

Is This The New Normal For Gig Economy Companies? San Francisco Seeks To Force DoorDash To Classify Workers As Employees

Insights

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Last week's successful effort by California's Attorney General to obtain an injunction forcing two ride-sharing giants to reclassify their drivers as employees may be the beginning of a trend that threatens to create a new normal for gig economy companies. Days later, the local district attorney in San Francisco filed a similar request in court seeking to force DoorDash's independent contractors to be classified as employees. What does this August 12 move signal? Essentially, if you operate in a jurisdiction like California that has adopted the ABC test for determining worker status, you could be the next target of a government-initiated lawsuit that would aim to upend the very business model you have created.

A Reuters report included a quote from a DoorDash spokesman who felt the effort was "ill-timed" and ran counter to internal data that suggested most of its workers wanted to remain as contractors. "In the midst of one of the deepest economic recessions in our nation's history, today's action ... threatens billions of dollars in earnings for California Dashers and revenue for restaurants that rely upon sales from delivery to keep their businesses open."

But San Francisco attorneys were undaunted. "All three branches of California's government have already made clear that these workers are employees under California law and entitled to important safeguards," a statement accompanying the action noted. When the initial lawsuit was filed in this action last month, city attorneys promised that more lawsuits were to come. We'll monitor this action – and other similar cases filed – and report back with updates.

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