

Generating income through ride-hailing apps: What are the preferences of Beat drivers?

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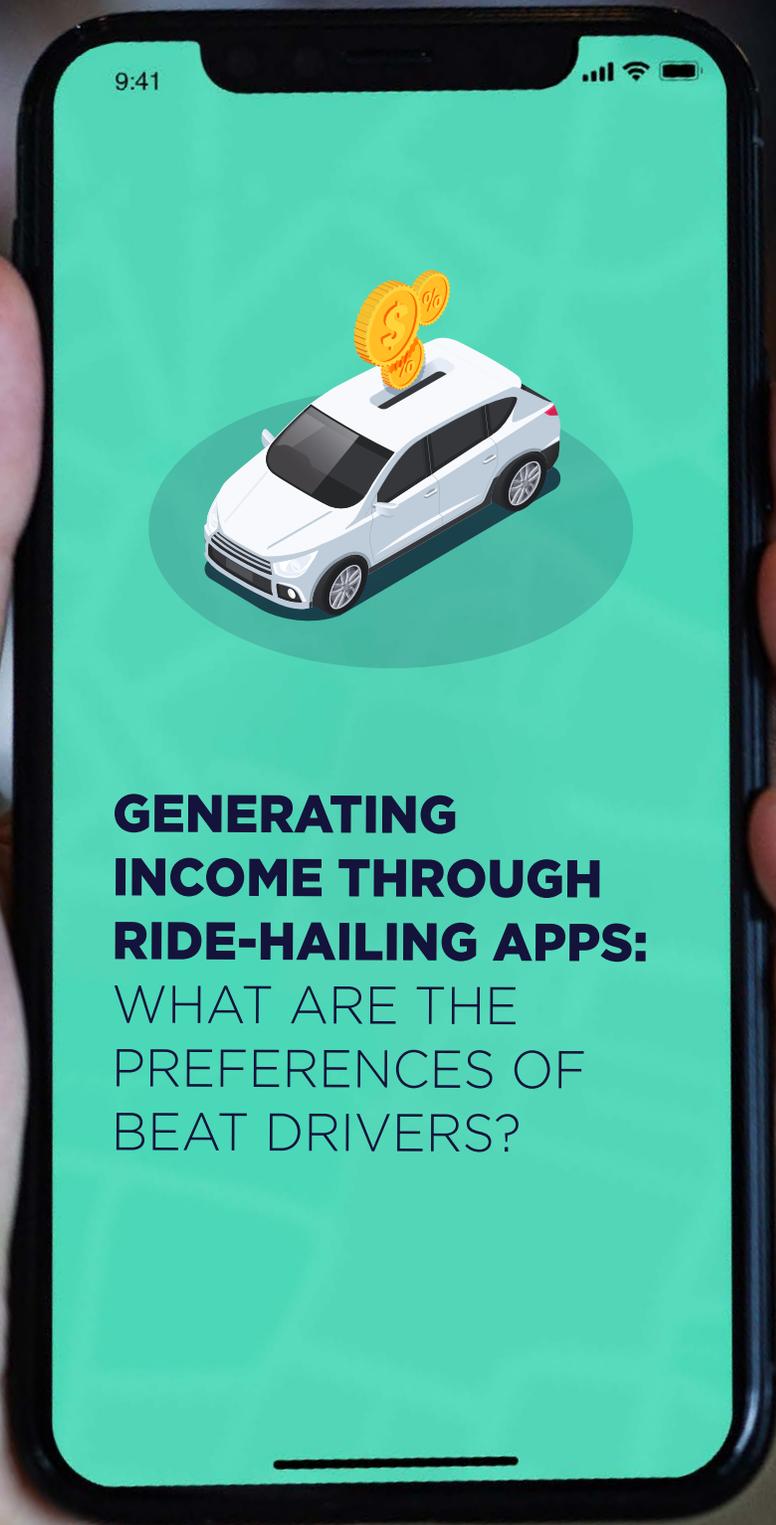
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Introduction

The pandemic has accelerated the adoption of technology due to physical distancing requirements. Thanks to technology, a fraction of the workforce has been able to stay active during confinement. The pandemic has acted as a catalyst for available technologies which help avoid physical contact. In turn, technology has created sources of income in some industries, including digital platforms like Beat.

The great challenge for the future will be to make this technological adoption permanent and improve the living conditions of workers without increasing inequality. The Latin American and Caribbean region is the most unequal globally, making it more vulnerable to the pandemic. Under these conditions, the accelerated technological adoption generated in previous months may exclude disadvantaged workers. Consequently, income inequality could increase given the high levels of informal employment in the region. Therefore, identifying insurance alternatives for various risks that are generally covered for formal workers by social security will be essential to mitigate inequality.

The IDB Group and Beat have partnered to identify innovative solutions for workers who use digital platforms as an occupational alternative. This alliance began with a survey answered by Beat drivers in Chile, Colombia, Mexico, and Peru in June 2021. The survey included 4,573 Beat drivers in these four countries and was conducted to understand drivers' profile, their general use of ride-hailing apps to generate income, their spending behavior, and their social security coverage.

