
Proposition 22 and the Reclassification of Uber and Lyft Drivers as Employees versus Independent Contractors

Leo Feler
Senior Economist, UCLA Anderson Forecast
September 2020

California's law to reclassify gig workers as employees may be well-intentioned. As a society, we may want to guarantee benefits like unemployment insurance, workers' compensation, health care, and sick leave for our population. The question is how to do it, and what are the tradeoffs. California's Assembly Bill 5 puts the responsibility for providing these benefits on companies. This is the case now for Uber and Lyft. A recent California court decision ordered that Uber and Lyft must reclassify their drivers as employees, pay payroll taxes, and provide employment benefits.¹ Proposition 22 seeks to exempt Uber and Lyft from some of these rules.²

This article discusses how Uber and Lyft expanded the market for transportation services in California, generating additional employment and income. It discusses how these platforms help workers smooth economic shocks, how the majority of Uber and Lyft drivers drive part-time to earn supplemental income, and how these drivers prefer to drive occasionally on a flexible schedule. This article also discusses using taxes and surcharges on rides, instead

of reclassifying drivers as employees, as a way to provide driver benefits and pay into social insurance funds while maintaining the flexibility of the gig economy.

Uber and Lyft created a market for transportation services in places where it didn't exist and expanded the market in places where it did exist

Uber and Lyft expanded the market for transportation services and created jobs and income. Uber and Lyft's growth didn't just come from capturing share from taxi companies and independent drivers. In many of the markets where Uber and Lyft operate, there weren't taxi companies or independent drivers to compete with. Instead, Uber and Lyft expanded the market for transportation services, and in the process created new transportation options for riders and new jobs and income for drivers.

1. *People of the State of California v. Uber Technologies, Inc. and Lyft, Inc.*, "Order on People's Motion for Preliminary Injunction and Related Motions," Superior Court of the State of California, County of San Francisco, No. CGC-20-584402, August 10, 2020, available at: https://oag.ca.gov/system/files/attachments/press-docs/Order_on_Peoples_Motion.pdf.

2. See *Qualified Statewide Ballot Measures*, available at: <https://www.sos.ca.gov/elections/ballot-measures/qualified-ballot-measures/>.

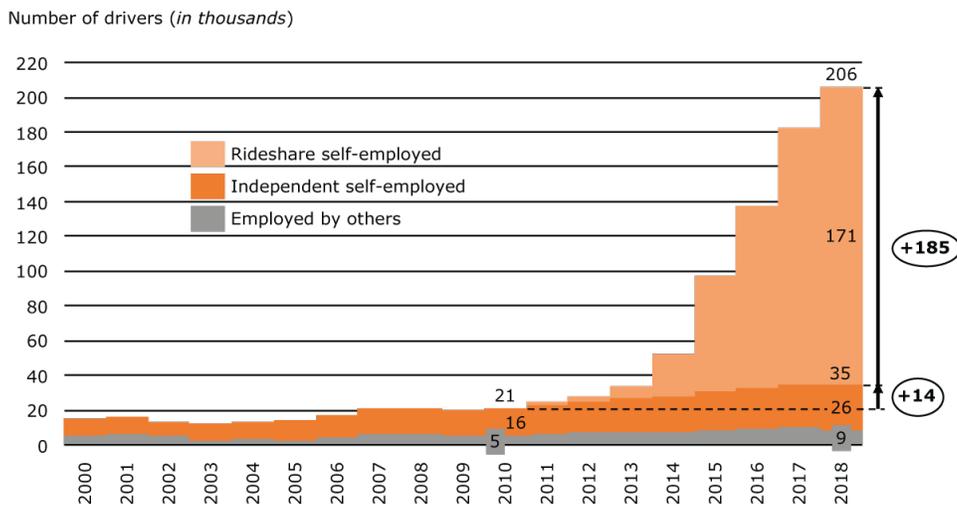
PROPOSITION 22

Exhibit 1 shows the number of drivers in California working as either employees or self-employed in “taxi and limousine services,” a category that includes rideshare drivers. Uber and Lyft did not begin operating on a larger-scale in California until 2010, after which, there was significant growth in the number of drivers.

