Press Release

The Economic Cost of Worker Reclassification

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California's Governor Gavin Newsom recently signed into law Assembly Bill 5 (AB5), which severely restricts how many workers can be classified as contract workers instead of employees. Some policymakers are interested in applying this law nationwide, but the resulting economic disruption from reclassifying gig economy workers as employees will impact millions of workers. While such a change will certainly help some workers, it threatens to harm many others, argues Labor Market Policy Data Analyst Isabel Soto.

Her points:

- AB5's method for classifying workers, the ABC test, is much less nuanced than the method it replaces and, most notably, presumes that workers are employees unless they fit several criteria;
- Tech companies are the popular focus of this change, but online platforms facilitate only 1 percent of the workforce, and 10.1 percent of all workers are in alternative employment arrangements; and
- If implemented nationwide, the ABC test would implicate over 13 million workers who produce over $1.6 trillion in economic output, about 8.5 percent of gross domestic product.

Read the analysis.