

# Apps win, labor frets after Uber-led 'gig worker' measure passes

November 8 2020, by Glenn Chapman

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App-based on-demand services won a major victory in a California referendum, which disappointed labor activists pressing for an end to the contractor model to enable workers to get full benefits

A victory for the "gig economy" in California is likely to echo across the US, in a boon for app-based services while igniting fear that big business

is rewriting labor laws.

Rideshare and delivery apps matching tasks with those willing to perform them as [independent contractors](#) sidestepped a [labor](#) law with the passage of Proposition 22 in a referendum put before state voters.

"Going forward, you'll see us more loudly advocate for [new laws](#) like Prop 22," Uber chief executive Dara Khosrowshahi said. "It's a priority for us to work with governments across the US and the world to make this a reality."

Proposition 22—backed by Uber, Lyft and other app-based, on-demand delivery services like DoorDash and Instacart—effectively overturns a state law requiring them to reclassify their drivers and provide [employee benefits](#).

"This is very positive for anybody who has a humans-as-a-service type mentality," said analyst Patrick Moorhead of Moor Insights and Strategy.

"Those companies avoided a death sentence; and I do think classifying those folks as employees would have been a [death sentence](#)."

The vote came after a contentious campaign with labor groups claiming the initiative would erode [worker](#) rights and benefits, and with backers arguing for a new, flexible economic model.

Backers of Prop 22 spent some \$200 million to win voters to their side, dwarfing the budget of those opposing the referendum.

The Independent Drivers Guild, which describes itself as the largest "gig worker" organization in the US, has vowed to fight for the rights of workers to get the pay, benefits, and [collective bargaining](#) rights due to employees.

"The big platform companies may have won in California, but the gig worker fight has only just begun," said guild executive director Brendan Sexton.



Ride-hailing drivers protested an Uber-led initiative to preserve the contractor model, but Uber and Lyft said the majority of their drivers want to keep that flexible work arrangement

The guild touted winning a negotiated minimum wage of \$27.86 per hour in New York for Uber and Lyft drivers, according to Sexton..

"Worker power through collective bargaining, not ballot measures and protracted legal battles, is the only real long-term solution for gig workers," Sexton said.

## Third way?

Uber, Lyft, DoorDash and other Prop 22 backers persuaded voters that a new [gig economy](#) calls for a "third way" of treating workers to be added to being employees or purely independent contractors, according to University of California-Los Angeles labor researcher Brian Justie.

"Uber wants you to think this is a new world, requiring a third categorization but I am not sure I buy that," Justie told AFP.