The IDB Group, through the [Laboratory of Digital Social Security](#), is leading efforts to rethink social security systems in the digital age. The rise of new ways of working is transforming the nature of work. Likewise, as it will be seen in this report, it is leaving many workers disconnected from social protection benefits such as health insurance and pensions. This survey is aligned with the IDB Group's [2025 Vision](#), the roadmap to promote economic recovery in the region. The Laboratory of Digital Social Security, specifically, seeks to ensure that digital platform workers have access to basic social security schemes to face short, medium, and long-term risks.

These survey results are an initial step in identifying new insurance products with design features that ensure greater coverage, a challenge that social security systems currently face. In the region, traditional social security systems link worker insurance to employment. However, ride-hailing apps offer a model to generate income that breaks with this mold, allowing Beat drivers to use the platform for the number of hours and days that fits their needs and preferences. The rise of ride-hailing apps forces us to rethink social security mechanisms and adapt them to the digital age.



This survey is the first effort to learn how ride-hailing apps are being used by drivers in the post-COVID-19 era. The IDB-Beat survey is unique as it unites the need to collect evidence on the behavior and preferences of Beat drivers in this flexible work modality, and their needs in the face of a crisis such as the pandemic. Especially after a loss of [31 million jobs](#) during the worst phase of the pandemic, this snapshot of the motivations that led individuals to adopt new work modalities is essential.

The Evolution of Ride-hailing apps

Digital platforms have experienced an accelerated expansion in the region. This rapid expansion of digital platforms is reflected in the number of downloads of work-on-demand apps, including transportation and food delivery services. In 2019, downloads from on-demand platforms in Latin America and the Caribbean reached 29 per one hundred inhabitants, almost four times that of Europe and nearly double that of the United States ([Azuara et al., 2020](#)).

Even before the pandemic, ride-hailing apps were a source of additional income for people with a wide range of occupations. Ride-hailing platforms are an income-generating option for people with varying profiles and needs given their flexibility and low entry barriers. These work options are demanded by a large range of individuals from full-time or part-time workers to freelance workers or students.

The Pandemic as a Catalyst for Ride-hailing apps

As a consequence of the pandemic, the use of work-on-demand platforms has increased in Latin America. According to data from SensorTower, which measures app downloads, including those from platforms, the use of home delivery platforms increased by 50% on average between the first and final week of March. However, there were differences between countries, depending on confinement measures. While in El Salvador, downloads quintupled in this period, in Bolivia they fell by 76% ([Azuara et al., 2020](#)).

Beat is one of several ride-hailing apps that have had a notable impact in the region. Beat's arrival in LAC began in Peru in 2014, then continued to Chile in 2017 and Colombia in 2018, and arrived in Mexico and Argentina in 2019.



Beat is a ride-hailing company founded in 2011 in Athens, Greece. It is part of the FREE NOW group, the ride-sharing joint venture of BMW and Daimler. Beat offers a new travel experience by connecting thousands of passengers with available nearby drivers in real-time. It is currently available in Greece, Peru, Chile, Colombia, Mexico, and Argentina, with plans to expand to more cities in Latin America, and it has an Engineering and Technological Innovation Center in the Netherlands¹.

During the pandemic, Beat strictly complied with governments' health measures in the places where it operates, which meant a considerable decrease in the movement of people. Beat maintained operations to facilitate mobility for those who needed it, such as health personnel and others whose essential jobs sustained communities in the region. The platform also made available a new service to transport products, objects, packages, or purchases, thereby supporting users, SMEs, and the community in general.

1. See <https://thebeat.co>



A Survey of Beat Drivers in Chile, Colombia, Mexico, and Peru

The IDB Group and Beat created a partnership to learn more about who uses ride-hailing platforms and how to reduce their vulnerabilities. The initial product of this alliance is a survey of Beat platform drivers in four countries: Chile, Colombia, Mexico, and Peru.

The survey was administered to almost 5,000 Beat drivers in four countries' main cities. Mexico: Mexico City, Monterrey, and Guadalajara; Bogota in Colombia; Santiago in Chile; Lima in Peru. Two rounds of surveys were implemented in each country to complete the required number of interviews. The first round commenced on May 27 and the survey was sent to drivers in all four countries (Chile, Colombia, Mexico, and Peru). The second round started on different dates for each country: June 5th, in Mexico; June 8th in Colombia and Peru; and June 11th in Chile. In both rounds, a recognition certificate was offered as an incentive to those who requested it. In the first round, there was no additional incentive. In the second, one was offered, varying from country to country.

