

# California ruling against Uber hits at business model

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A California labor board has ruled that drivers for the ride-sharing service Uber are employees, not independent contractors

A California panel has ruled that a driver for cab service Uber is an employee—a decision with potentially major implications for a global startup which relies on independent contractors.

In the ruling earlier this month by the state's labor commission, Uber was

ordered to reimburse one of its drivers, Barbara Ann Berwick, more than \$4,000 for employee expenses.

The ruling has been appealed in court and would only impact one Uber driver in California, according to the company.

But if the case ends up applying to Uber's global operations, it could potentially take away one of the underpinnings of its business model, which considers drivers independent contractors.

The commission's order was included in the appeal filed by Uber in California Superior Court in San Francisco.

State hearing officer Stephanie Barrett wrote that while Uber claims to be a "neutral technological platform" for independent drivers, it sets most of the terms of employment.

Uber and its management team are "involved in every aspect of the operation," including vetting prospective drivers and terminating them if their rating levels are low, the hearing officer wrote.

Because of this, Barrett wrote, Uber must "indemnify an employee for all that the employee necessarily expends in the discharge of the employee's duties."

Berwick had requested the reimbursement of tolls and others expenses incurred while driving.



A sticker with the Uber logo is displayed in the window of a car on June 12, 2014 in San Francisco, California

If all drivers are classified as employees, it could require Uber to pay hefty amounts for social security, workers' compensation and other charges.

Uber has become one of the world's most valuable startups, worth an estimated \$50 billion, as it has expanded to more than 50 countries.

But it has faced regulatory hurdles and protests from established taxi operators in most locations where it has launched.

In response to an AFP query, an Uber spokesman said it would be inaccurate to infer a wide-ranging impact from the decision.

The ruling "is non-binding and applies to a single driver," the company said in an emailed statement.



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"Indeed it is contrary to a previous ruling by the same commission... Five other states have also come to the same conclusion."

The company added that "the number one reason drivers choose to use Uber is because they have complete flexibility and control."

It noted that most drivers "can and do choose to earn their living from multiple sources, including other ride-sharing companies."

TechFreedom, a libertarian think tank in Washington, said the decision could have a chilling effect on Uber and others in the so-called "sharing economy" where individuals can use their own resources for business.

"The independent-contractor business model helped drive the success of Uber, Lyft, Airbnb, and other sharing-economy companies," said TechFreedom's Berin Szoka, adding that the ruling "could force sharing-economy companies to scale back their offerings and increase prices."

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