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“Algorithmic Wage Discrimination: Evidence from Uber”

Abstract: Digital platforms are increasingly relying on algorithms to personalize pay for gig workers. This paper provides the first empirical evidence of algorithmic wage discrimination in the labor market, using novel data on Uber drivers. Exploiting Uber’s transition to algorithmic wage setting in 2022, I employ a staggered difference-in-differences research design to estimate its causal impact on labor market outcomes. Algorithmic wage setting significantly decreases drivers’ average earnings per trip and increases personalization in pay leading to inequality among drivers. However, it improves allocative efficiency by reducing drivers’ wait time between trips and passenger fare. The decline in earnings is systematically larger for drivers with lower rejection rates. These heterogeneous effects are consistent with Uber’s algorithm learning about drivers’ reservation wages from their engagement histories—specifically, their acceptance and rejection decisions—and using this information to tailor wage offers.