

### Federal Rules, State Action Complicate In-House Labor Strategies

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Sheppard Mullin Labor and Employment partner Ian Schaefer was quoted in the *Bloomberg Law* article “Federal Rules, State Action Complicate In-House Labor Strategies” in connection with the complexities facing in-house legal teams due to the rapidly evolving landscape of labor and employment regulations in the U.S. As the Biden administration and state governments introduce new laws and update existing ones, companies are challenged to stay compliant with a wide array of rules affecting overtime, anti-discrimination protections, paid leave, pay transparency and noncompete agreements. The risk of failing to adapt to these changes includes significant financial and reputational damage. This can leave companies in a difficult position, unsure whether to prepare for regulations that might be invalidated or risk being unprepared for rules that become enforceable.

Schaefer, who counsels employers, advised that the safer course of action is to prepare for these new requirements regardless of ongoing litigation. He highlighted the importance of companies, especially those utilizing contract labor, to thoroughly assess whether their workers are correctly classified as employees or contractors. This includes examining the degree of control a company has over its workers and the nature of their relationship, which could influence a joint-employment status. Schaefer emphasized, “If it looks and feels like an employment relationship, you can call it whatever you want, but the Labor Department or a court is going to say the workers are employees,” underscoring the critical need for companies to closely review their labor practices and prepare accordingly amidst regulatory uncertainties.

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