carve-out from a state labor law that would have required them to classify their workers as employees and offer a full slate of benefits. As a concession to

workers, the ballot measure outlined some new benefits, including a minimum earnings guarantee and a health care stipend for drivers who clock in a certain number of hours on the road.

Ride-hailing and food-delivery platforms have since added fees to cover the cost of the new benefits: Grubhub added a flat fee of \$1.50 per customer order. The company's marketing language draws a link between the new fee and suggested tipping practices.

"In support of California's Prop. 22, this payment helps guarantee minimum wage and healthcare benefits for our drivers so they don't have to depend on tips," reads a note on the app under an information tab explaining the new driver benefits fee.

Rival DoorDash slightly increased service fees for some California orders to fund new driver benefits, said DoorDash spokesperson Taylor Bennett. The company is also considering changes to some promotions such as DashPass, a subscription service that offers unlimited deliveries for a fee, that may also affect the price for some customers.

Uber spokesman Davis White said additional fees for customers of the ride-hailing giant will vary depending on the city. For example, since Dec. 14, each Uber Eats food delivery order has risen by 99 cents in Los Angeles and \$2 in San Francisco.

The company has also tacked fees of 75 cents in Los Angeles and 30 cents in San Francisco on to rides, with the additional charge rising to \$1.50 in more sparsely populated areas.

Gig economy companies have largely struggled to turn a profit, first as startups and increasingly as publicly traded companies. Proposition 22 saved them the costs of overhauling their approach to labor in California, a huge market.

Grubhub remains one of the few that had become profitable, and yet this year the company lost money — even during the pandemic, when food delivery became a more common habit because of restaurant dining restrictions. In June, European food-delivery service Just Eat Takeaway agreed to buy Grubhub for \$7.3 billion, a deal that will give it a foothold in the U.S.

Fragile

Continued from C1

For other businesses, the past 10 months haven't been so smooth.

Surviving the pandemic takes grit, wrote Carrie Douglass, owner of The Haven co-working space wrote in her blog. "To get through the shutdowns and the downturn in business, Douglass wrote that she honed her mission, reached out to her members, sought out investors, and even sold her home to keep afloat.

"Starting a small business is always risky, and we knew that, but we obviously didn't foresee an international pandemic and sweeping business restrictions," Douglass wrote. "The reality is that this pandemic likely set us back at least a decade or more.

"We share this because it's important for people to understand the real risks of entrepreneurship."

Down the road at the Box Factory on SW Industrial Way, Nickol Hayden-Cady, owner of Foxtail Bakery, has hit the wall financially and has put her business up for sale.

She plowed through the Payroll Protection Program funds. She maxed out her credit cards. And she has ran up as much debt as she could to keep her business going.

But without weddings, events or lunchtime patrons, it was impossible to pay a staff, the rent and the other expenses she incurred running her bakery and restaurant. Now she and her mom, who is also her partner, are the only ones working.

They're taking orders for cakes and pies.

"We closed down. We're done," Hayden-Cady said. "The whole problem is we're losing thousands of dollars a day. We put everything into this without losing our house."

No one could have predicted a pandemic, or one that would have forced the closure of dine-in restaurants, physical distancing and limited customers. At the Small Business Development Center, instructors often advise businesses to have eight to 16 months of cash reserves on hand to weather a downturn, a catastrophic event like a hurricane, or a pandemic, or something that creates an economic shock, said Ken Betschart, director of the Small Business Development Center at the Central Oregon Community College.

The pandemic has hit industries differently, Betschart said. Some have succeeded and grown. Others have stumbled and closed. And some have taken this time to be a catalyst for change by taking classes, assessing their finances and developing a business plan.

"The restaurant industry or the travel and tourism industry is hurt because the economy doesn't work on take-out alone," Betschart said. "It's a divided economy."



Nickol Hayden-Cady stands in her bakery, Foxtail Bakeshop at 735 NW Columbia St., in 2017.

Ryan Brennecke/The Bulletin file

The Small Business Development Center offers 15 classes for business owners, most are filled and are short term. Since the fall the enrollment in these classes has been up, Betschart said.

"Financials are the window into your business," Betschart said. "You have to be able to see where you can cut costs and where you can shift your resources."

Entrepreneurs are hopeful by nature and will go to extreme lengths to protect their business, said Adam Krynicki, Oregon State University-Cascades Innovation Co-Lab executive director.

"The failure of a business is not just an entrepreneur's problem," Krynicki said. "It's an Oregon-wide problem. These entrepreneurs are doing everything they can to support themselves, their families and their employees. It's up to all of us to do everything we can to help them survive."

Hayden-Cady said she feels like she achieved her goals during the last three years creating and growing the Foxtail Bakery. Before the pandemic started in March she was looking forward to even growing to a second location, creating a cookbook and catering for

weddings. She went from 300 or 400 customers a day to 15 during the height of the pandemic-related restrictions.

"We had 100 brides switch from 2020 to 2021 and now they're starting to cancel 2021," Hayden-Cady said. "It's just so sad."

At the Red Chair Gallery, Dunlavy realized she needed to maintain the space for the artist members because without artists, there is nothing for customers to buy. The business model relies upon the artists to pay their rent and share a portion of their sales when they sell something. So far, all but two of the 30 artists stayed.

"I have a business background, and I fell into the art part part after I retired from the business world," Dunlavy said. "That has saved the day for us."

When businesses were shuttered for six weeks early in the pandemic, Dunlavy's goal was to always show activity through the windows of the downtown shop. At the same time she eliminated all non-essential costs and projected the budget out for a year.

"I always try to be happy to see customers," she said. "We wanted to keep the idea that art is joyful. That worked

pretty well."

When businesses were reopened in mid-May, through December the business rebounded. The first quarter is traditionally slow and Dunlavy hasn't paid herself for more than a year.

"I put it all back into the gallery," she said. "We could have closed if I hadn't had this attitude about taking care of the people who will take care of the gallery. To me the Red Chair Gallery is the artists. Period. It's not how it's run, but how to make a good place for the artists to be."

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Solve these puzzles on C4

SOLUTION TO TODAY'S SUDOKU

SOLUTION:

2	7	3	6	5	4	9	1	8
6	5	9	7	8	1	3	2	4
1	4	8	2	9	3	7	6	5
3	6	2	1	7	5	8	4	9
4	1	5	8	6	9	2	3	7
9	8	7	3	4	2	1	5	6
7	9	1	5	3	6	4	8	2
8	3	6	4	2	7	5	9	1
5	2	4	9	1	8	6	7	3

SOLUTION TO TODAY'S JUMBLE

Answer:
SHRIMP GOVERN IRONIC PIRACY HEALTH FUTILE

When skydiver Felix Baumgartner jumped from 128,000 feet, he was at the —

HEIGHT OF HIS CAREER

NYT CROSSWORD SOLUTION

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LAT CROSSWORD SOLUTION

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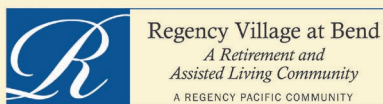
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