The survey was organized into 6 modules, which had the following characteristics:

- 1) Demographic Data:** This module collects basic data such as gender, educational level, age, and occupations other than Beat, among other factors.
- 2) Life Post-COVID-19:** This module focuses on changes in the use of Beat since the start of the pandemic. It attempts to identify who did not work as drivers before the pandemic, changes in Beat use since the pandemic among those who were drivers before the pandemic, and whether the pandemic influenced the decision to become a driver.
- 3) Life with Beat:** This section aims at understanding the situation of Beat drivers and their motivation to use the application to generate income. It includes questions about the drivers' income and factors that would make them stop driving for Beat, among other factors.
- 4) Financial Wellbeing and Social Security:** This module measures how well Beat drivers are protected against various short- and long-term risks. It collects information on affiliation to pension and social security systems, contributions to pension systems, use of financial instruments, saving habits, and measures taken to ensure their future.
- 5) Financial Literacy.** This module asks standard questions on basic financial concepts to measure drivers' financial knowledge.
- 6) Savings Services:** the final module focuses on drivers' preferences regarding the possibility of having a service that allows them to save through Beat. These questions attempt to capture drivers' demand and preferences toward basic social protection schemes.



Who are the Beat Drivers in LATAM?

The average Beat driver is a 41-year-old male with an educational level above the national average. In all four countries, the vast majority were male (96%), approximately 41 years old, with completed secondary education (49%).

TABLE 1 • DEMOGRAPHIC PROFILE OF BEAT DRIVERS

	COLOMBIA	CHILE	MEXICO	PERU	TOTAL
Answers	1,333	751	1,515	974	4,573
% Of Men	95%	96%	96%	98%	96%
Average Age	45	39	40	41	41
Education					
Primary or under	13%	12%	6%	8%	9%
Secondary	53%	53%	68%	60%	49%
Higher and University	35%	35%	26%	32%	31%

There is a wide variety of occupations reported by Beat drivers. The majority of drivers reported being independent (35%), or not partaking in additional economic activity (20%). However, 33% reported having full or part-time employment. This data captures how this activity attracts people with varied occupational profiles and needs.

TABLE 2 • LABOR STATUS OF BEAT DRIVERS

EMPLOYMENT STATUS ²	PERCENTAGE
Independent	35%
No additional economic activity	20%
Part-time employment	12%
Full-time employment	11%

Most drivers use more than one platform to generate income. Of all drivers, 59% reported using another platform besides Beat to generate income. This percentage highlights how the traditional employee and employer model is replaced with a flexible scheme offered by these ride-hailing apps to generate income, as there is no conventional employment relationship.

2. The survey question allowed Beat drivers to choose from nine different answer options, and to choose more than one option since drivers can participate in more than one occupation. The table only reports the four most selected answers. Therefore, the four reported percentages do not add up to 100%. The nine possible answers were a full-time employee; a part-time employee; an independent worker; a student; I don't have a job, but I am in search of one; I do not have a job and I am not looking for one; I dedicated myself to home care; I am retired; I only drive for Beat, and Other.

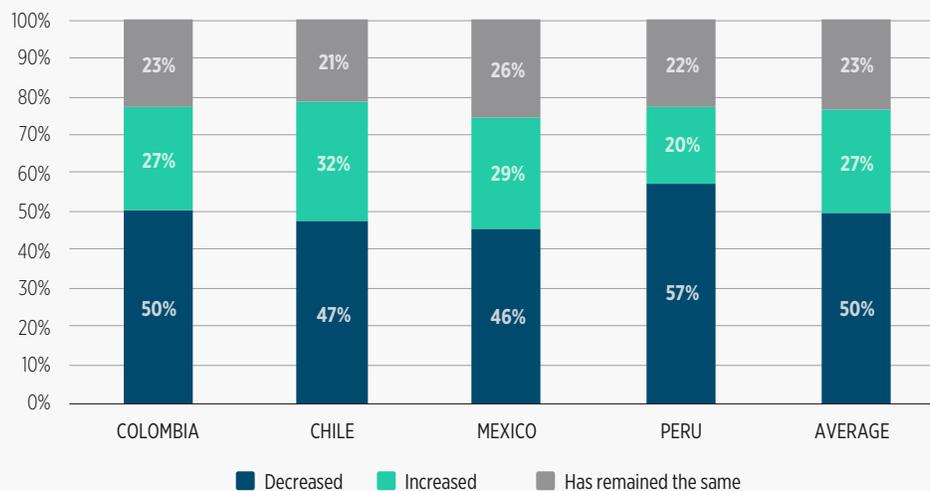


The Pandemic and Ride-hailing apps: An Income-Generating Option in Times of Crisis?

The pandemic reinforced the importance of flexible work arrangement to confront crises. Thanks to low barriers to entry, platforms like Beat offer an alternative for those who have lost their jobs or have lower incomes. Several million people faced this situation during the pandemic. Given the characteristics of the labor markets in Latin America, mobility platforms are used as an income-generation resource, creating a mechanism similar to an "unemployment insurance".

More people are using Beat during the pandemic, but for less time. Drivers who were already using Beat showed a decrease in the use of the application. Quarantine measures probably influence this trend. In Peru, where there were strict quarantine measures, 57% indicated that their use of Beat had decreased.

