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Alaska State Legislature – Opposition Statement

SB 35 seeks to classify transportation and delivery network company (TNC/DNC) workers as independent contractors, eliminating worker protections while enabling companies like Uber, Lyft, and DoorDash to cut wages, avoid accountability, and undermine fair labor practices. While the gig economy provides flexibility, this bill ensures that this flexibility comes at the cost of fair wages, job security, and legal protections.

Several states and cities have implemented protections for gig workers to prevent exploitation, including minimum pay requirements, deactivation protections, and labor rights (Dubal, 2021). SB 35 prevents Alaska from adopting similar protections, leaving workers vulnerable. This testimony highlights the legal, economic, and ethical issues with SB 35 and proposes solutions that balance business interests with fair labor standards.

Key Issues with SB 35

1. Lack of Minimum Pay Protections – Legal Precedents for Wage Standards

SB 35 permits companies to lower per-ride or per-delivery pay without oversight, resulting in unpredictable earnings. Studies show that gig workers, after accounting for expenses, often earn below minimum wage (Parrott & Reich, 2020).

New York City mandates a minimum pay rate of \$17.22 per hour for app-based drivers, ensuring fair compensation (New York City Taxi and Limousine Commission, 2018).

Washington State implemented per-mile and per-minute minimums for gig workers, preventing companies from cutting earnings arbitrarily (Washington State Legislature, 2022).

Solution: Amend SB 35 to require minimum per-mile, per-minute, or per-trip pay that adjusts for fuel costs, inflation, and idle time.

2. Unpaid Labor – Lack of Compensation for Waiting Time

SB 35 reinforces the "pay-per-task" model, meaning idle time between rides/orders is unpaid. Research shows that gig workers spend 30-40% of their working hours waiting for assignments, significantly reducing their effective pay (Mishel, 2018).

In New York City, rideshare drivers are paid for waiting time to prevent unpaid labor (New York City Taxi and Limousine Commission, 2019).

Seattle mandates per-minute wait time pay, ensuring workers are compensated for time spent between assignments (Seattle City Council, 2020).

Solution: Require partial pay for waiting time to ensure drivers are compensated for idle periods.

3. No Restrictions on Arbitrary Pay Cuts

SB 35 gives full control of pay structures to TNCs/DNCs, meaning companies can lower per-mile rates and increase commission fees without warning. Similar practices have been documented in other states, where rideshare and delivery workers have seen pay decline while corporate profits increase (Dubal, 2021).

California's Proposition 22 initially promised higher pay for gig workers, but subsequent algorithmic changes led to reduced earnings (Rosenblat, 2021).

Washington and New York require transparency in pay reductions, ensuring workers receive notice before wage cuts (Washington State Legislature, 2022).

Solution: Require transparent pay structures and prevent sudden wage reductions without advance notice and worker input.

4. No Workers' Compensation or Benefits – Unsafe Working Conditions

Gig work is high-risk due to car accidents, injuries, and long hours. Unlike traditional employees, gig workers lack workers' compensation coverage. In California, research found that gig drivers experience higher rates of workplace injury but lack financial protection (Benner, 2020).

Washington requires TNCs to provide occupational accident insurance for gig workers (Washington State Legislature, 2022).

New York mandates company-funded injury compensation programs for app-based workers (New York State Assembly, 2021).

Solution: Amend SB 35 to require companies to contribute to a gig worker injury fund or provide occupational accident insurance.

5. No Due Process for Unfair Deactivation

SB 35 allows companies to deactivate drivers without cause, leaving workers with no income and no right to appeal.

Seattle passed a fair deactivation law in 2020, requiring TNCs to provide written explanations and appeals before terminating workers (Seattle Office of Labor Standards, 2020).

New York requires a review process for app-based worker terminations, ensuring workers aren't wrongfully removed (New York City Taxi and Limousine Commission, 2021).

Solution: Implement a fair deactivation process, ensuring workers receive notice, a reason for deactivation, and an appeals process.

6. No Worker Representation – Preventing Collective Bargaining

Many states have introduced driver councils or worker associations to negotiate fair pay and conditions. SB 35 blocks Alaska from adopting similar protections.

Seattle created a Driver Resolution Center that allows workers to negotiate for higher pay and better working conditions (Seattle Office of Labor Standards, 2021).

Rosenblat, A. (2021). *Uberland: How algorithms are rewriting the rules of work*. University of California Press.

Seattle Office of Labor Standards. (2020). Fair pay and deactivation protections for app-based workers.

There are several more potential problems with SB 35 that could further impact workers in Alaska. Here are a few additional issues to consider:

8. Limited Access to Unemployment Benefits

Gig workers, under SB 35, would remain ineligible for unemployment benefits due to their classification as independent contractors. This lack of benefits becomes especially problematic during economic downturns or global crises like the COVID-19 pandemic, where workers are unable to earn income and have no safety net (BLS, 2020).

In states like California and New Jersey, unemployment benefits are extended to gig workers under specific conditions, ensuring they aren't left financially vulnerable (California Employment Development Department, 2021).

Solution: Amend SB 35 to ensure gig workers have access to unemployment benefits during periods of job loss or economic hardship.

