

**[J-114-1999]**  
**IN THE SUPREME COURT OF PENNSYLVANIA**  
**WESTERN DISTRICT**

UNIVERSAL AM-CAN, LTD. AND	:	No. 30 W.D. Appeal Docket 1999
NATIONAL UNION/AIAC,	:	
	:	Appeal from the Order of the
Appellants	:	Commonwealth Court entered February 2,
	:	1998 at No. 2055 C.D. 1997 affirming the
	:	Order of the Workers' Compensation
v.	:	Appeal Board entered June 27, 1997 at
	:	A95-4511.
	:	
WORKERS' COMPENSATION APPEAL	:	
BOARD (CLARENCE O. MINTEER),	:	
	:	ARGUED: September 13, 1999
Appellee	:	
	:	
	:	
	:	

**OPINION**

**MR. JUSTICE ZAPPALA**

**DECIDED: NOVEMBER 27, 2000**

The sole issue in this appeal is whether Claimant Clarence O. Minter was an employee, or an independent contractor, of Appellant Universal Am-Can, Ltd. for the purposes of the Pennsylvania Workers' Compensation Act. For the reasons that follow, we determine that Minter was an independent contractor. Thus, we reverse the order of the Commonwealth Court.

Minter is an owner-operator of a tractor-trailer unit. Pursuant to an operating agreement, Minter's tractor-trailer was under lease to Universal Am-Can. On April 16, 1993, Minter fell from his truck while attempting to secure a tarp that covered his shipment. As a result of the fall, Minter sustained serious injuries to his right arm, left wrist, and left leg. Minter filed a claim petition under the Pennsylvania Workers'

Compensation Act<sup>1</sup> on June 15, 1993, alleging that he became fully disabled because of these injuries. Universal Am-Can denied the allegations, specifically contending that Minter was an independent contractor at the time of his injuries.

In addressing the issue of employee status, the workers' compensation judge concluded that Minter had met his burden of establishing that he was an employee of Universal Am-Can at the time of the injury. Critical to the WCJ's decision was the finding that, to a significant degree, Universal Am-Can controlled Minter's work. Thus, Minter's petition was granted and Universal Am-Can was ordered to pay Minter disability benefits.

The Workers' Compensation Appeal Board (Board) affirmed the decision of the workers' compensation judge on appeal. The Board opined that the key elements in determining employee status are whether the alleged employer has the right to control the work to be done and the manner in which it is performed. In affirming the WCJ's decision, the Board found that the facts indicating that Minter's work was controlled to a large degree by Universal Am-Can were supported by substantial evidence. Thus, the Board too found Minter to be an employee of Universal Am-Can.

On appeal, a unanimous panel of the Commonwealth Court affirmed. Without so stating, the court upheld the decision of the Board on two distinct bases. First, as did the workers' compensation judge and the Board below, the Commonwealth Court considered certain common-law factors traditionally used in considering employee status. Consistent with the Board's analysis, the Commonwealth Court noted that while all factors are important, the most persuasive indicator of a claimant's employee or independent contractor status lies in the right to control either the work to be done or the manner in which the work is to be accomplished, citing Lynch v. WCAB (Connellsville Area School District), 554 A.2d 159 (Pa. Cmwlth. 1989). The Commonwealth Court concluded that in

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<sup>1</sup> Act of June 2, 1915, PL 736, as amended, 77 P.S. §§1-1041.4.

this case, Universal Am-Can had the right to control and to supervise the manner and method by which Minter hauled cargo and completed his deliveries. However, the court went further in its decision and also conducted an analysis of federal and state regulations; the court concluded that these regulations predetermined Minter's status as an employee of Universal Am-Can. In fact, the Commonwealth Court found that certain regulations regarding the use of a carrier's insignia upon the tractor-trailer create an "irrebuttable presumption" of employee status. Thus, the Commonwealth Court affirmed the order of the Board finding an employer/employee relationship between Universal Am-Can and Minter.

We granted allocatur to review the legal analysis utilized by the Commonwealth Court in determining whether Minter was an employee or independent contractor for purposes of the Workers' Compensation Act.