GRAPH 1 • CHANGE IN THE USE OF BEAT AFTER THE START OF THE PANDEMIC, ACCORDING TO BEAT DRIVERS





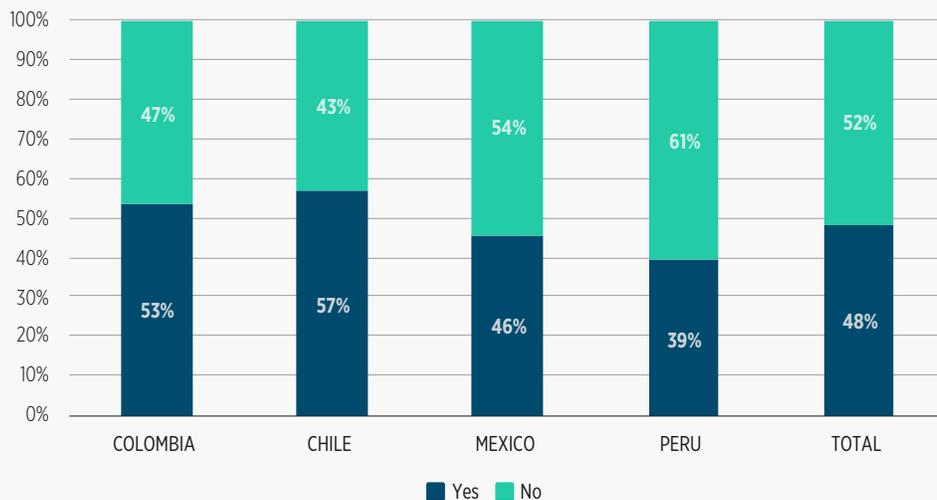
Decision to Use Beat: Is it Due to The Pandemic?

The pandemic influenced the decision to use Beat for nearly half (48%) of the drivers. This figure was exceptionally high in Chile (57%) and Colombia (53%).

Among drivers without an additional economic activity, the pandemic was even more influential on using Beat. Among those who reported not having another job, the proportion is 63%.

These findings reinforce the idea that mobility apps serve as "unemployment insurance." The availability of these applications in times of crisis, as we have witnessed with the pandemic, facilitates income generation among people who could otherwise suffer a worse economic shock.

GRAPH 2 • DECISION TO USE BEAT. IS IT DUE TO THE PANDEMIC?



The value of work flexibility

Generating income through flexible schemes is something mobility platform users highly value. To measure how much they value this flexibility, we asked drivers the salary level they would require in exchange for giving up the flexibility offered by Beat (a concept that in economics is called a reservation wage). The results show that the salary required to accept a full-time job (with a fixed schedule of 8 hours a day met in a specific location) is equivalent to 1.5 times the average labor income in the formal sector of each country. Specifically, they would have to receive a full-time job offer equivalent to 1.6 times in Colombia, 1.6 in Chile, 1.5 in Mexico, and 1.4 in Peru. Similarly, when compared to the average income of independent workers in each country, they would have to be offered 7.4 times more in Colombia, 3.3 in Chile, 5.2 more in Mexico, and 5.2 more in Peru.



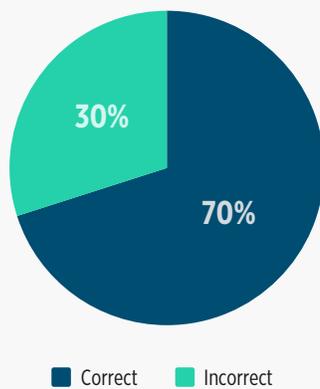
Financial Wellbeing and Literacy of Beat Drivers

Financial Literacy: Do Beat Drivers Understand Basic Financial Concepts?

Understanding basic financial concepts is essential when offering a financial product. For instance, understanding these concepts makes it easier to promote a savings scheme or a product that helps with financial planning.

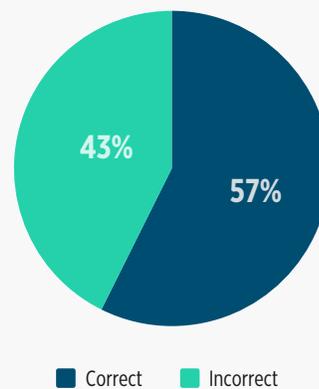
The survey included standard questions to measure the understanding of basic financial concepts. Two of the "big three questions" related to financial literacy proposed by Lusardi and Mitchell (2014) were applied. These are used worldwide as a standard to measure financial literacy. When asked two questions focused on compound interest rates and inflation, the majority answered correctly.

GRAPH 3
COMPOUND INTEREST RATE



70% correctly answered a question about interest rates, with little variation by country. Among drivers with at least tertiary education, the proportion was higher (74%)

GRAPH 4
INFLATION



57% correctly answered a question about inflation. These figures were very similar across countries. Among drivers with tertiary education, the proportion was also higher (63%).