In 2010, there were approximately 21,000 workers in taxi and limousine services in California. More than 75% were independent, self-employed drivers. By 2018, there were

206,000 workers in this sector, an increase of 185,000. The number of workers employed by others as taxi and limousine drivers increased from approximately 5,000 to 9,000 during this time. We forecast that the number of self-employed drivers would have increased from 16,000 to 26,000 if not for rideshare platforms like Uber and Lyft.³ In reality, the number of self-employed drivers increased from 16,000 to 197,000. This means there were an additional 171,000 driver jobs created in California because of rideshare platforms like Uber and Lyft.

EXHIBIT 1 The number of workers in “taxi and limousine services” in California grew by 185,000 between 2010 and 2018 mostly because of rideshare platforms like Uber and Lyft; it would have only grown by 14,000 for Uber and Lyft



Source: U.S. Census Bureau, County Business Patterns and Nonemployee Statistics, 2000-2018; UCLA Anderson Forecast.
 Notes: The values for “employed by others” are actuals. The values for total self-employed (“rideshare self-employed” + “independent self-employed”) are also actuals. The US census data do not disaggregate by type of self-employed. For 2011-2018, the number of independent self-employed is a forecast based on the rate of growth for 2000-2010. The number of rideshare self-employed is the residual, taking the total number of self employed minus the forecasted number of independent self-employed that would have occurred if not for Uber and Lyft. The value for rideshare self-employed is the incremental number of self-employed drivers attributable to rideshare platforms.

3. The number of self-employed drivers comes from the U.S. Census Bureau’s Nonemployee Statistics data. These data do not distinguish between rideshare and independent self-employed drivers. We forecast the number of self-employed drivers that would have existed if not for Uber and Lyft based on the growth rate of self-employed drivers between 2000 and 2010. The number of self-employed drivers from the U.S. Census Bureau’s Nonemployee Statistics data is likely an undercount of the true number; only self-employed drivers with more than \$1,000 in annual earnings are counted in the data.

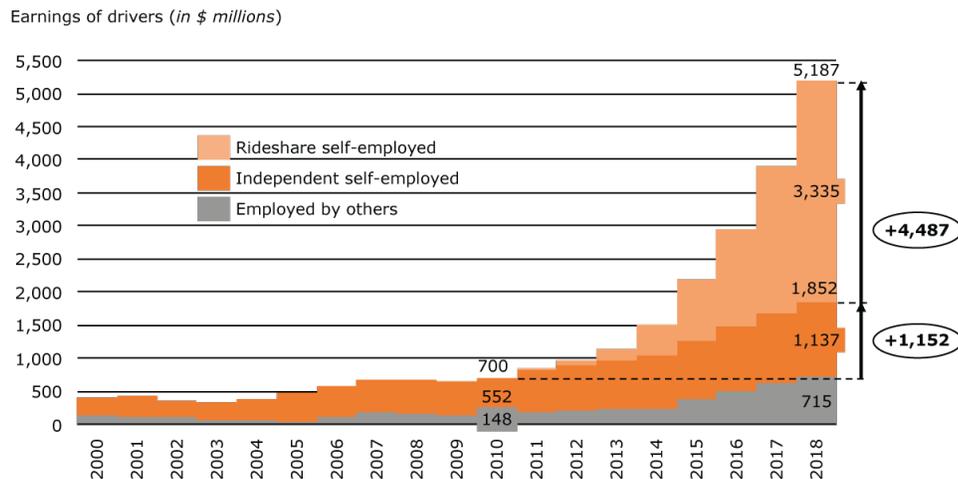
Exhibit 2 shows similar information, but for earnings rather than employment. Earnings in California from “taxi and limousine services,” including rideshares, increased from \$700 million in 2010 to \$5.2 billion in 2018. If not for ride-share platforms like Uber and Lyft, we forecast that earnings would only have increased to \$1.9 billion. Instead, earnings increased by an additional \$3.3 billion.

To summarize, rideshare platforms like Uber and Lyft expanded the market for “taxi and limousine services” in California by 171,000 drivers and \$3.3 billion in 2018. That comes out to an average of about \$20,000 per driver per year for these additional drivers. It’s important to note that Uber and Lyft drivers mostly work on a part-time, ad-hoc basis. In contrast, in the absence of rideshare platforms like Uber and Lyft, our forecast is that there would have been 35,000 drivers and \$1.8 billion in earnings in 2018, which comes

out to an average of about \$53,000 per driver per year. It’s important to recognize that the composition of drivers in this case would have been different, skewing more to full-time, regular drivers.

