

DRIVING POVERTY: EXPLOITATION,



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A shiny, yellow taxi was a symbol of a bridge to the American Dream for many immigrants who became taxi drivers in New York City during the late 1980s through the early 2000s. But for thousands of these same drivers, their taxi cabs have led them on a never ending journey to an American Nightmare: debt.

In order to operate a licensed yellow taxi in New York, one must have a medallion, which is basically a piece of metal on the hood of a cab. This system was developed in 1937 in an effort to cap the number of taxis in the city. Initially, this new regulation did not have much effect on the number of taxis that were being operated, but it soon became a large market to generate wealth.

As immigrants arrived in New York, they were drawn to cab driving because it was work that could be done independently and the demand for it was high. According to an article published in the *Journal of Community Health*, 91% of cab drivers in New York are immigrants and 95% are male. Further, another study published in the same journal displayed that by the early 2000s, 38% of drivers were South Asian (Pakistani, Indian and Bangladeshi), followed by 23% from the West Indies and 14% from Africa.

But it is important to distinguish why some immigrants became taxi drivers and others were able to attain higher paying jobs, especially among South Asian immigrants. According to an article published in the *Labor History Journal*, South Asian immigrants that moved to the U.S. in the late 1950s and 60s were largely from upper class, highly-educated backgrounds. The immigrants that arrived in the states in the 80s and 90s, however, were typically from lower, working class backgrounds. Additionally, even if some of these immigrants had educational degrees from their home countries, these accomplishments were not always recognized in the U.S., making it harder to prove they were qualified for higher positions.

Similarly, connections drove the employment opportunities for South Asian immigrants. Many lacked the social capital to enter social networks that provided higher paying jobs. For these immigrants, taxi driving was a way they could build income in the states, support their families in the U.S. and send money to relatives in their home countries. But as these immigrants dreamed of building wealth in this country, they were met with many barriers.

Bearing large obstacles, taxi drivers have come together as mostly ethnic minorities to better their labor conditions and workers' rights. These immigrant social networks have been able to mobilize through strikes and demonstrations to improve their experiences. In 2010, they worked to pass a bill which guaranteed drivers with medallions at least a minimum wage and provided workers' compensation for drivers.

A case study published in the *International Migration Journal* documents hundreds of drivers and revealed how committed taxi drivers are to helping each other, because of their shared occupation and immigrant background. The article summarizes a statement by a taxi driver, Ravinder Singh, stating that "implicit in [his] words are hidden expectations of friendship and reciprocity" from fellow immigrant co-workers. Even though they were able to build community through their shared occupation, immigrant taxi drivers are still constantly strained by the plight of American capitalism.

As stated previously, in order to drive a licensed taxi in New York, drivers need to purchase a medallion. According to an article published in the *Data Mining Journal*, the average price of a medallion was over \$100,000 in 1987 and, by the late 90s, they were worth over \$200,000. These purchases were largely financed by banks and financial institutions, and in 1995, Medallion Financial was founded as a firm specialized in "originating, acquiring and servicing loans that finance taxicab medallions and various types of commercial businesses." Within a year, it actively traded on the stock exchange. At that point, the annual return for medallions was between 3% and 9%, which was better than an investment in gold or oil. This wealth was—and is—largely accumulated by lenders, as 80% of taxis in New York are owned by investors but operated by drivers using leased medallions.

In the late 90s and early 2000s, as taxi drivers took out leases for or loans to buy out leases for or loans to buy medallions, banks and firms like Medallion Financial profited off predatory lending practices. A *New York Times* investigation revealed that hundreds of taxi drivers were trapped in exploitive loans where drivers had to forfeit legal rights or signed interest-only loans that tricked them into paying extensive fees. The investigation found that a Bangladeshi immigrant said he "was told to lie about his income on his loan application; he eventually lost his medallion. A Haitian immigrant who worked to exhaustion to make his monthly payments discovered he had been paying only interest and went bankrupt."