9. Tax Evasion and Income Misclassification

By classifying workers as independent contractors, SB 35 creates an incentive for companies to misclassify workers, enabling them to avoid paying state and federal payroll taxes and contributing to underreported income.

In California, the state's AB5 legislation addresses misclassification by imposing stricter criteria on companies that rely on gig workers (California Department of Industrial Relations, 2020).

Solution: Include stronger penalties in SB 35 for misclassifying workers to protect both workers and the state from lost revenue.

10. Limited Access to Health Insurance

Unlike employees, gig workers often do not have access to employer-sponsored health insurance. Without this, workers are forced to navigate complex, expensive healthcare plans on their own or go without coverage altogether.

Massachusetts has created a model for health insurance access for gig workers, providing tax credits to make insurance more affordable (Massachusetts Health Connector, 2020).

Solution: Amend SB 35 to require companies to offer or contribute to health insurance coverage for gig workers or create a state-based health plan for them.

11. No Paid Time Off (PTO)

Gig workers under SB 35 would not be entitled to paid sick leave or vacation time, leaving them with little recourse if they need to take time off for health reasons, family emergencies, or other personal matters.

In Seattle, gig workers are entitled to paid sick leave and vacation days, which helps ensure their financial stability when they cannot work (Seattle Office of Labor Standards, 2020).

Solution: Implement mandatory paid sick leave and vacation time for gig workers under SB 35 to protect their well-being and financial security.

12. Disproportionate Impact on Rural and Marginalized Communities

New York City established a Worker Advisory Council to oversee fair labor practices for gig workers (New York City Council, 2020).

Solution: Allow gig workers to form associations or councils to negotiate wages and conditions.

7. Market Oversaturation Reduces Pay & Job Availability

SB 35 allows companies to onboard an unlimited number of workers, reducing job availability and earnings for individual drivers.

New York implemented driver caps to prevent oversaturation, ensuring workers can earn a livable wage (New York City Taxi and Limousine Commission, 2018).

Solution: Require companies to manage driver supply to prevent an oversaturated market that drives wages down.

Recommendations

SB 35 prioritizes corporate profits over Alaska's workforce. Instead of passing a bill that strips worker protections, the Legislature should adopt a balanced approach that preserves flexibility while preventing exploitation.

Amend SB 35 to Include These Protections:

Minimum Pay Standards – Prevent wage exploitation.

Paid Waiting Time – Compensate workers for unpaid labor.

Transparency in Pay Cuts – Require notice before wage reductions.

Occupational Injury Coverage – Protect workers from financial hardship after workplace injuries.

Fair Deactivation Process – Provide due process before termination.

Worker Representation – Allow collective bargaining and rate negotiations.

Driver Supply Management – Prevent oversaturation that lowers earnings.

Alaska has an opportunity to learn from other states' policies and craft legislation that protects both businesses and workers. SB 35, in its current form, fails to do so and should be amended or rejected.

References

- Benner, C. (2020). On-demand and on-the-edge: Ride-hailing and delivery work in California. UC Berkeley Labor Center.
- Dubal, V. (2021). The algorithmic boss: How Uber, Lyft, and DoorDash control gig workers. *Harvard Law Review*, 134(1), 36-79.
- Mishel, L. (2018). Uber and the labor market: Independent contractor or low-wage employee? Economic Policy Institute.
- New York City Taxi and Limousine Commission. (2018). Driver income and earnings standards report.
- Parrott, J., & Reich, M. (2020). An earnings standard for app-based drivers in Seattle. UC Berkeley Labor Center.

SB 35, by creating fewer worker protections, would disproportionately impact rural and marginalized communities in Alaska, where employment opportunities are already limited. In many rural areas, gig work represents a primary or significant income source, but without protections, workers are at greater risk of exploitation.

In California, AB5 was designed to protect workers in rural areas, ensuring that gig work remained a viable and fair source of income for those in underserved communities (California Department of Industrial Relations, 2020).

Solution: Ensure targeted protections for gig workers in rural and marginalized communities to prevent exploitation and economic instability.

13. Overdependence on Technology and Algorithmic Control

SB 35 supports a model where technology, not human oversight, dictates worker treatment, schedules, and pay. Algorithms used by gig companies may unfairly penalize workers, control their working hours without regard to health or personal needs, and introduce bias in how work is assigned (Rosenblat, 2021).

California's AB5 limits the extent to which gig companies can rely on algorithms to control workers' schedules and pay, ensuring greater human oversight (California Department of Industrial Relations, 2020).

Solution: Introduce rules that regulate the use of algorithms, ensuring transparency, accountability, and human oversight in the assignment of work and determination of pay.

14. Limited Job Security and Career Progression

Gig workers have little job security or opportunity for advancement within the company, given their status as independent contractors. The absence of long-term contracts means workers face constant uncertainty about their future employment.

In New York, TNC drivers are able to join labor unions, providing job security and career advancement options that are unavailable to independent contractors (New York City Taxi and Limousine Commission, 2020).

Solution: Amend SB 35 to include career advancement programs or job security provisions for gig workers, ensuring a path forward within the gig economy.

Thank you for your time and consideration
Susan Allmeroth



