



New California Law Will Hurt the Rideshare Industry

Jose Nino

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A Jalopnik writer, Aaron Gordon, claimed that Uber and Lyft don't have a right to exist in an article for the automotive news and opinion website. He specifically talks about how ridesharing companies currently treat employees as independent contractors.

Gordon covered Assembly Bill 5, a recently signed California law that would label gig economy workers as employees rather than independent contractors. Uber and Lyft expressed concerns about how AB 5 would hurt their business. In this regard, they may be on to something. But this goes beyond profit, as such a designation would hurt and price out many potential workers that could greatly benefit from the new opportunities that the gig economy provides.

By making these companies treat their drivers as employees, they could potentially subject them to arbitrary labor regulations and even make them susceptible to coercive union politics. Minimum wage, paid sick days, and health insurance benefits are just some of the requirements that could be forced upon these companies. In turn, these companies will have to lay off employees or cut their hours just to be able to comply with these costs.

Workers who are traditionally down and out can at least do ridesharing work to stay afloat in the interim. This beats being unemployed, turning to public assistance, or engaging in antisocial behavior such as crime. On top of that, the gig economy represents a revolutionary development in the workplace that doesn't require workers to be tied down to fixed locations or rigid work schedules.

Sadly, this kind of legislation seems like something that would come out of the California legislature. After all, California is notorious for its oppressive tax system, which mirrors the federal government's convoluted system. As if heavy taxation wasn't a strike against it, the state features a host of anti-growth policies such as public sector unionization and restrictive land-use regulations. AB 5 is definitely in the same spirit of restrictive economic policies that have made California much harder to live and work in.

Instead of trying to comply with this onerous legislative proposal, the rideshare companies offered a reasonable alternative where drivers would earn "a minimum of approximately \$21 per hour while on a trip, including the costs of their average expenses."

On top of that, they proposed "robust new benefits such as paid time off, sick leave, and compensation if they are injured while driving." However, lawmakers weren't buying that.

By signing AB 5 into law, cities like Los Angeles and San Francisco are now joining New York City in heavily regulating the rideshare industry. Last month, New York City limited the number

of vehicles that rideshare companies could use within city limits. If other cities start putting the clamps on Uber and Lyft, it will be much more difficult for them to conduct business.

For those concerned about employee welfare, trying to regulate these companies even further is the wrong way to approach this matter. These companies are within their rights to negotiate how they structure their relationship with their workers.

That's freedom of association in its purest form.

Yes, there is plenty to be done in order to improve workers' standards of living. But most would be shocked to find out that it won't involve government. In fact, it means scaling back the large array of regulations that burden California's economy. According to the Cato Institute's *Freedom in the 50 States* index, California is ranked in 48th place for overall regulatory policy, indicating that it has too much regulation that inhibits the formation of new businesses and stifles economic growth.

AB 5's passage will only solidify California's status as one of the most anti-business states in the nation.