

FAQS ABOUT THE LOS ANGELES FREELANCE WORKER PROTECTIONS ORDINANCE: WHAT BUSINESSES NEED TO KNOW (AND DO)

Insights
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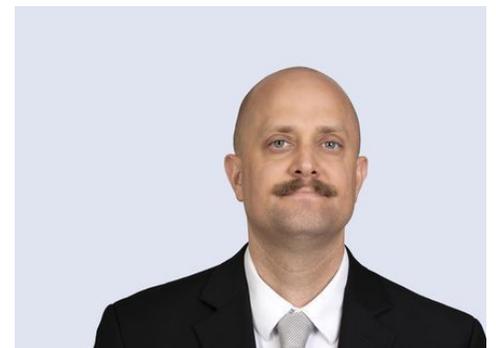
Freelance workers in Los Angeles now have more protections than ever before thanks to a new ordinance passed by the City Council. The Freelance Worker Protections Ordinance, made part of the L.A. Municipal Code effective July 1, has the stated aim of “ensuring that freelance workers are treated fairly and receive the compensation they are due.” But what does that mean? Here’s a series of FAQs telling you what you need to know about the ordinance and what you can do to ensure compliance with it.

Who is covered?

“Freelance workers” hired by and providing services to a “Hiring Entity” in exchange for compensation. Here’s how the ordinance defines those terms:

- **“Freelance worker”** means any individual or entity, itself having no employees, hired as an independent contractor to provide services in exchange for compensation. Expressly carved out from this definition are professionals already required to have a written agreement to provide services in exchange for compensation, such as attorneys, architects, and engineers.
- **“Hiring Entity”** means an entity regularly engaged in business or commercial activity. Expressly carved out from this definition are entities that hire app-based transportation and delivery drivers to provide prearranged services.

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What type of work is covered?

Work performed by Freelance Workers for Hiring Parties (i) within the confines of the City of Los Angeles (ii) pursuant to *either* written or oral contract entered into on or after July 1, 2023, and (iii) which has an individual or aggregate value, in a calendar year, of at least \$600.

What does the ordinance require?

- **A very basic written contract.** If the Hiring Entity has only *orally* contracted for such work, the Hiring Entity must provide the Freelance Worker with a *written* The written contract must include, at a minimum: (i) the name, address, phone number and, if available, e-mail address of both parties; (ii) an itemization of all services, their value, and rate and method of compensation; and (iii) the date for payment or manner by which such date will be determined.
- **Timely payment.** If the contract calls for payment by a certain date, payment in full by that date. If the contract does not specify a date, no later than 30 days after the work is completed.
- **Record retention.** *Both* parties must retain written records for no less than four years, including contracts, payment records, and anything else showing compliance with the contract.

What does the ordinance prohibit?

As to Freelance Workers, the same things Hiring Entities are already prohibited from doing as to employees: punishing, penalizing, retaliating, or taking any adverse employment action against them for exercising their rights.

How can Freelance Workers exercise their rights under the ordinance?

By filing a civil lawsuit seeking damages for violations and/or filing a complaint with the Bureau of Contract Administration, Office of Wage Standards (OWS) within one year of the alleged violation. Even if the Freelance Worker files an administrative complaint, they can still sue the Hiring Entity.

What will happen if the Freelance Worker files an administrative complaint?

The OWS will inform the Hiring Entity of the complaint and their legal obligations, and request relevant documents and/or information, which in turn will be provided to the Freelance Worker. The Hiring Entity should be mindful of the OWS' request, as failure to respond to it *within 20 calendar days* will result in a rebuttable presumption in any civil action that the Hiring Entity committed the violations alleged by the Freelance Worker.

The ordinance does *not* provide any additional detail regarding the manner of administrative proceedings brought pursuant to the ordinance, though it does provide that the OWS may promulgate guidelines and rules to administer and enforce the ordinance.

What relief is available to a Freelance Worker who sues the Hiring Entity?

If the Freelance Worker sues and prevails, the Court is *required* to award certain damages, some of which depend on the nature of the violation. In all instances, a prevailing Freelance Worker is entitled to (i) their reasonable attorneys' fees and costs, (ii) injunctive relief if requested, and (iii) any other remedies deemed appropriate by the Court.

If, prior to commencing work, the Freelance Worker requested and was refused a written contract, the Freelance Worker must be awarded the sum of \$250.

If the Hiring Entity fails to timely and fully pay the Freelance Worker, the Freelance Worker must be awarded monetary damages. The ordinance appears to grant Courts an element of discretion in the amount, and it could be punitive, expressly capping the amount at twice the amount remaining unpaid under the contract.

Any *other* violations of the article entitle the Freelance Worker to monetary damages equal to the value of the contract *or* the work performed, whichever is greater. The ordinance does *not* cap that value. Thus, in such a circumstance, the Hiring Entity could potentially be on the hook for *much more* than the contract required.

What should you do?

Pay the ordinance the attention it is due, as it is neither narrow nor inconsequential. As a practical matter, most businesses will qualify as a "Hiring Entity" and many of the

independent contractors providing services to those businesses will qualify as "Freelance Workers."

Administrators and managers should be aware of their obligations under the Ordinance, review all existing vendor agreements for compliance, and be prepared to provide the requisite written contract on a going forward basis for qualifying work.

Conclusion

If you have any questions regarding how to position your organization to comply with these requirements, please consult your Fisher Phillips attorney, the author of this Insight, or any attorney in our [Los Angeles office](#). We will continue to monitor events and provide updates as warranted, so make sure you are signed up to receive [Fisher Phillips' Insights](#) directly to your inbox to get the latest information.