

Lyft, Postmates face new lawsuits challenging contractor model

Daniel Wiessner

(Reuters) - Ride-hailing service Lyft Inc and courier service Postmates Inc are among the first companies to be sued for improperly treating workers in California as independent contractors following a recent decision that makes it easier for workers to prove that they are employees entitled to costly legal protections.



An illuminated sign appears in a Lyft ride-hailing car in Los Angeles, California, U.S. September 21, 2017. Picture taken September 21, 2017. REUTERS/Chris Helgren

On Wednesday, the companies were hit with separate lawsuits in California state court accusing them of misclassifying workers as contractors rather than employees to save money.

The San Francisco-based companies did not immediately respond to requests for comment.

Companies must pay taxes and contribute to unemployment and workers' compensation funds on behalf of employees, pay the minimum wage and overtime as well as covering

work-related expenses. Contractors can cost up to 30 percent less, according to several studies.

So-called gig economy companies rely heavily on independent contractors to provide services to customers, and many have faced similar lawsuits in the past.

Lyft and Postmates have already been sued by workers who say they were misclassified as contractors. Postmates paid \$8.75 million to settle an earlier case while Lyft last year settled a previous case for \$27 million.

The new lawsuits cover more recent time periods.

The California Supreme Court last week adopted a new test for determining whether workers are employees that experts say will be difficult for many companies to overcome.

Boston attorney Shannon Liss-Riordan represented the workers who brought the previous cases as well as the plaintiffs in Wednesday's lawsuits. She has filed similar cases against other gig economy companies, including Uber Technologies Inc [UBER.UL] and GrubHub Inc.

"We believe that the companies' continued classification of the workers as independent contractors in California is a willful violation of the law," in light of the California Supreme Court's decision, Liss-Riordan said on Thursday.

Previously, workers in California had to show that their work was controlled by their companies, among other factors, to win on claims that they are employees rather than contractors.

Under the standard adopted last week, the burden is on companies to prove that workers are not under their direct control, do not perform a core function of their business and are engaged in an independent business.

In Wednesday's lawsuits, the workers said Lyft and Postmates cannot prove that the work they perform is outside the companies' usual course of business. Several gig economy firms have argued that they are software companies, and not in the business of providing rides, deliveries, home repairs, or other services.

The cases are *Lee v. Postmates Inc* and *Talbot v. Lyft Inc*, California Superior Court, San Francisco County, Nos. 18-566394 and 18-566392.

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