The finding that rideshare platforms expanded markets for transportation services holds even in places like New York City where there was already a robust and developed market before rideshare platforms. Data from New York City show that Uber and Lyft contributed to an increase in overall trips provided by transportation services, an increase in the number of vehicles used for these services, and an increase in the number of drivers working in this sector.⁵ This is an increase in overall supply that has given rise to higher demand. In New York City, the increase in Uber and Lyft rides reduced the number of taxi and luxury car trips, but the overall story is still one of higher overall supply

EXHIBIT 2 Earnings in “taxi and limousine services” in California grew by \$4.5 billion between 2010 and 2018 mostly because of rideshare platforms like Uber and Lyft; it would have only grown by \$1.2 billion if not for Uber and Lyft



Source: U.S. Census Bureau, County Business Patterns and Nonemployee Statistics, 2000-2018; UCLA Anderson Forecast.
 Notes: The values for “employed by others” are actuals. The values for total self-employed (“rideshare self-employed” + “independent self-employed”) are also actuals. The US census data do not disaggregate earnings by type of self-employed. For 2011-2018, the earnings of independent self-employed is a forecast based on the rate of growth for 2000-2010. The earnings of rideshare self-employed is the residual, taking the total earnings of self-employed minus the forecasted earnings of independent self-employed that would have occurred if not for Uber and Lyft. The value for rideshare self-employed is the incremental earnings of self-employed drivers attributable to rideshare platforms.

4. The earnings for self-employed drivers comes from the U.S. Census Bureau’s Nonemployee Statistics data. These data do not distinguish between earnings of rideshare and independent self-employed drivers. We forecast the earnings of self-employed drivers that would have occurred if not for Uber and Lyft based on the growth rate of earnings for self-employed drivers between 2000 and 2010. The revenue of self-employed drivers from the U.S. Census Bureau’s Nonemployee Statistics data is likely an undercount of the true revenue; only self-employed drivers with more than \$1,000 in annual earnings are counted in the data.

5. See Todd W. Schneider, “Taxi and Ridehailing Usage in New York City,” accessed on September 12, 2020, available at: <https://toddwshneider.com/dashboards/nyc-taxi-ridehailing-uber-lyft-data/>.

and demand, not just displacement (see Exhibit 3). Studies for New Orleans and Portland reach similar conclusions: rideshare platforms like Uber and Lyft increased supply and demand for transportation services.⁶ For New Orleans and Portland, the displacement of taxi services has been minimal.

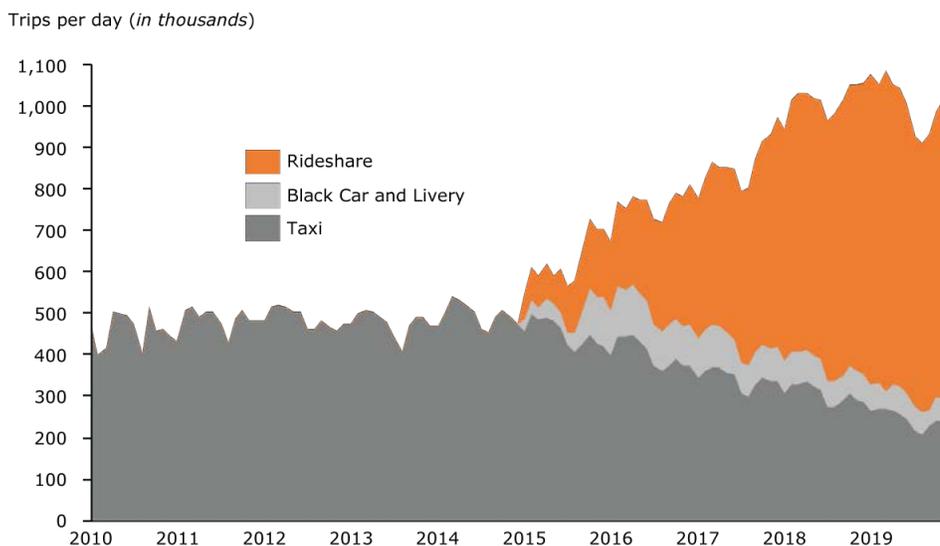
Rideshare platforms like Uber and Lyft create opportunities for income and employment, allowing people to smooth economic shocks

Who drives for rideshare platforms like Uber and Lyft? The answer is that rideshare drivers are more representative of the general population compared to taxi and livery drivers.⁷ Low barriers to entry mean that almost anyone can sign up to be a rideshare driver. This means the age, education, gender, and ethnic composition of rideshare drivers are more similar to the general working-age population than is the case for

taxi and livery drivers. There is one exception: compared to the general population, rideshare drivers are more likely to have experienced a negative economic shock, such as experiencing a loss of income or incurring more debt, which leads them to become rideshare drivers.