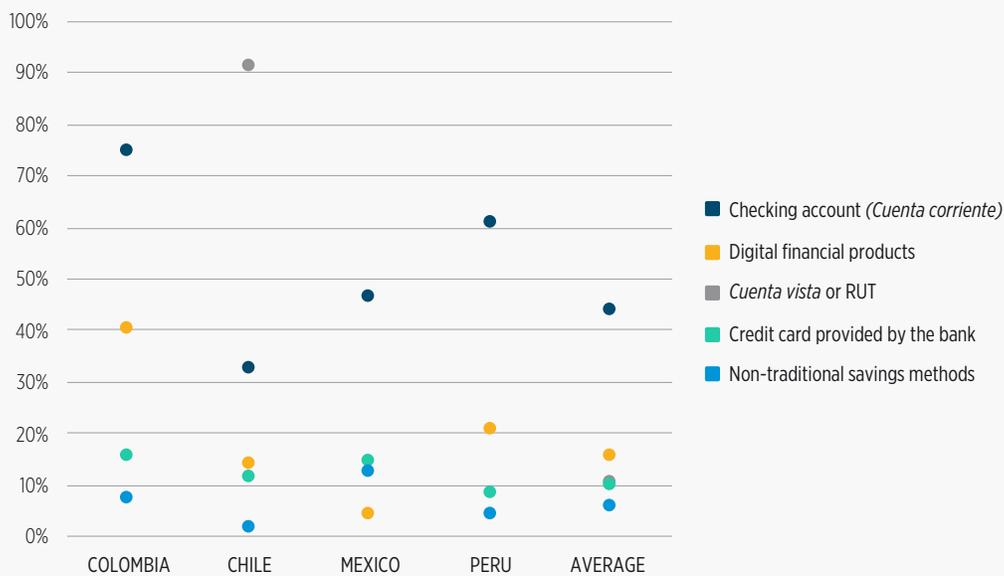


Financial Wellbeing: Do Beat Drivers Save Money?

Basic financial literacy does not translate to financial planning. Although most drivers understand basic concepts such as inflation and compound interest rates, few have taken concrete steps to secure their financial future. They do not generate enough savings to face a long-term crisis.

Most drivers have access to traditional savings instruments. Drivers have access to different financial instruments depending on the country. While in Chile the most popular option is a liquid bank account (*cuenta a la vista*) or RUT (91%), in other countries, the majority use a checking account or the so-called *cuenta corriente* in Spanish (75% in Colombia, 46% in Mexico, and 61% in Peru). In all cases it's a basic liquid savings accounts offered by banks.

GRAPH 5 • USE OF FINANCIAL INSTRUMENTS

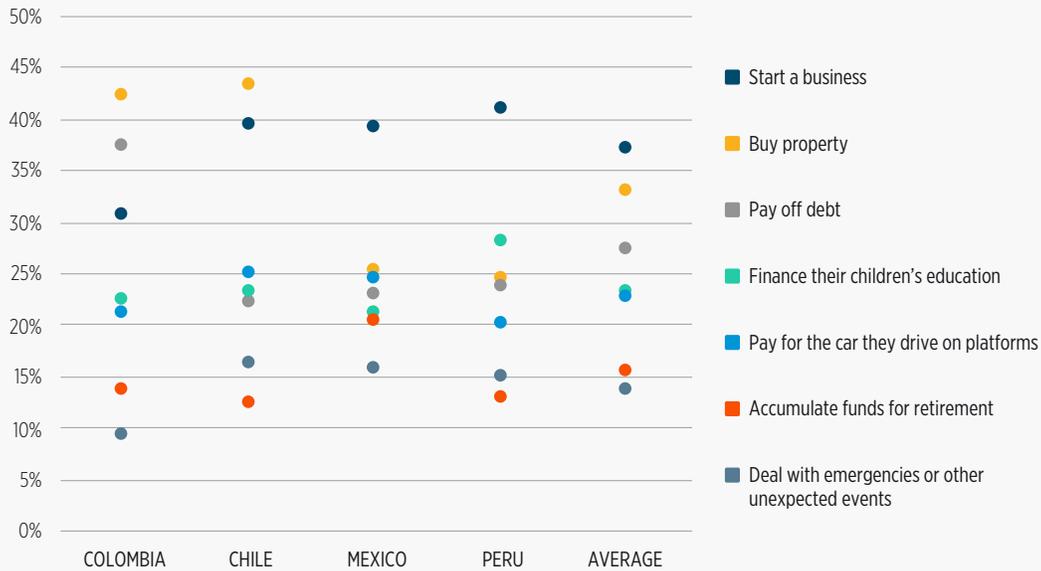


Note: This chart shows the five most common financial instruments used among Beat drivers. The savings account (*cuenta vista*) or RUT option appears only in Chile.

Drivers reported saving a good portion of their monthly income. On average, drivers report saving 19% of their income, a ratio that aligns with a personal finance rule of thumb that suggests individuals save 20% of their monthly income (Warren & Tyagi, 2005). This figure varies by country, with Peru having the highest percentage (25%) and Colombia the lowest (16%).



