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Bullock Announces \$2.3M Settlement with FedEx Ground

Investigation: FedEx Ground drivers are employees, entitled to basic worker protections

HELENA – Attorney General Steve Bullock announced today that the State of Montana has reached a \$2.3 million agreement with FedEx Ground over its failure to pay unemployment insurance on behalf of its drivers, who had been misclassified as independent contractors.

"This is a basic issue of fairness. Every worker in Montana deserves the fundamental protections provided by law, and no employer can deny those protections by misclassifying employees as independent contractors," Bullock said.

The settlement announced today follows a year-long investigation by the Department of Labor and Industry and the Department of Justice which found that drivers are employees of FedEx Ground, and that FedEx Ground therefore owes the State of Montana unemployment taxes, penalties and interest on the drivers' behalf.

FedEx Ground – a subsidiary of the FedEx Corporation – avoided payment of these expenses by classifying drivers as independent contractors, since state law requires payment only for employees, not for independent contractors. As part of the settlement, FedEx Ground has agreed to pay \$2.3 million to reimburse Montana for its losses, which includes penalties for failing to withhold income taxes and for misrepresenting employee information in its quarterly reports.

As part of the investigation, the State found that drivers had very little control over their own business, were treated as employees and did not meet the qualifications to be independent contractors under Montana law.

According to the Commissioner of Labor, Keith Kelly, any unemployment insurance coverage already paid by drivers – which should have been paid by FedEx – will be reimbursed directly to drivers. Kelly estimated this process would take six months to complete. The remaining \$1.2 million will go directly to the state's general fund. In agreeing to the settlement, FedEx Ground admits no wrongdoing.

As result of the investigation, FedEx will change its business practices in Montana and to engage in good faith negotiations with other states that are concerned about employment classification at FedEx Ground.

"This is a nationwide problem and it deserves a nationwide solution," Bullock added. "I'll continue to work with my colleagues across the country to make sure that FedEx Ground's drivers – and all workers – are provided the rights and protections they deserve."

Over the past year, Bullock has led a multi-state effort to promote compliance with state employment laws. As a result of the settlement announced today, FedEx Ground will implement a new pickup and delivery model in Montana.

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