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California's AB5 gig-work bill gets key backing from Gov. Gavin Newsom

Dustin Gardiner

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Jessica Porter, an Uber driver, holds a sign during a protest outside of Uber headquarters in August.

Photo: Brittany Hosea-Small / Special to The Chronicle

SACRAMENTO — Gov. Gavin Newsom jumped directly into one of California's hardest-fought legislative battles of the year, calling on lawmakers to pass a gig-

work bill that would reclassify hundreds of thousands of independent contractors as company employees covered by labor laws.

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Newsom said tech companies and other employers have eroded people's basic labor protections by wrongly classifying them as independent contractors.

"Employers shirk responsibility to safety net programs like workers' compensation and unemployment insurance. Taxpayers are left to foot the bill," Newsom wrote in an op-ed piece published on Labor Day in the Sacramento Bee.

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"Reversing the trend of misclassification is a necessary and important step to improve the lives of working people. That's why, this Labor Day, I am proud to be supporting Assembly Bill 5, which extends critical labor protections to more workers by curbing misclassification," Newsom wrote.

It was the first time he had explicitly endorsed the bill by San Diego Democratic Assemblywoman Lorena Gonzalez. The measure would reclassify gig workers such as Lyft and Uber ride-hailing drivers, along with many other independent contractors, as employees with protections and benefits.

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The bill, which cleared a crucial Senate committee vote last week, would codify and expand a 2018 California Supreme Court decision known as Dynamex. The ruling makes it harder for companies to classify workers as independent contractors — labeling them as employees if the company controls their activities, if they do work central to the company’s business, and if the workers do not have independent enterprises doing that work.

If AB5 passes final votes in the state Senate and Assembly, it could be on Newsom’s desk before the Legislature adjourns for the year on Sept. 13.

But the measure faces fervent opposition from tech companies. Uber, Lyft and DoorDash warned last week that they would spend at least \$90 million to sponsor a ballot initiative to overturn the measure if it passes.

The companies said they would instead ask voters to approve an initiative in November 2020 that would keep drivers as independent contractors while providing them with some benefits and earning guarantees.

“While we continue to advocate for this progressive framework, circumstances are forcing us to plan for legislative inaction by laying the groundwork for this initiative,” Uber said in a statement last week.

Uber and Lyft stocks tumbled to record lows Tuesday, a day after Newsom’s announcement. Uber dropped 5.74% to \$30.70 a share, continuing the stock’s month-long plunge. Lyft dropped 7.25% to \$45.42.

At the ribbon-cutting for Chase Center in San Francisco on Tuesday, Newsom said he was surprised by the plunge but declined to comment on whether his stance had contributed to it.

Organized labor has mobilized workers in support of AB5, calling the tech companies’ threat the “the biggest anti-worker campaign in decades.” Supporters

of the bill say the companies want to duck costs of giving labor protections and benefits, which can add 30% to workforce costs.

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Although he called for AB5's passage, Newsom appeared to leave open the possibility that negotiations over which workers would be covered could continue beyond the legislative session. The bill has already been amended to exempt a variety of workers, including lawyers, doctors, architects, accountants, travel agents, commercial fishermen and photographers.

Newsom wrote that his office has met with ride-hailing drivers, labor unions and tech companies about the bill in recent weeks. He said his office will continue negotiating with these key players.

But Newsom also decried what he called 40-year employment trends that "have hollowed out our middle class and driven income inequality."

In a nod to labor leaders, he wrote, "As union membership has fallen, the share of income going to the top ten percent has skyrocketed."

San Francisco Chronicle staff writer Mallory Moench contributed to this report.

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