GRAPH 6 • MOTIVES FOR SAVING

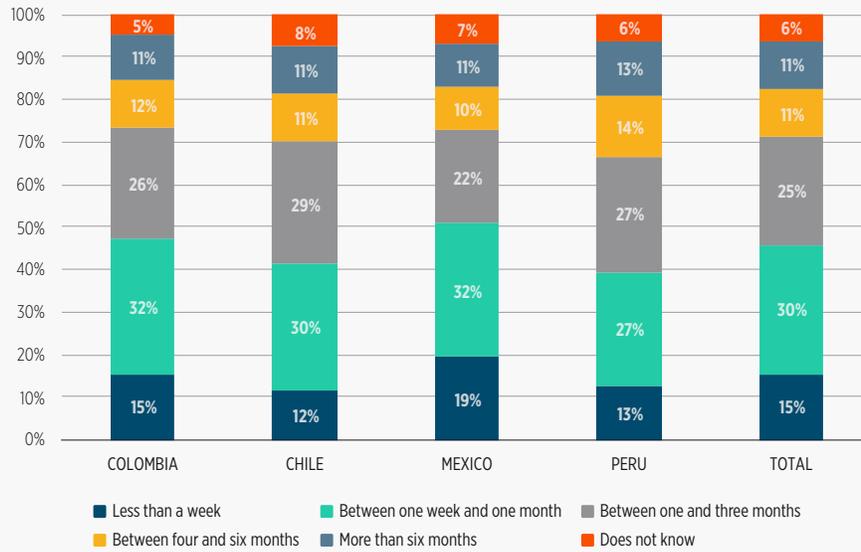


Few drivers save for emergencies or retirement. Overall, the main reason drivers save is to start a business (37%). Buying property is the first or second most important reason for saving in all countries, except for Peru where it ranks third. For instance, in Colombia and Chile, 42% and 43%, respectively, answered that buying property was the main motive. Only 16% save to accumulate funds for their retirement, and only 14% save to deal with emergencies or other unexpected events.

Most drivers have high levels of financial vulnerability. Drivers were asked how long they could cover all their basic needs (such as food, shelter, and transportation) if they lost all their income and had to survive off their current savings and assets. Most indicated that, with current savings and assets, they could survive between a week and a month (30%), or between a month and 3 months (25%).



GRAPH 7 • IF YOU LOST YOUR INCOME, FOR HOW LONG COULD YOU LIVE ON YOUR SAVINGS?





Social Security in a Digital Age: Adjusting the Traditional Model?

Generating income through ride-hailing apps breaks with the traditional social security model.

As Santiago Levy described it, the social security systems implemented in the region were based on those of other countries with few similarities, so there is a structural problem in their financing and organization (Levy, 2018). This traditional scheme links social security with employment status by assuming that people have a single employer with a conventional employment relationship. However, ride-hailing apps constitute a structural break from this model.

The rise of ride-hailing apps forces us to rethink how to adapt social security schemes to the needs of drivers. With flexible work arrangements, the question arises on ensuring that workers have basic protections, without taking away the flexibility they value in ride-hailing apps.

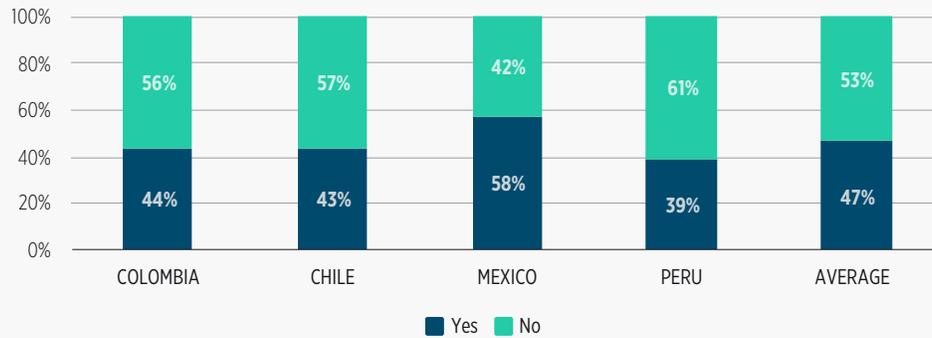
Social Security: Are Beat Drivers Protected?

In addition to not saving for emergencies, drivers have low social security coverage. On average, drivers do not focus on savings to secure their future, leaving many unprotected to face old age or health emergencies. This is not unusual given the low level of social security retirement savings contributions among informal workers in all four countries.

The majority of drivers (47%) have not taken measures to finance their retirement. In Mexico, this figure is even higher (58%) and in Peru, this figure is the lowest (39%).

