

REPORT OF THE CHIEF LEGISLATIVE ANALYST

DATE: April 9, 2024

TO: Honorable Members of the Rules, Elections, and Intergovernmental Relations Committee

FROM: Sharon M. Tso *HEK for*
Chief Legislative Analyst

Assignment No: 24-03-0196

SUBJECT: Worker protections for motor carriers

CLA RECOMMENDATION: Adopt Resolution (McOsker – Harris-Dawson) to include in the City's 2023-2024 State Legislative Program SUPPORT for AB 2754 (Rendon), which would extend the protections of California Labor Code Section 2180 and the dual liability of employers and contractors to contracts with motor carriers.

SUMMARY

AB 2754 (Rendon), introduced on February 15, 2024, would extend the protections of California Labor Code Section 2810 and the dual liability of employers and contractors to contracts with motor carriers. California Labor Code Section 2810 currently applies to construction, farm labor, garment, janitorial, security guard, and warehouse contractors. AB 2754 would further extend liability to both employers and contractors for the reimbursement and indemnification for business expenditures and losses to motor carrier workers.

The Resolution recommends that the City support AB 2754 (Rendon).

BACKGROUND

Section 2810 of the California Labor Code prohibits a person or entity from entering into a contractor for labor or services with a construction, farm labor, garment, janitorial, security guard, or warehouse contractor if the person or entity knows that the contract does not include sufficient funds to allow the contractor to comply with regulations, e.g., wage requirements, governing the labor services. AB 2754 (Rendon) would expand this to apply to motor carriers, defined as an entity that utilizes commercial drivers to move freight.

Section 2810.3 of the California Labor Code was added through the enactment of AB 1897 in 2014. It required client employers to share all civil legal responsibility and civil liability with a labor contractor for all workers supplied by that labor contractor for the payment of wages and the failure to obtain valid workers' compensation coverage. Client employer is defined as a business entity that obtains or is provided workers to perform labor with the usual course of business from a labor contractor, with specified exceptions. Labor contractor is defined as an individual or entity that supplies, either with or without contract, a client employer with workers to perform labor within the client employer's usual course of business, with certain exceptions.

AB 2754 would augment the definitions of “client employer” and “labor contractor” in Section 2810.3. Under AB 2754, “client employer” would also be defined as a business entity that utilizes a labor contractor’s workers to ship or receive freight to or from the premises or worksite of the client employer, regardless of the operating authority under which the freight is moved.

The definition of “labor contractor” would be clarified to include providing workers to ship or receive a client employer’s freight to or from the client employer’s facility or worksite, under either the client employer’s operating authority, the labor contractor’s operating authority, or the drivers’ own operating authority. AB 2754 would also make a client employer liable if either that client employer or the labor contractor providing laborers misclassifies an employee as an independent contractor.

DEPARTMENTS NOTIFIED

Port of Los Angeles

Bureau of Contract Administration

BILL STATUS

02/15/24 Introduced

03/04/24 Referred to Committee on Labor and Employment and Committee on Judiciary



Tristan Noack
Analyst

RESOLUTION

WHEREAS, any official position of the City of Los Angeles with respect to legislation, rules, regulations, or policies proposed to or pending before a local, state, or federal governmental body or agency must have first been adopted in the form of a Resolution by the City Council; and

WHEREAS, California Labor Code Section 2810 prohibits employers from entering into a contract for certain labor services where the contractor knows or should know that the contract provides insufficient funds to comply with local, state, and federal regulations relating to the labor provided; and

WHEREAS, the protection provided by State law ensures that contracts for labor include adequate funding to allow for the provision of minimum wage and other labor protections; and

WHEREAS, in 2014, a new bill approved by the Legislature and signed by the Governor clarified the liability of both employers and contractors for compliance with labor regulations in labor contracts, especially as they relate to independent contractors, and included an exemption for those employing or subcontracting motor carriers for the movement of freight; and

WHEREAS, AB 2754 (Rendon), introduced on February 15, 2024, would extend the protections of California Labor Code Section 2810 and the dual liability of employers and contractors to contracts with motor carriers; and

WHEREAS, the bill would further extend liability to both employers and contractors for the reimbursement and indemnification for business expenditures and losses to motor carrier workers; and

WHEREAS, it is important that the existing labor protections be expanded to motor carriers, the services of which are used extensively in the manufacturing sector:

NOW, THEREFORE, BE IT RESOLVED that by the adoption of this Resolution, the City of Los Angeles hereby includes in its 2023-2024 State Legislative Program SUPPORT for AB 2754 (Rendon), which would extend the protections of California Labor Code Section 2810 and the dual liability of employers and contractors to contracts with motor carriers

PRESENTED BY:

TIM McOSKER

Councilmember, 15th District

SECONDED BY:

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