

COALITION FOR CAREER FREEDOM

HOW SENATE BILLS 6-7 HURTS SMALL BUSINESSES & WORKERS ALIKE

We oppose legislation (Senate Bills 6-7 of 2025), which severely limits the use of independent contractors across all industries, requires so-called “wage transparency” and criminalizes wage and hour violations. Here are the top things to know about why we oppose this proposal:

The legislation seeks to limit the ability of ALL employers to use independent contractors. Under SB 6, for a worker to be properly classified as an independent contractor, companies would need to establish the individual meets *all three* components of the California-style “ABC Test”:

1. “The individual is free from control and direction of the payer in connection with the performance of the work, both under contract and in fact.”
2. “The individual performs work that is outside the usual course of the payer’s business.”
3. “The individual is customarily engaged in an independently established trade, occupation, or business of the same work performed by the individual for the payer.”

SB 6 would require employers to bear the burden of proof, *by a preponderance of evidence*, that they did not misclassify someone as an independent contractor and prove all three factors.

Can’t be fixed through exemptions. California, which adopted an ABC test in 2019, now exempts over 109 types of workers. Additional exemptions are under consideration and are dragging out what has already been an unnecessary and messy process. Additionally, these exemptions have not solved the issue and instead created a system of winners and losers. Some of CA’s exemptions include most outside salespeople; medical professionals; other licensed professions (e.g., lawyers, engineers, accountants); investment advisers; grant writers; graphic designers and freelance writers; real estate professionals; most bona-fide business-to-business relationships; and more. *However, the Michigan bill contains no exemptions as written.*

The bill negatively impacts workers. If the Legislature forces more employers to classify more workers as employees, those individuals may lose the flexibility they desire (e.g., more control over how, where and when they work and/or how they carry out their duties) and jobs may be lost. California’s law has proven unpopular with voters, who repudiated the state’s similar law as applied to gig-economy drivers by passing a constitutional amendment (Proposition 22 of 2020) to overrule California’s law.

Michigan’s independent contractor law isn’t broken. Michigan has long followed the “economic-reality test”—the same test the Biden Administration put into effect nationally in 2024. This 6-factor test considers permanency of the relationship; degree of skill; the worker’s investment in tools; the worker’s opportunity for profit/loss; degree of control over the work; and whether the service rendered is an integral part of the employer’s business.

The bills contain steep penalties that could result in business leaders being thrown in prison. Michigan should focus on ensuring fair labor standards through strong *civil* enforcement and public awareness of the state’s wage and fringe benefit laws—but criminal penalties are a step too far.

The bill would require employers to provide employees with three years of wage information for “similarly situated employees.” The so-called “wage transparency” provision in SB 6 largely ignores the numerous reasons employees might be subject to different hourly wages or salaries. This includes things not contemplated by the bill, including merit pay, resume gaps, career changes, education levels, and the like.

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