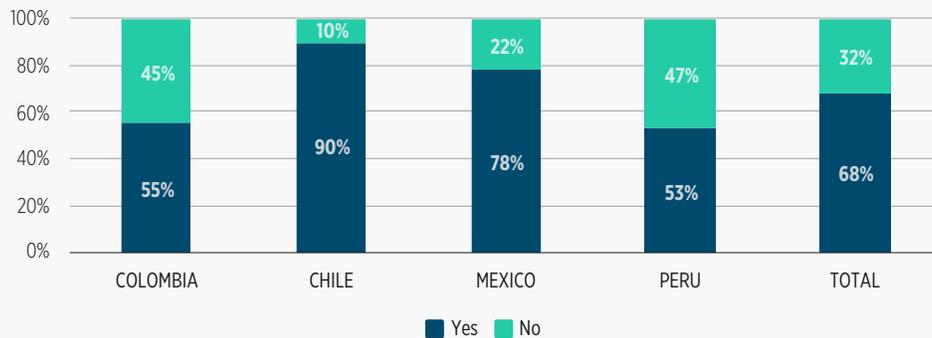


GRAPH 8 • HAVE YOU TAKEN ANY MEASURE TO FINANCE YOUR RETIREMENT?

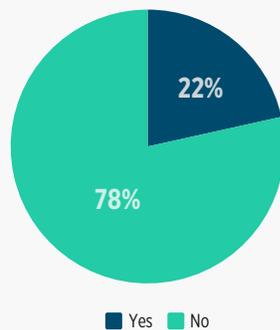


Drivers do not regularly save for their retirement, even though they have active pension accounts. The majority of drivers (68%) have active pension accounts. The highest rate is in Chile (90%), followed by Mexico (78%).

GRAPH 9 • DO YOU HAVE A PENSION ACCOUNT?



GRAPH 10 • PERCENTAGE OF DRIVERS WHO CONTRIBUTED TO THEIR PENSION ACCOUNTS IN THE LAST MONTH

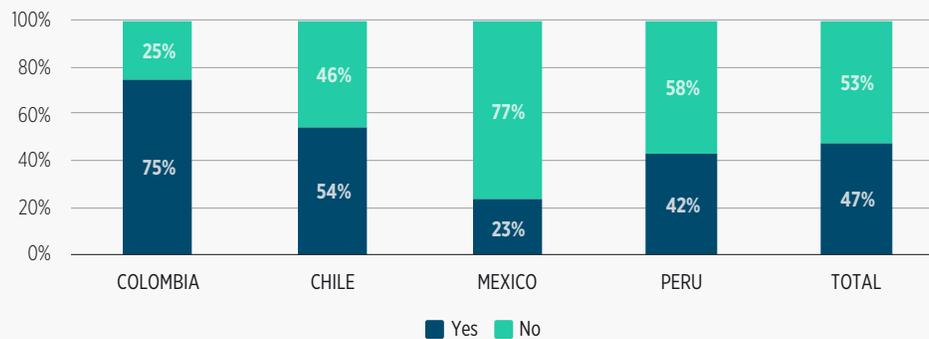


Having a pension account is not enough since few drivers make contributions to it. Of those drivers who had pension accounts, 78% had not contributed to them in the previous month.



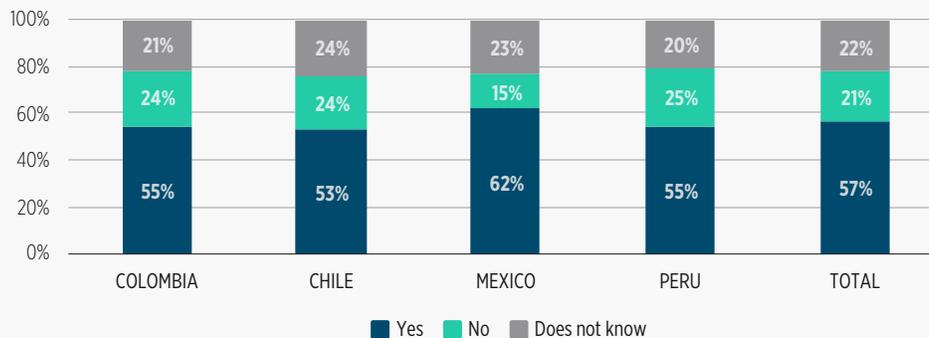
Health insurance coverage for drivers varied by country. Affiliation to the public health system is lower than affiliation to a pension account. Out of all drivers, almost half (47%) are affiliated with a health system. However, this figure varied greatly by country: In Mexico, a minority had public health insurance (23%), while in Colombia a majority had it (75%).

GRAPH 11 • POPULATION AFFILIATED WITH HEALTH INSURANCE



There is demand for services that insure drivers against emergencies. Despite low social security coverage and low levels of savings for emergencies or pensions, 57% of drivers would be interested in automatically saving part of their income generated through Beat. The country with the most drivers willing to save through Beat was Mexico (62%). In all countries, more than half of the drivers are interested.

