

New Laws on Independent Contractors Could Be Coming to a City and State Near You

Following in the footsteps of California, New York and Illinois are proposing their own versions of Assembly Bill 5 (AB5). The result could be a dramatic shift in how workers are classified. While these laws are intended to impact the “gig economy” their impact may be much broader. We expect other states to take action soon.

The California law, which goes into effect January 1, 2020, severely limits employers’ ability to classify workers as independent contractors in California, meaning that the vast majority of workers will need to be treated as employees.

What Does This Mean for Employers and Businesses?

- Many workers previously classified as independent contractors should now be considered employees.
- Additional laws apply to these newly classified employees: the Labor Code, the Unemployment Insurance Code, and the wage orders of the Industrial Welfare Commission.
- Employees are entitled to benefits such as minimum wage, workers’ compensation, unemployment insurance, expense reimbursement, paid sick leave, and paid family leave. Payroll taxes apply to them as well.
- Penalties for misclassification of employees as independent contractors are stiff, as are consequences of misclassification — such as back wages and penalties (including PAGA penalties) — for overtime, minimum wage, meal and rest break violations, and myriad other administrative traps for the unwary.

The Good News

If you are a business that uses independent contractors in Illinois or New York, this is the time to act. There is still time to get involved to shape legislation in Illinois, New York, and the other jurisdictions working on this issue. Without specific exemptions, the proposed legislation could impact a wide range of industries, from trucking to barbers.

If you have questions about issues raised in this Alert, please contact a member of Cozen O'Connor Public Strategies.



Matthew T. Glavin

Member

mglavin@cozen.com
Phone: (312) 382-3133
Fax: (312) 382-8910



Jeremy J. Glenn

Member

jglenn@cozen.com
Phone: (312) 474-7981
Fax: (312) 706-9791

Related Practice Areas

- Government Relations - Cozen O'Connor Public Strategies
- Labor & Employment