A recent study by JP Morgan Chase, using data from 39 million Chase checking accounts between 2012 and 2018, found that income and cash balances decline by around 10 percent in the ten weeks leading up to a family joining an online platform like Uber and Lyft.⁸ Once they join, their cash balances begin recovering. Unemployment events appear to trigger changes in platform participation. Right before receiving unemployment benefits, the share of families participating in online platforms nearly doubles, with the increase almost entirely in transportation services like Uber and Lyft, rather than on other platforms like eBay,

EXHIBIT 3 Rideshare platforms expanded the market for transportation services in NYC, which already had a robust market



Source: Todd W. Schneider, “Taxi and Ridehailing Usage in New York City,” accessed on September 12, 2020, available at: <https://toddwscneider.com/dashboards/nyc-taxi-ridehailing-uber-lyft-data/>.
 Notes: Rideshare includes Uber, Lyft, Juno, and Via. Black Car and Livery also includes luxury limousines. Taxi includes both Yellow and Green taxis.

6. See City of New Orleans, “City Provides Update on Ridesharing Operations Since Introduction to New Orleans Market in Spring 2015,” February 23, 2016, available at: <https://content.govdelivery.com/accounts/LANOLA/bulletins/1381bf3>, and Portland Bureau of Transportation, “Portland’s Private for-Hire Transportation Market: Summary Report of the PFHT Innovation Pilot Program,” October 19, 2015, available at: <http://media.oregonlive.com/commuting/other/PFHT%20Summary%20Report%2010.19.15.pdf>.
 7. Jonathan V. Hall and Alan B. Krueger, “An Analysis of the Labor Market for Uber’s Driver-Partners in the United States,” NBER Working Paper No. 22843, November 2016, available at: <https://www.nber.org/papers/w22843>, (hereafter, “Hall and Krueger, 2016”).
 8. Diana Farrell, Fiona Greig, and Amar Hamoudi, “Bridging the Gap: How Families Use the Online Platform Economy to Manage their Cash Flow,” JP Morgan Chase & Co. Institute, October, 2019, available at: <https://institute.jpmorganchase.com/institute/research/labor-markets/report-bridging-the-gap#finding-1>.

Etsy, TaskRabbit, and Airbnb (see Exhibit 4). This preference for Uber and Lyft is likely because barriers to entry on these platforms are lower than other sectors and because it is comparatively easy to generate revenues in the transportation sector with only occasional, ad-hoc participation. The share of families experiencing unemployment that turn to online platforms is small, less than 1 percent, but for these families the additional \$150-\$250 per week in platform revenues helps smooth their income and consumption.

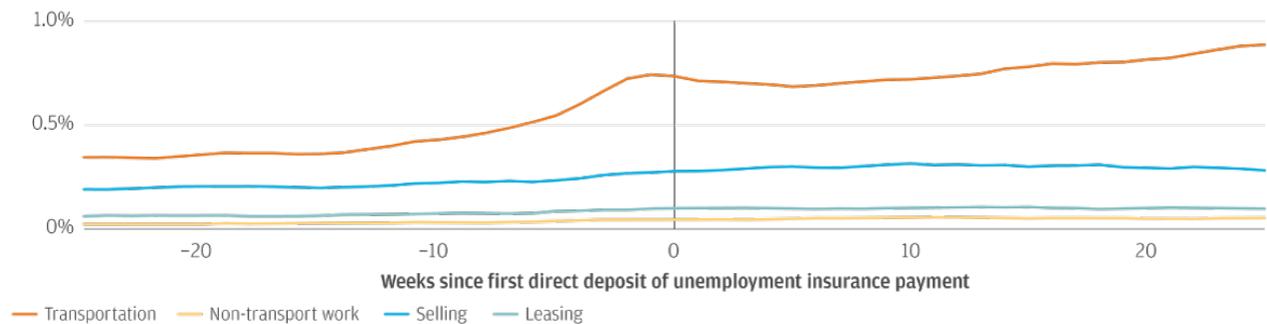
Other researchers come to similar conclusions.⁹ Declines in savings, higher debt, high credit card utilization, and unemployment are key predictors of participating in rideshare driving. Rideshare income then replaces a substantial portion, over 70 percent, of income lost from a main payroll job. Among older workers, participating in online platforms corresponds to a postponement of social security retirement benefits and a reduction in receipts of social security disability insurance (SSDI). In other words, by helping workers smooth economic shocks and earn additional income, the gig economy reduces the government’s role in caring for these workers.

