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Summary

Taxis in Norway towards 2020

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The Norwegian taxi regulation was fundamentally changed on 1 November 2020. Although the industry has been transforming slowly over time, this regulatory change is likely to have a major impact on the industry. This report is written before the implementation of the new regulation focusing on the existing taxi industry as a labour market, the experience with the Covid-19 pandemic and expectations of the result from the coming regulation..

This report is the first in a project that maps the consequences of the new taxi market regulations that will be effective from 1 November 2020. The new regulations consists of three main elements:

1) Repealing the regional counties current option of numerical restriction on and means-testing of taxi license (with some minor exceptions)
2) Transferring the competence requirements from taxi license holders to taxi drivers
3) Removing the license holders' duty and right to be connected to a dispatcher

The aim of this report is to describe the situation in the taxi industry prior to the implementation of the new regulations and to establish a basis which the situation after the regulation can be compared with. In this report, we study the developments in the Norwegian taxi markets towards the new regulations, focusing on the period from 2010 to 2020. We describe the development in the vehicle park, taxi companies and prices for this period. Furthermore, we describe the working conditions and wages of taxi drivers and license holders. We then take a closer look at a few selected locations, to get a deeper understanding of what the new regulations will mean in different parts of the country. We also explore what consequences the Covid-19 pandemic has had for the taxi industry and discuss some potential outcomes of the new regulations.

The report is based on different empirical sources and both qualitative and quantitative methods. To describe the historical context, we have reviewed the historical, sociological, economic and legal research literature. The theoretical context of the report is developed through a summary and analysis of the research literature on taxis and related fields from 2000 to 2020, in Norway and internationally.

To describe the developments in the Norwegian taxi market from 2010 to 2019, we have used administrative data from the Norwegian Road Federation (Opplysningsrådet for veitrafikk (OFV)) on the fleet and new registration of taxis, and the Business and Enterprise Register (Virksomhets- og foretaksregistret (VoF)) for an overview of companies and employees in the taxi industry.

We have interviewed a total of ten license holders and eight employed taxi drivers from different parts of the country. Due to the Covid-19 pandemic, most of these interviews were conducted by phone. As a consequence of the pandemic, parts of the data collection has taken place in a period that does not reflect the "normal" situation in the taxi industry. Thus, we have also used data from a previous research project. Furthermore, we have interviewed representatives from the taxi industry, both at national and local level in six selected case areas.

Overall development trends

The Norwegian taxi industry has its roots in the middle ages and the coaching system. During the 19th Century, the so-called coachmen guilds were established in the larger cities, with horse drawn carriages from designated ranks. The horse cabs were replaced by motorized taxis in the transition between the 19th and 20th Century. A system for licensing of and requirements to taxis was also implemented. In the same period, taxi owner associations and dispatchers emerged. The dispatchers became increasingly important for the organization of the taxi services during the 20th Century, taking over more and more of the tasks previously performed by the license holders and taxi drivers, who thus became more and more dependent of the dispatchers.

From 1950 to 2019, there have been shorter periods of growth in the number of taxi licenses followed by longer periods of gradual decline. The last of these growth waves began in 1998, a period when new regulations were implemented. Since 2009, there has been a decline in the number of licenses.

The supply side of the Norwegian taxi industry consists of three groups of agents – taxi owners or license holders, employed drivers and the dispatchers – with the taxi license as the core economic unit. There is usually one car per license and one car per license holder. The licenses are personal and valid until the holder turns 75 years old. The license holders are self-employed and organized in sole proprietorships and thus personally economically responsible for the business. The license holders can drive themselves or supplement by employing drivers. An employed driver is generally paid a wage as a portion of the revenue they generate for the license holder. The formal qualification requirements from drivers, apart from a driver's license, is a professional license and a criminal record certificate issued by the police. A test of knowledge of local geography can be included. Some dispatchers practice stricter requirements, for example by requiring that drivers pass a local geography test, language test and/or organize specific tests. Up until 1 November 2020, there has been a numerical restriction on licenses in each county authority. In practice, changes in the number of taxi licenses are processed politically in instances where there are too few taxis in the district. This happens if an increase in the number of licenses is proposed by established operators, or if a new operator wants to enter the market. A reduction in the number of licenses can be approved politically, but is rare, and happen primarily when licenses that are returned by natural departure are not issued to new applicants. The observed reduction in the number of licenses is primarily a result of reduced demand for licenses. Not reduced supply based on political reasons.

Furthermore, license holder are organized in dispatchers as coordinating actors. Until the new regulations are implemented, license holders have both a duty and a right to be connected to a dispatcher. The dispatchers allocate ordered rides to the taxis, have a system for GPS tracking of the cars and sign contracts on behalf of the connected license holders. Many dispatchers are organized and owned as cooperatives, with license holders as majority owners, while others are owned by one or more license holders. There are also dispatchers owned by investment companies that are not in other ways connected to the taxi industry.

Development in supply

There has been a stable decline in the number of taxis from 2010 to 2019. There has also been a relative decline in the number of diesel-fuelled cars in favour of gasoline hybrid, and a growth in the number of battery electric taxis. Import of new and used taxis has been relatively stable in this period, with a low import in 2016 and even lower in 2019. The proportion of imported taxis has increased in the period, from 88 percent to 95 percent. Similarly as with the total inventory of diesel-fuelled cars have been gradually replaced by gasoline hybrid, particularly from 2018 to 2019, where diesel went from 66 to 34 percent, and gasoline hybrid from 30 to 43 percent. Diesel hybrids also increased from approximately 0 to 6 percent, and electricity from 1 to 4 percent in the period.

