



New Year Brings New Liability When Using Outsourced Labor

Insights

1.02.15

Beginning January 1st, California law requires “client employers” to share certain compliance responsibility and liability with the companies that provide them with contract labor, such as staffing agencies. Client employers are defined as private employers with at least 25 employees that utilize at least six temporary workers from a staffing contractor, subject to limited exceptions.

Client employers can face liability for the contractor’s failure to: 1) properly pay wages; 2) secure workers’ compensation insurance; and 3) comply with workplace safety laws. This opens the door for significant new litigation risk as affected workers are permitted to pursue civil actions, including class actions, against the client employer for the labor contractor’s failure to comply with California wage and safety laws.

If you use workers from a staffing provider, you may be able to avoid liability for the contractor’s failure to pay wages or provide workers’ compensation coverage through an indemnification clause in your contract with the provider. But you cannot absolve or contract away your legal duties or liabilities under workplace safety laws.

For guidance on how to minimize your exposure to liability under this new law, contact your California Fisher Phillips attorney or the author at BBarnes@fisherphillips.com or 949.851.2424.

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