The majority of Uber and Lyft drivers drive part-time, have another job, drive occasionally to earn supplemental income, drive for multiple platforms, and need a flexible schedule

Surveys of Uber and Lyft drivers indicate that the majority drive part-time, have another job, drive occasionally to earn supplemental income, drive for multiple platforms, and need a flexible schedule (see Exhibit 5). Based on a 2015 survey, for weeks in which they drove, 53 percent of drivers using the Uber platform worked less than 16 hours per week, 30 percent worked between 16 and 35 hours, and 17 percent worked more than 35 hours.¹⁰ The reason the majority of drivers only drive part time on Uber is two-fold. First, most had other jobs. Based on a 2020 survey, prior to the pandemic, 84 percent of drivers had another job, full or part-time, and considered rideshare driving as part-time, not full-time work.¹¹ Second, even within rideshare and delivery driving, drivers were not exclusive to one platform. Over 80 percent of drivers used more than two platforms.

EXHIBIT 4 Unemployment triggers participation in rideshare platforms like Uber and Lyft

Fraction of families receiving platform revenue



Source: Diana Farrell, Fiona Greig, and Amar Hamoudi, “Bridging the Gap: How Families Use the Online Platform Economy to Manage their Cash Flow,” JP Morgan Chase & Co. Institute, October, 2019, available at: <https://institute.jpmorganchase.com/institute/research/labor-markets/report-bridging-the-gap#finding-1>.

Notes: Job loss sample of 170,000 families receiving their first direct deposit from public unemployment insurance (UI) system, after at least six months without UI deposits.

9. See Dmitri K. Koustas, “Consumption Insurance and Multiple Jobs: Evidence from Rideshare Drivers,” October 31, 2018, available at: <http://dmitrikoustas.com/DKoustas-RideSmoothing-WP.pdf>, and Emilie Jackson, “Availability of the Gig Economy and Long Run Labor Supply Effects for the Unemployed,” May 1, 2020, available at: <https://drive.google.com/file/d/1q1P11aR8oGDy4znTO2GZiNAL-efn33fK/view>.

10. Hall and Krueger, 2016.

11. Edelman Intelligence, “CA App-Based Driver Survey,” available at: <https://www.cadriver survey.com/>. This is an online survey conducted by Edelman Intelligence, interviewing 718 California app-based rideshare and food delivery drivers who had driven with any rideshare or food delivery app within the past year. Data collected between May 19 and June 1, 2020. Margin of error of +/- 3.7 percentage points. Survey commissioned by Uber.

Prior to the pandemic, 74 percent of drivers said they did it to earn supplemental income, rather than as a primary source of income. During the pandemic, however, this number dropped to 52 percent as the unemployment rate increased and rideshare and delivery driving became the primary source of income for 48 percent of drivers. This reinforces the notion that these platforms help smooth unemployment shocks by providing alternate sources of employment and income. Indeed, 25 percent of drivers said they had recently lost a full or part-time job.

Since the majority of rideshare and delivery drivers also have other jobs and drive to earn supplemental income, it is not surprising that they require flexibility: 86 percent said they need a work option with a flexible schedule, 71 percent said their schedule changes week-to-week, 68 percent said they wouldn't continue driving if they were required to work a fixed shift.

Would an employment model work, and what are the alternatives?