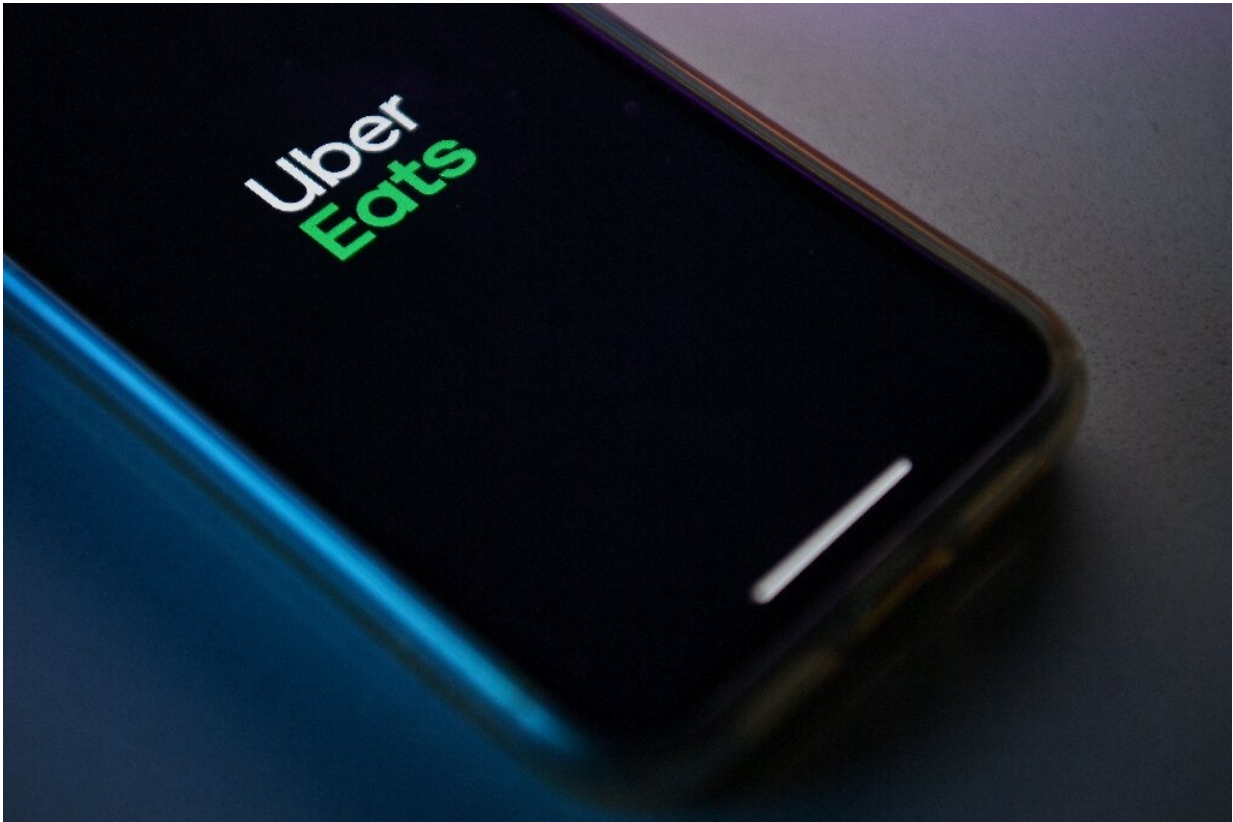
"It is a way for an extremely unprofitable sector to buy themselves a new lease on life and hoodwink legislators."

Playing the situation as drivers loving flexibility and [labor law](#) forcing the companies to become "dogmatic bosses" was disingenuous, according to Justie.

While Uber claims drivers are free to work as they please, they are at the mercy of software in the app guiding them to customers and neighborhoods, an institute survey revealed.

"The drivers keeping Uber functional think of work as a manipulative, over controlling thing recast as something new and technological," Justie said.

The referendum deals a blow to labor, and has strong potential to spread to other states, according to Justie.



Uber won its referendum in California to preserve its model of using contractor-drivers, to the dismay of organized labor seeking to reclassify the drivers as employees with benefits

"I would be shocked if it didn't ripple out," Justie said of other states, or even countries, adapting labor laws along the lines of Prop 22.

"It absolutely gives Uber and Lyft a case study in how to make this work... There is a very real prospect that more and more work becomes gig work."

## **Future of work**



Author and sharing economy authority Arun Sundararajan, however, billed Prop 22 as a positive for independent workers across the nation, saying it provides the first framework for providing benefits to non-employees contracted to do jobs.

"I expect the framework of Prop 22 to become a template for other jurisdictions in the US," Sundararajan said.

"The country now has its first framework for funding non-employment worker benefits."

Sonoma University political science professor David McCuan also saw the importance of Prop 22 as being far bigger than just a California issue.

"Prop 22 is a proxy for how we work; the future of work," McCuan said.

"And it's about the future of the labor movement in California and the future of the labor movement in the United States, which has been hammered over the last hundred years."

For better or worse, the Prop 22 model is likely to be the labor model going forward, according to analyst Moorhead.

The situation may be different in other parts of the world where Uber and other services operate. Uber has been targeted by regulators in Europe, where taxi drivers have protested against its business model.

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