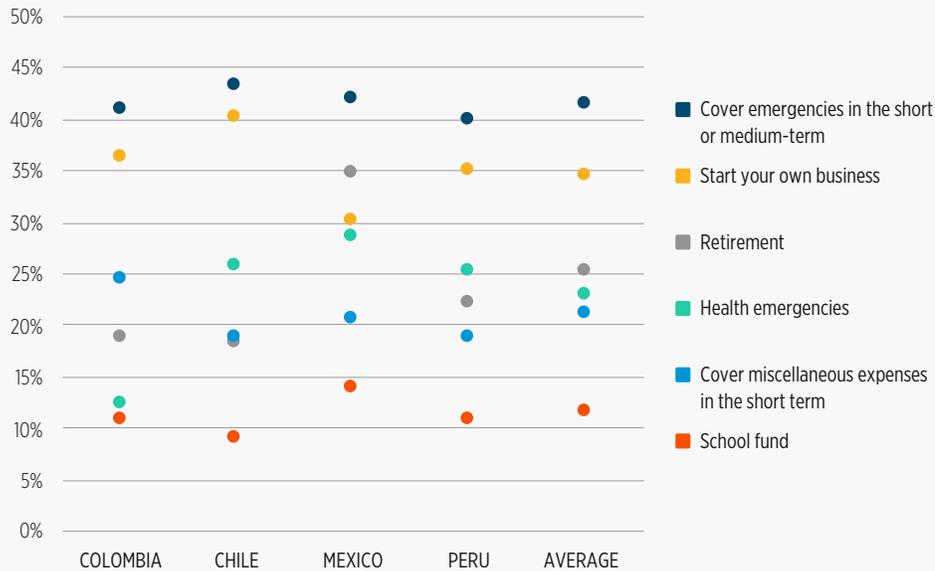
GRAPH 12 • WOULD YOU AUTOMATICALLY SAVE MONEY ON A SCHEME PROVIDED BY BEAT?



Most drivers would save to cover emergencies. When asked for the main reason they would save their money, most indicated that it would be to cover emergencies in the short or medium-term (42%) followed by saving to start their own business (35%) and savings for retirement (25%). This contrasts with their current behavior, as most are saving to start a business or buy a property (graph 6).



GRAPH 13 • HOW WOULD YOU USE YOUR SAVINGS SAVED ON BEAT?



Behavioral economics highlights some of the limitations to pension savings. The IDB's Retirement Savings Laboratory has conducted several experiments in Chile, Colombia, Mexico, and Peru that highlight some of these barriers: demand limitations, supply barriers, and contextual factors ([Azuares et al., 2021](#)). The demand limitations of voluntary pension savings are the factors at the individual level that inhibit saving for retirement. Among these limitations, the ability to save due to insufficient or irregular incomes, behavioral factors such as psychological biases, or low financial education are some key barriers.

Supply limitations of voluntary pension savings limit the development of savings products required to cover the needs of vulnerable populations. For example, in many countries in the region, there are no products that meet the needs of workers in the gig economy, as in the case of Beat drivers. This leaves this population disconnected from social security systems, including pensions.

Finally, regulations and system design deficiencies stand out among the contextual factors that hinder people from paying into voluntary pension schemes. In some cases, social security systems in place discourage voluntary contributions. For example, in Chile and Peru, the minimum possible contribution to a pension scheme is equivalent to 10% of the minimum wage. However, establishing a minimum contribution, as well as liquidity restrictions exclude independent and low-income workers, in fact preventing them from saving smaller amounts.



Conclusions

Reasons for driving with Beat vary among drivers. Drivers have different occupations and needs, from independent to part-time workers. We also found that most use additional mobility apps to generate revenue, presenting high churn rates. Finally, almost half indicate that the pandemic influenced their decision to use Beat. In other words, most drivers take advantage of the flexibility offered by the various apps to generate income, regardless of the reasons or needs of the individual.

Drivers' basic financial literacy is above average. In general, drivers understand basic concepts such as compound interest rates and inflation. However, this knowledge does not translate into concrete actions to support their financial well-being.

Drivers do not use savings products or retirement savings schemes to secure their financial future. Although there are indications that on average, drivers do save, these savings are mainly used to start a new business. In addition, most do not contribute to their pension, have not taken measures to finance their old age, and do not have health insurance.

There is an existing demand by drivers for emergency savings schemes. Although most drivers are not taking action to secure their financial future, they are interested in services through the Beat platform that would help them to save. The survey results confirm the importance of finding solutions – linked or not to social security – that adapt to the flexible status of workers in the gig economy to guarantee greater protection against crises and shocks, the prime example being the pandemic.

Drivers have the knowledge, access, and intention to save, and yet most report low financial resilience, both in the medium-term and towards retirement. As such, it appears to be a fertile niche for behavioral interventions to boost savings. Using the preferences of drivers expressed in this survey, we will continue to find ways to rethink traditional social security schemes and adapt them to new work modalities to ensure that no one is unprotected.

Along these lines, the IDB and IDB Lab will continue to collaborate with Beat to design and evaluate savings and social security solutions in that are tailored to the reality of Beat drivers. Through this collaboration, new ways will be sought through which technology, in particular ride-hailing apps, will facilitate access to savings schemes for drivers. This will allow them to have voluntary access to pension funds and/or social security, depending on the market.



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