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California: App-based drivers are contractors — not employees

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App-based transportation (rideshare) and delivery drivers are classified as independent contractors instead of employees after the passage of ballot measure Proposition 22 by California voters. Firms like Uber, Lyft and DoorDash are now exempt from a 2019 law (Assembly Bill 5) that codified an "ABC" test to determine if workers are employees and entitled to state labor protections and benefits. Currently, there are legal battles relating to this law, including an October 2020 appeals court order requiring Uber and Lyft to reclassify their drivers as employees. The passage of Proposition 22 will impact these court cases, but the scope is unclear.

As independent contractors, these drivers are not covered by state employment laws such as minimum wage, overtime, unemployment insurance and workers' compensation. However, they are entitled to other compensation (including minimum earnings, healthcare subsidies and vehicle insurance) and also have the flexibility to choose when, where, and for how long they work.

This controversial referendum was reportedly the costliest in California's history due to lobbying efforts on both sides, and the result is viewed as a win for how gig economy companies operate.

Related resources

Non-Mercer resources

- State Ballot measures — Statewide results (California Secretary of State)
- Information on Proposition 22 (California Secretary of State)
- Press release (Yes 22, Nov. 3, 2020)
- *The People v. Uber Technologies, Inc.* (California Court of Appeal Oct. 22, 2020)

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- Some independent contractors in California will become employees (Sept. 26, 2019)

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