There are pros and cons to an employment model, where Uber and Lyft reclassify drivers as employees instead of independent contractors. The pros are that it would provide social insurance benefits to drivers, such as unemployment insurance and workers' compensation, along with other benefits, such as guaranteed hourly wages. Uber and Lyft

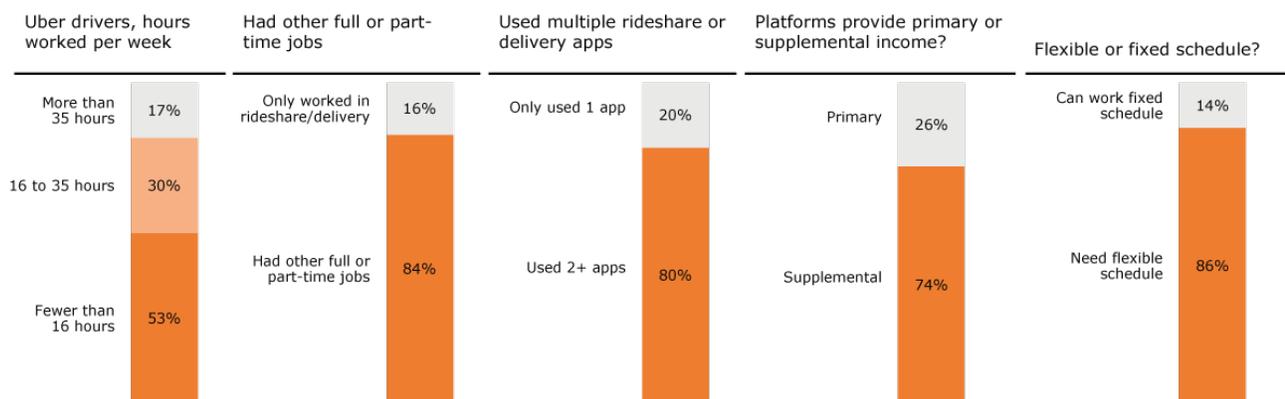
would be required to pay payroll taxes for their drivers and contribute to social insurance funds.

The cons are that it reduces flexibility for drivers and encourages consolidation of driving opportunities to a smaller number of drivers as a way to minimize the fixed administrative, overhead, managerial, and supervision costs associated with an employment model. This is harmful to the majority of drivers who drive part-time to earn supplemental income.

An alternative would be to maintain the current contractor model, but implement surcharges or taxes on each ride that could be used to fund additional benefits for drivers. In this contractor model, Uber and Lyft drivers are essentially their own small-business owners, which means they incur the costs of running their own small business, such as paying vehicle expenses and self-employment taxes, but they can also influence how much they earn by choosing when, where, and how much to drive.

Given that the majority of drivers prefer flexibility, a model of paying drivers per trip rather than by hour is compatible with incentives. Currently, drivers have the incentive to take on more rides, drive in high demand areas where they'll get more trips, and drive at times with higher demand, but they can choose not to do so, depending on their preferences. With a by-hour model, where drivers are paid a set hourly wage, drivers would have less incentive to take on more

EXHIBIT 5 The majority of Uber and Lyft drivers drive part-time, have another job, drive occasionally to earn supplemental income, drive for multiple platforms, and need a flexible schedule



Source: Hall and Krueger, 2016, and Edelman Intelligence, CA App-Based Driver Survey, 2020.
 Notes: Data for "Uber drivers, hours worked per week" are from Hall and Krueger, 2016. Data for remaining categories are from Edelman Intelligence, CA App-Based Driver Survey, 2020.

rides, select busy times, or drive in high demand areas. In order for the by-hour model to work, it would be necessary to set requirements on when and where drivers would need to work, reducing their flexibility, and increasing the cost of managing and supervising drivers.¹² Currently, drivers earn on average more than \$15 per hour, even after accounting for vehicle maintenance and fuel costs.¹³ The per-trip model of compensating drivers is compatible with California's minimum wage laws. It also encourages drivers to work only when there is sufficient demand for rides.

An employee-based model suggests significantly higher prices and consolidation to those who can work full-time in order to reduce administrative, overhead, managerial, and supervision costs. It's important to keep in mind that Uber and Lyft ridesharing is just starting to become profitable, so they cannot absorb the cost increase as part of a long-run business model.¹⁴ This means they would need to implement measures to reduce costs, such as consolidating employment to fewer drivers who can work full-time, and pass-on remaining costs in the form of higher fares.

How will higher fares affect demand? Estimates for this vary. One estimate, based on data from Uber surge pricing, is that a 10 percent price increase will reduce demand by 8 to 25 percent.¹⁵ Another estimate, from Uber, is that if it had to reclassify drivers as employees, trip prices would increase by approximately 25 to 100 percent, leading to a 20 to 60 percent reduction in trips, with less dense and rural areas experiencing the largest percentage losses.¹⁶ Uber estimates that the number of drivers would fall by 76 percent because of the reduced number of trips and consolidation of drivers.

