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IN A JOB MARKET THIS GOOD, WHO NEEDS TO WORK IN THE GIG ECONOMY?

Startups like Uber and Lyft that launched in the Great Recession strain to keep workers who don't have to take part-time work anymore

By Kelsey Gee
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Uber Technologies Inc., Instacart and other gig-economy companies are straining to attract and keep the short-term laborers who give rides, shop for groceries and deliver meals at the tap of an app.

Amid low unemployment and fierce competition, startups have begun offering richer perks, benefits and signing bonuses to lure on-demand workers to sign up for, and stay with, their platforms. Companies have beefed up recruiting, even touting the opportunity to join the staff full time – a sign that maintaining a steady labor pool is growing expensive and difficult.

"Founders know that showing these workers they can earn a stable living with some predictability in pay and hours is one major way to compete," said Roy Bahat, head of venture fund Bloomberg Beta, a unit of Bloomberg L.P. that invests in startups like job-listing platform Textio Inc.

The so-called gig economy, which is composed of part-time and freelance jobs, came on the heels of the Great Recession when high unemployment and stagnant wages made short-term workers relatively easy to find.

Today, the pool of these workers remains significant – a 2016 McKinsey Global Institute report found that roughly 4 percent of the U.S. workforce has earned money using apps and platforms in the gig economy, while some economists peg the total closer to 1 percent, or 1.5 million Americans. But the gig economy is under pressure from a stronger labor market and some workers souring on piecemeal jobs, investors say.

Uber, seeking to repair rocky relations over pay and benefits with its roughly 600,000 active drivers, updated its app in July to enable tipping by customers. It has also rolled out a pilot insurance plan launched in partnership with Aon PLC to help cover on-the-job accidents.

In June, Uber also committed to developing a program to help drivers take on full-time roles. More than 100 drivers have been hired into customer-support jobs across the country, according to a spokesman.

Ride-sharing competitor Lyft Inc. in 2015 launched a tiered perks program, giving enhanced tax, health and car maintenance services depending on the number of rides completed by its roughly 700,000 drivers, a spokeswoman said.

Companies are also using signing bonuses to lure workers. Postmates, an on-demand delivery service, offers bonuses ranging from $50 to $500. Bonuses for new Uber drivers recently hit $1,000 in San Francisco; for Lyft, it was $800. Drivers get referral bonuses, too.

Harry Campbell, who runs The Rideshare Guy, a blog that compiles information for on-demand workers, says turnover is driven by gig workers' unhappiness with their take-home pay. The most effective sweeteners, he says, are those that reduce workers' expenses and give them quicker access to their pay.

A 2015 analysis of Uber's workforce found that 45 percent of new drivers left the platform in their first year, a rate that remained steady in a separate 2016 study by economists in partnership with the firm.

In any given month, an estimated one in six participants in the gig economy is new, and more than half of such workers exit within a year, according to a November report from the JPMorgan Chase & Co. Institute.

Adding perks can "smooth out" any dips in service sparked by worker turnover for on-demand companies, said Jennifer Fonstad, co-founder of venture firm Aspect Ventures, which has investments in UrbanSitter, among other gig-economy startups. "These new, ancillary services can enhance the gig worker's ability to do a job better and more easily," she added.

Businesses can face lawsuits if they treat independent workers too much like employees who, unlike contractors, must legally be provided certain benefits and protections, said Scott Witlin, an employment attorney with law firm Barnes & Thornburg LLP. Sweeteners like discounted cellphone plans and referrals to affordable benefits, offered by many firms, keep companies on safe legal ground, he said.

San Francisco-based food delivery startup DoorDash Inc. has enlisted outside companies to connect its 100,000 independent contractors to health-insurance plans and offers next-day payments.

DoorDash is also trying to expand the pool of potential delivery workers – dubbed "dashers" – by leasing motorized bicycles for workers' use during delivery runs in four cities.

DoorDash could eventually rent the fleet to interested workers for a small daily fee, according to chief executive Tony Xu. For now, GenZe, the bikes' maker, is providing the $1,600 vehicles to the company free of charge.

"It's a matching game between maintaining a steady supply of dashers with the number of orders coming in from customers," said Mr. Xu. The company is betting that perks will help retain experienced delivery workers who will provide better service, thus helping grow DoorDash's customer base, he said.

Instacart will begin offering workers discounted mobile-phone plans in the coming months; it has also begun opening its company town halls to its tens of thousands of on-demand shoppers, said Senior People Operations Partner Ru Cymrot-Wu.

Shoppers hear executives' updates on company performance and can ask questions of Instacart leaders. The company recently settled a class-action lawsuit brought by contractors for $4.6 million in March, after they claimed the company improperly pooled their tips and failed to reimburse them for business expenses. Instacart denied the charges, but has since added a more visible way for customers to tip their shoppers.

“There’s been a lot of growth in the area of acknowledging that people are what makes our business run,” said Ms. Cymrot-Wu, referring to Instacart’s on-demand shoppers. “We need to ensure they have support and resources.”