

Lyft will suspend services in California at 11.59pm TONIGHT following judge ruling to reclassify drivers as employees instead of independent contractors - and shares plummet 9%

MailOnline

August 20, 2020 Thursday 5:49 PM GMT

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Section: NEWS; Version:5

Length: 758 words

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Body

- Lyft announced Thursday it will suspend operations in California at midnight
- It comes a week after a state Judge ruled that Lyft and Uber violated California law by not treating drivers as employees with full benefits
- In May the state of California sued the two ride-sharing apps alleging that drivers should be classified as employees eligible for sick days and accident insurance
- A judge gave the two companies until Friday to reclassify their drivers
- Uber says they're not ready to announce any changes yet, but last week its CEO said the company may halt operations temporarily

Lyft announced Thursday it will suspend operations in California as of midnight, following an order from a judge that the ride-sharing company reclassify its drivers as employees rather than independent contractors.

The court order said rideshare drivers must be given employment benefits to comply with a new state law enacted in January.

Starting at 11.59 PST on Thursday the company will disable the trip-booking features of its mobile, web and voice apps.

'We don't want to suspend operations. We are going to keep up the fight for a benefits model that works for all drivers and our riders,' Lyft said in a statement published on its blog.

'We've spent hundreds of hours meeting with policymakers and labor leaders to craft an alternative proposal for drivers that includes a minimum earnings guarantee, mileage reimbursement, a health care subsidy, and occupational accident insurance, without the negative consequences,' the statement added.

Lyft's stock tumbled by as much as nine percent Thursday following the news that they were suspending operations in California before recovering.

The ruling will also affect rival ridesharing app Uber, who have previously said they may need to suspend operations in the state.

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Uber told DailyMail.com Thursday that the company is not ready to announce any changes yet, but is expected to.

Uber previously argued: 'The vast majority of drivers want to work independently, and we've already made to our app to ensure that remains the case under California law. When over 3 million Californians are without a job, our elected leaders should be focused on creating work, not trying to shut down an entire industry during an economic depression.'

As of October 1, Lyft had about 305,000 drivers in California who completed trips within the past year, but today's number is likely lower due to the pandemic, as per CNBC.

Uber said in a recent blog post it had about 209,000 active drivers in California per quarter.

Last week Uber CEO Dara Khosrowshahi said in a MSNBC interview the company's ride-hailing services in California will halt 'at least temporarily' if the order was not changed.

California sued Lyft and Uber in May alleging the ride-share companies were violating the law that requires companies to treat workers as employees rather than independent contractors.

The issues of benefits was exacerbated with the COVID-19 pandemic as employees would be eligible for sick days and other benefits, but contractors are not.

Uber and Lyft, which are both based in San Francisco, argued their technology connects riders and drivers and they're not transportation companies, meaning drivers aren't part of their usual course of business which would deem them employees.

Last week San Francisco Superior Court Judge Ethan Schulman sided with California and gave the companies until Friday to reclassify their drivers as employees.

But the companies said they can't meet that deadline in time.

Critics say the companies had nearly a year to address the mandates in the state's landmark law Assembly Bill 5 (AB5).

AB5 establishes a three-prong test requiring employers to prove contract workers are independent, meaning the laborers must be free from an organization's control or performing work outside the company's core business, which Uber and Lyft failed.

Lyft said it has advocated for a path to offer benefits including a minimum earnings guarantee and a healthcare subsidy for drivers under the status as independent contractors.

Lyft claims that California is pushing an employment model 'that four out of five drivers don't support'.

That model, Lyft says, would reduce service to passengers in suburban and rural areas, result in 80 percent of drivers losing work, capped hourly earnings, and lower-income riders en route to essential jobs and medical appointments would be faced with unaffordable prices.

The ride sharing service says people can vote on a ballot measure in November called **Prop 22** supporting their model.

Load-Date: August 20, 2020