FP Manufacturing Snapshot: 4 Things Employers Need to Know About the DOL's New Approach to Independent Contractor Classification

Insights
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Welcome to this edition of the FP Manufacturing Snapshot, where we take a quick look at a recent significant workplace law development with an emphasis on how it impacts employers in the manufacturing sector. This edition is devoted to a recent announcement from the Department of Labor (DOL) concerning independent contractor classification and enforcement changes. This development will have a particular impact on manufacturers, so read on to find out what you need to do as a result.

Snapshot Look at the DOL Announcement on Independent Contractor Classification

The DOL recently announced that it will no longer enforce the Biden-era 2024 rule that made it harder to classify workers as independent contractors, signaling a shift back toward a more flexible standard favored by manufacturers. While the 2024 rule technically remains in effect for private litigation, the DOL's enforcement will now rely on pre-2024 "economic realities" principles. This move aligns with the Trump administration's broader efforts to ease contractor classification rules, though manufacturers must still navigate varying state laws and remain cautious amid ongoing litigation and potential future reversals. For a deeper dive into the situation, you can read our full Insight here.

What Do Manufacturers Need to Know?

There are four key points that manufacturers should consider in light of this announcement.

1. The Use of Independent Contractors Just Got Easier: Due to the highly specialized nature of most manufacturing operations, industry employers often rely on a complex network of related independent contractors for seasonal work, equipment maintenance, logistics, or production support. The DOL's decision to halt enforcement of the 2024 rule gives manufacturing employers more leeway to engage these workers, with whom they often enjoy longstanding and mutually beneficial relationships, with less fear of misclassification liability under federal law.

2. There's Room for Cautious Optimism – But Risk Remains: While federal enforcement is easing, the 2024 rule still applies in private lawsuits, and some states enforce stricter tests (like California's ABC test). Manufacturers with operations in multiple states must take care to assess classification

practices on a jurisdiction-by-jurisdiction basis, even in production fundamentals and processes are static between facilities.

3. It's Time to Audit Contractor Relationships: This is an ideal moment for manufacturers to review independent contractor arrangements, especially where the work is long-term, on-site, or closely integrated with production. Re-evaluating contracts, job scopes, and control measures can help reduce risk and align with both federal and state standards, while potentially enhancing the quality of relationships between manufacturers.

4. Be Ready to Adapt Again: Worker classification standards often shift with political changes. Manufacturers should structure contractor relationships to be flexible and well-documented – allowing them to pivot quickly if a future administration reimposes a stricter rule. Consulting counsel now can save substantial costs later.

Want More?

We will continue monitoring workplace law developments and provide updates as warranted, so make sure you are subscribed to Fisher Phillips' Insight System to have the most up-to-date information sent directly to your inbox. If you have questions, contact your Fisher Phillips attorney, the author of this Insight, or any attorney on our Manufacturing Industry Team.

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