

Press Release



Assessing the Consequences of Worker Reclassification in California

ALLISON EDWARDS | AUGUST 26, 2020

The California Superior Court recently ruled that platform-based companies such as Uber and Lyft are not exempt from new worker classification requirements in the state. Last year California enacted Assembly Bill 5, which imposes new requirements on whether a company can classify workers as contract workers instead of employees. This recent ruling could affect up to 1 million drivers, AAF's Labor Market Policy Data Analyst Isabel Soto finds, and up to 1.5 million other workers could be affected by the law as well. The new requirements, coupled with the COVID-19 pandemic, will reduce opportunities for individuals to supplement or replace lost wages, she notes.

An excerpt:

In addition to benefits, there are claims that gig workers are locked into low-wage jobs when many gig workers have actually seen wages rise. Prior to the pandemic, for example, the state of driver earnings was improving. According to the 2020 RIDES Driver Earnings Survey, prior to the pandemic, Uber drivers on average saw their wages grow nearly 32 percent in the last year and a half. Additionally, it's been reported that Uber and other platform-based companies were offering more incentives and bonuses to workers. The combined increase in pay, in addition to incentives, bonuses, and tips, meant that average hourly earnings in early 2020 were around \$19 an hour, up from 2018's average of \$15 an hour. The pandemic, however, led to a huge drop in demand, eliminating much of the growth that has happened over the past year.

[Read the analysis.](#)