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Labor groups cheer Supreme Court decision to let AB5 stand

Fleet owners warn that truck freight prices will rise when they're required to classify drivers as employees instead of independent contractors.

Ben Ames (/authors/495-ben-ames)

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Trucking fleet owners are warning that freight transportation costs will soon begin to rise after the U.S. Supreme Court today handed a win to labor unions by declining to hear a challenge from the California Trucking Association to AB5, a law requiring fleets in the state to classify their drivers as employees instead of independent contractors.

The high court's decision means that a lower court will now dissolve a 2020 stay that had frozen the law during its appeal (<https://www.dcvelocity.com/articles/44291-california-judge-freezes-new-law-that-would-classify-truckers-as-employees-not-contractors>), freeing the State of California to enforce AB5 against motor carriers within the state.

Passed by the state legislature in 2019 (<https://www.caltrux.org/ab-5-faq/>), Assembly Bill No. 5 (AB5) was originally centered on ride-sharing models like Uber and Lyft and on the broader "gig" economy, but would also affect owner-operators of full-sized freight trucks. Supporters such as the International Brotherhood of Teamsters say the law will stop companies from dodging payment of certain benefits to employees, such as labor laws and minimum wage guarantees.

While praised by labor interests, employers said the decision marked a "deeply disappointing loss to the transportation industry and supply chain interests throughout the country," according to a client bulletin from Benesch Law, a Cleveland, Ohio-based transportation law firm.

"At a time when transportation resources and supply chains are already stressed, motor carriers, transportation intermediaries, and commercial shippers must all now adapt to the new landscape in California," Benesch attorney Marc Blubaugh wrote in the release. "Most immediately, motor carriers must evaluate and adopt alternative operating models to mitigate risk if they intend to continue to do business in California. Motor carriers who quickly adapt and innovate may be able to make summer lemonade out of the lemons delivered today by the U.S. Supreme Court."

According to Benesch, possible changes that would allow carriers to stay in compliance with the law include: pivoting to an employee driver model, seeking to comply with the business-to-business exemption in AB5, deploying a freight brokerage model, utilizing a "two-check" system of compensation, or implementing a "taxi cab medallion" model.

However, today's court decision could have even larger implications if other states proceed with "copycat" legislation, a move that could trigger further supply chain disruption, Benesch predicted.

California Labor Federation

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Hard to overstate the importance of ending misclassification in trucking. Lifting the prelim injunction on [#AB5](#) is a HUGE step forward. Congratulations [@Teamsters](#) [@CalTeamstersPAC](#). Truck drivers deserve basic labor rights, including the right to join a union! Onward!

Doug Bloch [@TeamsterDoug](#)

BREAKING: @USSupremeCourt refuses to hear @Caltrux legal challenge against #AB5 & related airlines case, lifting the preliminary injunction enabling trucking companies to continue misclassifying CA truck drivers. @LorenaSGonzalez @Teamsters

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Ben Ames has spent 20 years as a journalist since starting out as a daily newspaper reporter in Pennsylvania in 1995. From 1999 forward, he has focused on business and technology reporting for a number of trade journals, beginning when he joined *Design News* and *Modern Materials Handling* magazines. Ames is author of the trail guide "Hiking Massachusetts" and is a graduate of the Columbia School of Journalism.