

Lyft Is Facing The Ride Of Its Life

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Earlier this week, a California federal judge reasoned the test in the state's court by determining a jury must decide whether Lyft drivers are independent contractors or if they should get the same benefits as full-fledged employees in the state of California. In September 2014, driver Patrick Cotter brought suit against Lyft, known for its cars adorned with pink mustaches. Lyft, like Uber, fashions itself as an economical app based rideshare program — meaning it does not directly employ drivers, but rather helps to facilitate rides between passengers and drivers who are using their own vehicles and equipment. Lyft drivers must follow a clear set of rules and they often must request permission for shifts to work, rather than being able to operate on their own schedules. For instance, Mr. Cotter was fired when the company learned he was using a second vehicle, rather than the one the company approved, to give “Lyfts” to riders. Mr. Cotter alleged that because the company treats its drivers as full-fledged employees, it violates California labor laws when it skims 20 percent off drivers' tips as an “administrative fee.” The suit was initially proposed as a nationwide class action but was later pared down to cover only drivers in California. U.S. District Court Judge Vincent Chhabria, who is overseeing Lyft Inc. drivers' proposed wage-and-hour class action against the company, struggled in January 2015 during oral arguments with whether to grant the drivers' bid for a ruling on summary judgment that they are full-fledged Lyft employees. The drivers argued in their motion for summary judgment that under California law and several state appeals court rulings, the drivers are Lyft employees, while Lyft contended in its own motion that they are contractors. During the hearing on their motions in January, Judge Chhabria stated the law left him “scratching his head.” Judge Chhabria asserted that while “California law defines whether workers are employees or independent contractors... the test and classification system are woefully outdated.... as a matter of common sense...Lyft drivers don't fall into the traditional understanding of [either]. They seem to fall into a third category.” As such, Judge Chhabria refused to grant summary judgment to either Lyft or its former drivers finding that a jury must determine whether the drivers who work for Lyft are full-fledged employees or independent contractors not subject to the same benefit under California law. Judge Chhabria reasoned that California's employment laws don't quite cover the operational model of ride-hailing services like Lyft or Uber. Judge Chhabria further stated that “[t]he test the California courts have developed over the 20th century for classifying workers isn't very helpful in addressing this 21st century problem.” Multiple factors under California law, including how much control a worker has over his or her schedule, and how much control the employer has over how the work is done, point in different directions, and prohibited the Court from ruling in favor of either party at the summary judgment stage. For example, Judge Chhabria found that several factors weighed in favor of the drivers being employees, while others favored them as independent contractors, and still more factors were ambiguous, ruling that a jury must ultimately decide. The decision could have a ripple effect on the business model of the burgeoning on-demand and shared ride service. A change in worker classification from contractor to employee could dramatically increase the operating costs for Lyft - forcing them to handle

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taxes and Social Security, pay health insurance and other benefits, and reimburse expenses like gas and maintenance. As independent contractors, Lyft drivers currently handle those costs themselves. While the outcome of the trial would affect only drivers in California, the results would set a precedent for other jurisdictions.