In the early 2000s, lenders told prospective immigrant drivers that medallion values would always rise. Lenders focused on lower-income drivers because, even though it was riskier, they were easier to coerce, and had the potential to be more profitable. Banks participated in many manipulative practices,

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even writing loans for immigrants because many did not speak fluent English. Additionally, drivers trusted their brokers to help them during loan closing, even though the drivers did not know that the brokers were often being paid by banks to close these transactions.

After the economic recession in 2008, lending practices got worse; lenders began to encourage refinancing as medallion prices increased, made borrowers pay various fees instead of raising interest rates and extended loan length with locked interest payments that could last as long as 50 years. Evidently, these lending practices cheated immigrants of their life savings to the point of bankruptcy or worse.

According to the New York Taxi Worker Alliance (NYTWA), at the height of the medallion market, taxi drivers were typically earning \$5,000 per month and paying around \$4,000 in loans. In 2014, the combination of a rise in ride sharing services and inflated prices led to a crash in the medallion market. Now, their average monthly income is \$3,000 with an average monthly payment of \$2,811—with an average outstanding loan balance of over \$590,000.

As the market for ride share apps grew, taxi drivers were unable to retain their old customer base and failed to keep up with their monthly loan payments. Now, following the New York Times investigation, it was revealed that “inflated prices and risky lending practices would have caused a collapse even if ride-hailing had never been invented.” Many lenders were able to forcibly call in their loans while borrowers were left with the financial burden.

A 2017 article in the Journal of Community Health indicated that 55% of drivers said it was difficult to cover all household expenses, 33% said their income was just enough to cover all expenses and only 12% indicated that they were to cover all expenses with some left over. In the same survey, 82% of drivers reported being at or close to the point of running out of money for food. In one of the most extreme cases, Mr. Hoque, a driver who was convinced to buy a medallion worth \$1.7 million, explains that “it’s an unhuman[sic] life... I drive and drive and drive. But I don’t know what my destination is.”

This financial stress and daily life as a driver has also led to adverse impact on physical and mental health. An article from the Journal of Community Health conducted surveys on over 900 drivers and found that “among African American men, financial strain has been associated with shorter leukocyte telomere length, an indicator of cellular aging.” The article goes on to explain that among South Asian drivers, there is the added social stress of fulfilling familial obligations by being the main source of income.

For nine drivers, the stress took such a toll that they died by suicide between 2018-2020. A New York Times article told the story of one of these drivers. Kenny was a driver from

Myanmar and he bought his medallion in 2014. He was happy to have a stable income for the first time and even started helping other Asian immigrants transition to becoming drivers. When the medallion bubble burst, Kenny asked the banks for leniency, which they did not provide. He was paying his daughter’s college tuition and for his wife’s cancer treatment. He eventually had to refinance his loan for a second time to make payments and provide for his family. When this became too much, he was driven to suicide.

Right now, these taxi drivers are fighting for a bailout from congress. According to the NYTWA campaign, Executive Director Bhairavi Desai is asking for a \$125,000 ceiling on the value of medallion loans that can be amortized at 4% over 20 years.

Earlier this year, New York mayor Bill de Blasio introduced a \$65 million plan that would offer over \$25,000 of no interest support for 3,000 drivers—but the NYTWA insists that this would mostly only help lenders. Desai told the City & State newspaper that New York is using federal money to loan drivers the cash that Marblegate, a hedge fund among the largest holders of medallion debt, has been demanding of them—while getting no concessions from the lenders to benefit the drivers.

Since this announcement, taxi workers have been on strike, demanding a fair medallion relief plan. In a recent city hall, a current taxi driver explained why he fights; “I have no future, no health care plan, no savings, no retirement, nothing,” he said. “I don’t know how we can survive in our old age and who’s going to take care of us.”

It is time we protect exploited immigrant taxi drivers. All immigrants in the U.S.—no matter their race, class, ethnicity or occupation—should have the opportunity to drive across that bridge to the American Dream.