Instead of reclassifying drivers as employees, an alternative would be to maintain the contractor model but implement surcharges or taxes on each ride to fund driver benefits.

The City of Chicago has done something like this.¹⁷ In this case, consumers would still face higher prices, which would reduce demand, but there wouldn't be administrative, overhead, managerial, and supervision costs, as with Assembly Bill 5. Additionally, drivers would maintain their flexibility and there wouldn't be an incentive to consolidate opportunities to a smaller number of drivers to save on fixed costs.

The taxes and surcharges could be used to pay for social benefits or to pay into social insurance funds. It's important to keep in mind that these taxes and surcharges, imposed on riders, would be in addition to the income taxes that drivers already pay on their Uber and Lyft earnings. As independent contractors, drivers currently receive 1099 tax forms and pay federal and state taxes on their income from Uber and Lyft. They can also deduct gas, insurance, and vehicle maintenance and depreciation costs as business expenses. But neither the drivers nor Uber and Lyft pay into social insurance funds like unemployment insurance and workers' compensation. During the current recession, Uber and Lyft drivers have received unemployment benefits, funded by taxpayers, but this is an exceptional circumstance where policymakers wanted to incentivize people to stay home to contain the virus.

In this recession, while demand for Uber and Lyft rides has lagged, demand for delivery services like Instacart, DoorDash, and Uber Eats has surged. The independent contractor model has made it easier for workers to shift from working for rideshare platforms to working for delivery platforms.

Even before the current recession, when California's economy was running at 3.9 percent unemployment, its lowest level in decades, the number of people signing up to work for Uber and Lyft as independent contractors kept increasing. This is a revealing fact. It means that even when there

12. In theory, it would be possible to have a hybrid model, with by-hour and per-trip payments, but this would incentivize drivers to remain on call even when there is little or no demand for trips.

13. See Hall and Taylor, 2016, Tables 3 and 6.

14. While Uber Technologies, Inc. is still unprofitable, the ridesharing portion of its business recently became profitable prior to the onset of the COVID-19 pandemic. See Uber Technologies, Inc., Q4 2019 Earnings, Supplemental Data, February 6, 2020, available at: https://s23.q4cdn.com/407969754/files/doc_financials/2019/q4/Quarterly-Earnings-Report-Q42019.pdf. Lyft has stated that it's on a "path to profitability," and prior to the pandemic, projected it would be profitable by 2021. See Kate Conger, "Lyft Focuses on Profitability as Cash-Burning Companies Lose Luster," *New York Times*, October 30, 2019, available at: <https://www.nytimes.com/2019/10/30/technology/lyft-earnings-profitability.html>.

15. See Juan C. Castillo, Dan Knoepfle, and E. Glen Weyl, "Surge Prices Solve the Wild Goose Chase," July 2017, available at: https://faculty.fuqua.duke.edu/ioconference/papers/2017/Castillo,%20Juan%20Camilo_Surge_07_17.pdf, and Nicholas Buchholz, "Spatial Equilibrium Search Frictions, and Dynamic Efficiency in the Taxi Industry," December 9, 2019, available at: https://scholar.princeton.edu/sites/default/files/nbuchholz/files/taxi_draft.pdf.

16. Alison Stein, "Analysis on Impacts of Driver Reclassification," May 28, 2020, available at: <https://medium.com/uber-under-the-hood/analysis-on-impacts-of-driver-reclassification-2f2639a7f902>.

17. The City of Chicago has implemented a ground transportation tax and a congestion tax, encouraging the use of pooled rather than individual rides in areas of the city. For details on the ground transportation tax, see: https://www.chicago.gov/city/en/depts/bacp/supp_info/transportation-network-providers.html. For details on the congestion tax, see: https://www.chicago.gov/city/en/depts/bacp/supp_info/city_of_chicago_congestion_pricing.html.

are lots of other jobs available, people still want to drive for Uber and Lyft. An employment model would ration these opportunities to those who are able to work full-time and would reduce options for people seeking part-time work and supplemental income.

