

California's Supreme Court Upholds Proposition 22 Allowing Gig Workers To Be Classified As Independent Contractors

Labor & Employment Law Update

By Kevin Kleine on August 8, 2024

On July 25, 2024, California's Supreme Court issued a highly anticipated ruling that allows app-based rideshare and delivery companies to classify drivers as independent contractors instead of employees, if certain conditions are satisfied.

In the case of *Castellanos v. State of California*, California's Supreme Court upheld Proposition 22 ("Prop 22") as constitutional, holding that Prop 22 does not unlawfully impede on or restrict the state legislature's ability to enact workers' compensation laws or otherwise conflict with the state's constitution.

Prop 22 was voted into law as a ballot initiative on November 3, 2020. Prop 22 provides that application-based drivers ("app-based drivers" or "gig workers") are independent contractors, and not employees, if the following conditions are met:

1. The network company does not unilaterally prescribe specific dates, times of day, or a minimum number of hours during which the app-based driver must be logged into the network company's online-enabled application or platform.
2. The network company does not require the app-based driver to accept any specific rideshare service or delivery service request as a condition of maintaining access to the network company's online-enabled application or platform.
3. The network company does not restrict the app-based driver from performing rideshare services or delivery services through other network companies except during engaged time.
4. The network company does not restrict the app-based driver from working in any other lawful occupation or business.

Gig workers properly classified as independent contractors under Prop 22 are not entitled to the same benefits, protections, and rights as employees under California law, including minimum wage, sick leave, and overtime pay.

In *Castellanos v. State of California*, the California Supreme Court was asked to determine whether Prop 22 conflicted with the state's constitution which vests California's Legislature with plenary power to create and enforce the state's workers' compensation system through appropriate legislation. The plaintiffs in *Castellanos* argued that Prop 22 is unconstitutional because only California's Legislature, and not voters, has the authority to pass laws affecting the state's workers' compensation system. However, the court disagreed, reasoning that both the voters and the state legislature "jointly and severally have authority to create a workers' compensation system." The court further reasoned that Prop 22 does not impede or restrict the state legislature's ability to enact legislation with respect to workers' compensation, because it has the power and authority to pass a law giving independent contractors workers' compensation benefits and rights if it chooses to.

In sum, the California Supreme Court's July 25, 2024 decision is a major win for California employers, particularly rideshare and delivery companies, because they can continue classifying gig workers as independent contractors and avoid the financial responsibilities associated with employing them. Prop 22 is now law in California and effective immediately.

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