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## Independent Contractors v. Employees: Why firms are selective

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### Keywords

Independent Contractors, Employees, Uber, Litigation

### Abstract

*There is a significant distinction between an employee and an independent contractor, from which the company draws a line with respect to liability and additional benefits accrued. In firms such as Uber, the drivers are all independent contractors and thus do not technically represent the firm. This gives leverage to Uber, as they cannot be vicariously liable for the actions and conduct of their drivers and thus, can save millions on potential lawsuits. The Uber drivers filed a class action lawsuit against the company, and also claimed that they received none of the gratuity as Uber misinforms the customers that the tips are included in the fare.*

*The district court in California issued a summary judgement in March, 2015, that ruled against Uber, stating that the Uber drivers were employees according to the law, and Uber must thus change the designation of the drivers. The California Test of employment states that if a worker provides evidence that he has provided services as an employee, the worker has thus set up a prima facie case establishing such relationship; thus, the burden of proof will then fall on the employer to disprove the above relationship.*

*Pending the judgement of the class-action lawsuit, this paper will discuss the ramifications of either judgement; whether the courts decide to rule that Uber must maintain independent contractor or include employee designation. The paper will also look into the detailed analysis of the various costs and benefits of hiring employees and independent contractors. There will be specific emphasis on insurance coverage provided by firms like Uber to either or both independent contractors and employers, and conclude why Uber might prefer one status over the other.*

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