If the goal is to provide drivers with benefits and social insurance, there are better ways to do it that don't involve a fundamental restructuring of the gig economy. Follow the Chicago model: implement taxes and surcharges on rides, and use these to fund driver benefits and social insurance funds. In Chicago, the tax policy is even more nuanced. It taxes individual rides more and taxes pooled rides (like UberPool and Lyft Shared) less. It taxes rides during peak congestion more and off-peak rides less. Reclassifying drivers as employees is a blunt policy tool. Implementing taxes and surcharges on rides can be a more effective way of accomplishing the same goal of providing drivers with benefits and social insurance, along with accomplishing other goals, like encouraging pooled rides and public transit usage during peak congestion.

How did we get here? The Dynamex case and Assembly Bill 5

The catalyst for this debate on whether to classify workers as employees versus independent contractors is a company called Dynamex, not Uber and Lyft or other platforms. Prior to 2004, Dynamex, a company that offered same-day courier and delivery services, classified its California drivers as employees and compensated them according to California's labor laws.¹⁸ Starting in 2004, the company classified its workers as independent contractors to reduce costs and circumvent California's labor laws.

With the new policy, Dynamex drivers were hired as contractors but could be terminated at short notice. They could set their own schedule but had to notify Dynamex in advance of the days they intended to work. On these days, they would be assigned to deliveries, but the number and types of deliv-

eries were not guaranteed in advance. Drivers could reject deliveries but needed to communicate with a dispatcher to do so. Drivers were paid a flat fee per delivery or a percentage of the delivery fee paid by the customer. Drivers were required to provide their own delivery vehicles, pay for gas and vehicle expenses, purchase a Nextel phone to communicate with dispatch, and purchase and wear Dynamex shirts and badges while completing deliveries. Dynamex drivers filed a lawsuit, and in 2018, the Supreme Court of California ruled in favor of the drivers, that they should be classified as employees.

To prevent a series of lawsuits on how workers should be classified, the California Assembly passed Assembly Bill 5 in 2019 to clarify rules for how to classify workers.¹⁹ Essentially, a worker is an employee rather than an independent contractor unless the hiring entity, in this case Uber and Lyft, demonstrates all of the following conditions:

- a) The individual is free from the control and direction of the hiring entity in connection with the work performed. For Uber and Lyft drivers, this is somewhat true. Uber and Lyft don't control when and where drivers work, but they do set standards for drivers and vehicles.
- b) The individual performs work that is outside the usual course of the hiring entity's business. Uber and Lyft contend that their usual course of business is to serve as a platform connecting drivers and riders and that they are not in the business of providing rides. In this case, the work performed by drivers would be outside the usual course of the hiring entity's business. This is debatable.
- c) The individual is customarily engaged in an independently established trade, occupation, or business of the same nature as the work performed. For most Uber and Lyft drivers, this would not apply unless they were engaged in the business of driving when they're not working for Uber and Lyft.

18. See *Dynamex Operations West. v. Superior Court of Los Angeles County*, S222732, Ct. App. 2/7 B249546, Los Angeles County Superior Ct. No. BC332016, April 30, 2018, available at: <https://law.justia.com/cases/california/supreme-court/2018/s222732.html>.

19. See *California Assembly Bill 5, Worker Status: Employees and Independent Contractors*, September 19, 2019, available at: https://leginfo.ca.gov/faces/billTextClient.xhtml?bill_id=201920200AB5.

The standard is that a worker is an employee rather than a contractor, and the burden is on the hiring entity to prove otherwise. Uber and Lyft were not able to prove otherwise. Uber, Lyft, and other platforms are now seeking an exemption from Assembly Bill 5. They failed to get one through the courts, and they are now trying to do so with Proposition 22.

Conclusion

Uber and Lyft have substantially increased employment and earnings in the transportation services sector. Their low barriers to entry make it comparatively easy for people to become drivers and earn additional income. This additional income helps families smooth economic shocks and sustain

consumption during periods of hardship. Reclassifying drivers as employees would concentrate employment among a smaller number of drivers and would deny many current drivers the opportunity to earn supplemental income. Reclassifying drivers as employees would also harm consumers by raising fares and reducing transportation options. Implementing taxes and surcharges on Uber and Lyft rides would be a better way to fund driver benefits, including social insurance benefits, and wouldn't involve imposing the administrative, overhead, managerial, and supervision costs associated with reclassifying Uber and Lyft drivers as employees.