



# INDEPENDENT

COALITION

## FACT SHEET

### The Issue

The *Dynamex Operations West, Inc. v. Superior Court* decision by the California Supreme Court in April 2018 overturned three decades of California employment law that allowed individuals to work as independent contractors. This decision could upend how millions of Californians earn a living and nearly every industry due to its new restrictive ABC test. The ABC test is the first time in U.S. history that such a test has been imposed by a court, without legislative approval, with three independently disqualifying factors.

### What's At Stake

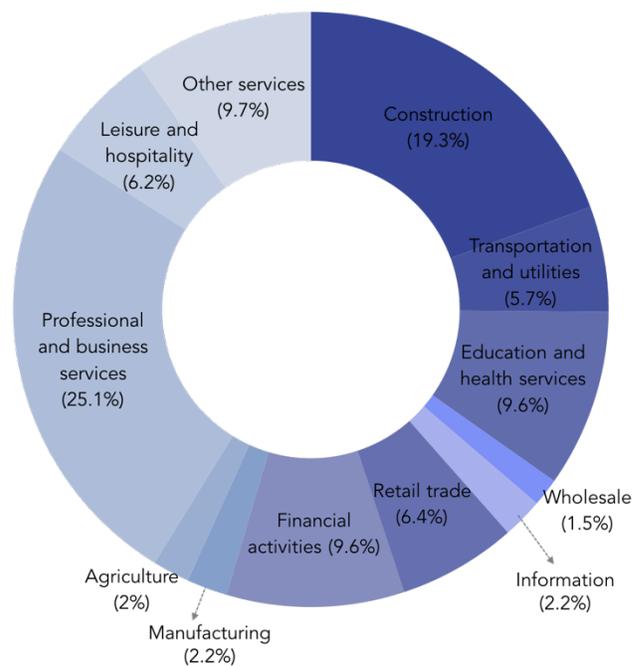
California is estimated to have nearly two million residents who choose to work as an independent contractor. These numbers are conservative as the 2018 U.S. Bureau of Labor Statistics Economic Release did not include the number of individuals who supplement their income with online platforms.

Independent contracting is used across a variety of industries, which challenges the suggestion that independent contracting is something specific to emergent sectors of the economy, such as the gig economy. Source: [Beacon Economics Study "Understanding CA's Dynamex Decision 2018"](#)

In California, the entertainment, professional, scientific and technical services, and real estate industries rely heavily on independent contractors. Source: [Beacon Economics Study "Understanding CA's Dynamex Decision 2018"](#)

A wholesale reclassification of workers would have significant consequences for a variety of different sectors in the state's economy. Since the nature of, and reliance on, independent contracting varies by industry, a one-size fits all policy ignores the complexity and nuance of such work arrangements, and the value they bring to California's economy. Source: [Beacon Economics Study "Understanding CA's Dynamex Decision 2018"](#)

Percentage of Independent Contractors By Industry



\*Bureau of Labor Statistics, Report on Contingent and Alternative Employment Arrangements (2018)

## Independent Contractors Are Not Supplanting Traditional Employment

In California, traditional forms of employment are growing far more quickly than the number of independent contractor positions. **For example, in California over the period 2010-2016, five employees have been added for every independent contractor job.** Source: [Beacon Economics Study "Understanding CA's Dynamex Decision 2018"](#)

The *Wall Street Journal* reported that Alan Krueger of Princeton University and Lawrence Katz of Harvard University, authors of a previously flawed study about the gig economy released a new paper detailing how the study overestimated its assertion that people working with "gig economy" companies like Uber and Lyft "would upend traditional work arrangements." The authors conclude that *"there was a modest rise in the share of the workforce in nontraditional jobs over the last decade—probably on the order of one to 2 percentage points, instead of the five percentage point rise we originally reported."* Source: [WSJ: How Estimates of the Gig Economy Went Wrong](#)

## California Independent Contractors Overwhelmingly Choose It Over Traditional Employment

According to an August 2018 survey of California independent contractors conducted by EMC Research:

- **Eighty-seven percent of California independent contractors are satisfied with their work.**
- **Overwhelming majority of independent contractors place a high value on having flexibility in their jobs.** The vast majority (88%) consider the flexibility of hours to be an important aspect of their work; 81% say the flexibility of location is important; and 65% say that the ability to do independent contractor work in addition to other work or attending school is important.
- **California independent contractors are concerned about losing job flexibility and making less money.** When asked about possible outcomes of the Dynamex decision, a majority (57%) of contractors say they are concerned they will lose flexibility over when, where, and how long they work, and 53% say they are concerned they will take home less money.
- **Given the choice, most would opt to remain independent contractors rather than become employees.** Only 7% of respondents say they would prefer to become an employee and no longer be classified as an independent contractor.
- **In 2017, the U.S. Department of Labor survey found that 79.1 percent of independent contractors preferred alternative work arrangements.** This is the most comprehensive survey of alternative work arrangements in the U.S. economy.

## Solution: We Need the Legislature to Modernize Labor Laws

With the variety of industries and independent contractors impacted, the one-size-fits-all court decision does not work. ***We ask legislators to pass legislation that modernize our labor laws that preserve the flexibility for independent contractors while improving the quality and security of working independently.***