The number of wheelchair-compatible taxis has declined in the period. Compared to the negative development in the total number of taxis in Norway in the period, the periodically decline in wheelchair-compatible taxis has been greater. The primary share of wheelchair-compatible taxis shifted from buses in 2010, to passenger cars in 2019. The share of wheelchair-compatible taxis among imported taxis was relatively stable in the period, but declined from 8,8 percent to 4,4 percent in from 2018 to 2019.

In the analysis, we grouped taxis and taxi companies according to centrality, using the Statistics Norway's 2019 classification. We find a decline in the number of taxis for all centrality classes from 2010 to 2019, and that the share has declined in the most central and the least central classes. This indicated that a form of centralization has occurred.

In 2010, the highest density of taxi companies was in the least and most central municipalities, and lowest in the middle section of the centrality classification. Tourism in some of the less central municipalities might explain the large density of taxi companies here.

The price development in the taxi market illustrates that prices in the taxi market are complex entities. The price of taxi services depend on the segment of the market in which the service is bought. The main tendency, however, is that, adjusted for consumer prices, the prices of taxi services in Norway has been remarkably stable from 2011 to 2020. The exemption is the fare in the street and ranks market, which has increased.

Working conditions and wages

As a labour market, the taxi industry differs from what is often described as the "Norwegian labour market model." Norwegian labour markets are generally well-regulated though law and collective agreements between trade unions and employer's organizations at company and industry level, combined with a welfare state that provides access to goods and services relatively independently of labour market participation. The taxi industry differs from the norm in the Norwegian labour market in multiple ways: The union density among employed drivers is very low, the collective agreement regulates relatively few aspects of employment relationship, commission pay dominates, many drivers work long days and weeks, and the income is unstable and relatively low. The taxi owners are self-employed and thus not covered by the working environment Act and have limited access to sick pay and unemployment befits, and also a double role as both employers and workers, as many, in addition to driving themselves, employ drivers to drive for them. The industry recruits many from marginalized segments of the labour force, particularly immigrants with short resident time and few other opportunities in the labour market.

Among the license holders and drivers we have interviewed, we find that the aspects of the job they value highest is the flexibility, the social aspects and the variation in tasks, while the wages and working hours are highlighted as aspects they dislike.

Social dialogue

The social dialogue in the taxi industry comprises of three actors: Trade unions representing the employed drivers (United Federation of Trade Unions (Fellesforbundet) and Yrkestrafikkforbundet), the employer's organization representing the license holders (Norwegian Taxi owners Federation) and the employer's organization representing the dispatchers (NHO Transport). The collective agreement regulates relatively few aspects of the employment relationship compared to most other agreements in Norway. The agreement stipulates a 41,8 percent commission for the employed drivers, but no guaranteed hourly wage.

While the Norwegian Taxi owners Federation organize a substantial proportion of the license holders, the unionisation among the employed drivers is very low. The low unionisation is caused by, among other factors, the high turnover, a complex relation to the license holder and limited local social dialogue. In addition, many drivers aspire to become license holders, and have thus few incentives to join a union.

The working day

In the taxi industry, working days are long, unpredictable and characterized by waiting for trips. This is in part a product of features of the taxi market, geographical an temporal variation in demand and the organization of the supply side. To reach target earnings or maintain a decent income, license holders and employed drivers are dependent on working long hours. While both taxi owners and employed drivers have a substantial freedom in determining their own working days, they end up having to work long hours, although it varies between different segments of the market.

Wages and income

Taxi owners' and employed drivers' income and wages varies. The former earns an income from the cars' profit, while the latter receive a commission. According to Statistics Norway, the median monthly wage of employed drivers was NOK 32 960 in 2019, before taxes. Taxi owners' income is difficult to estimate, but seems to be a bit higher than the employed drivers' income.

Most of the license holders and drivers interviewed state that they follow the collective agreement and that this usually is decided by the dispatchers. This is probably an expression of a skewed sample. We also find that some license holders give their drivers a higher commission to keep good drivers or attract labour.

Taxi skills

The skill set required to be a successful taxi driver is complex. To master the occupation, they have to handle both the vehicle and the social relation to a customer group with diverse needs. Technological developments have made the drivers less dependent on local knowledge such as the local geography, demand cycles and finding customers. This tendency has contributed to making driving taxi an occupation where workers with few formal qualifications and limited knowledge of Norwegian language can find a job.

The Covid-19 pandemic and the Norwegian taxi industry

The Covid-19 pandemic led to a reduction of the activity in the Norwegian taxi market. The biggest reduction was in the weeks with the most restrictive measures, but during the summer months of 2020, activity increased, although the degree vary between different segments. The taxi rank segment was hit hardest, while the contract segment seems to have fared better.

For taxi owners and employed drivers, the reduced demand in the early phase of the pandemic led to many temporary lay-offs and parked cars. Many taxi owners applied for compensation, but those how own multiple cars had a much higher chance of acceptance. Some of the temporarily laid-off drivers probably received a larger sum of money in unemployment benefits than they would have if they were to continue to work in a market with severely reduced demand. Combined with the coming re-regulation of the taxi market, the pandemic made many taxi owners and employed drivers leave the industry.

Hypotheses about the consequences of the regulatory change

For taxi owners and employed drivers, the coming regulatory change has led to a sense of severe insecurity. They do not know how the industry will look like and whether they will be able to make a living from their occupation. Many are worried that new companies and actors without the same competence and experience will enter the industry, as well as the consequences of new dispatchers, platforms and drivers without a connection to a dispatcher. At the same time, many of the taxi owners and drivers interviewed believed that the large dispatchers will handle the new regulation relatively well, as they have regular customers and a good reputation.