An independent contractor is not entitled to benefits because of the absence of a master/servant relationship. 77 P.S. §21; 77 P.S. §22; Cox v. Caeti, 279 A.2d 756, 757 (Pa. 1971). Thus, employee or independent contractor status is a crucial threshold determination that must be made before granting workers' compensation benefits. It is a claimant's burden to establish an employer/employee relationship in order to receive benefits. Johnson v. WCAB (DuBois Courier Express), 631 A.2d 693, 695 (Pa. Cmwlth. 1993). Although it is a claimant's burden to demonstrate an employer/employee relationship, our court has decided that "neither the compensation authorities nor the courts should be solicitous to find contractorship rather than employment, and that inferences favoring the claim need make only slightly stronger appeal to reason than those opposed." Diehl v. Keystone Alloys Co., 156 A.2d 818, 820 (Pa. 1960); see also Southland Cable v. WCAB (Emmett), 598 A.2d 329, 331 (Pa. Cmwlth. 1991). Moreover, a determination regarding the existence of an employer/employee relationship is a question of law that is

determined on the unique facts of each case. JFC Temps, Inc. v. WCAB (Lindsay and G&B Packing), 680 A.2d 862, 864 (Pa. 1996).

We will first address Universal Am-Can's contention that the Commonwealth Court erred in its finding that federal and state regulations mandate a finding of employee status and that an "irrebuttable presumption" of employee status is created when a driver places the carrier's insignia on his or her vehicle. We will then consider Universal Am-Can's argument that the evidence of record failed to establish that Universal Am-Can exercised the requisite degree of control necessary to create an employer/employee relationship under common law principles.<sup>2</sup>

In support of its finding that Minter was an employee, the Commonwealth Court found that Universal Am-Can leased vehicles for use in its hauling business and operated under both Interstate Commerce Commission (ICC) and Pennsylvania Department of Transportation (DOT) permits. In order for Minter to operate under Universal Am-Can's ICC and DOT permits, Minter and Universal Am-Can were required to enter into a Contractor Operating Agreement. By the terms of this agreement, and pursuant to federal regulations, Universal Am-Can, as a motor carrier operating pursuant to an ICC permit, was

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<sup>2</sup> Appellate review in workers' compensation proceedings is limited to determining whether constitutional rights have been violated, an error of law has been committed, and whether necessary findings of fact are supported by substantial evidence. Volterano v. Workmen's Compensation Appeal Board, 639 A.2d 453 (Pa. 1994).

As this appeal deals with a question of law, the scope of review in this matter is plenary, Phillips v. A-Best Products Co., 665 A.2d 1167, 1170 (Pa. 1995), i.e., a broad scope of review. The Administrative Agency Law provides that the reviewing court "shall hear the appeal without a jury on the record certified by the Commonwealth agency." 2 Pa.C.S. §704. Thus, in this appeal, we are required to examine the entire record made before the administrative agency, including the evidence that detracts from the agency's decision. Peak v. Unemployment Compensation Board of Review, 501 A.2d 1383, 1387 (Pa. 1985).

required to maintain exclusive possession, control and use of its leased vehicles. 49 C.F.R. §376.12 (c)(1). Similarly, the Commonwealth Court opined that Pennsylvania law confers the same possession, control, and use responsibility upon a carrier lessee operating equipment under a DOT permit. 52 Pa. Code §31.32(c)(2)(iv)(A).

Universal Am-Can contends that the Commonwealth Court erred in this statutory analysis which led the court to find an employer/employee relationship. Contrary to the Commonwealth Court's finding that the federal regulation regarding exclusive possession, control, and use of the equipment is dispositive, Universal Am-Can offers a different regulation, not addressed by the Commonwealth Court, which renders this basis for requiring a conclusion of an employer/employee relationship nugatory. Universal Am-Can aptly points to 49 C.F.R. §376.12(c)(4) which provides that:

Nothing in the provisions of paragraph (c)(1) of this section is intended to affect whether the lessor or driver provided by the lessor is an independent contractor or an employee of the authorized carrier lessee. An independent contractor relationship may exist when a carrier complies with 49 U.S.C. 11107 and the attendant administrative requirements.

Simply stated, we agree with Universal Am-Can that based upon the unequivocal language contained in §376.12(c)(4), the regulation found at §376.12(c)(1), relating to possession, control, and use does not mandate a determination of employee status.

The Pennsylvania DOT regulation regarding operation of motor vehicles echoes its federal counterpart. 52 Pa. Code §31.32(c)(2)(iv)(A). Although the Pennsylvania regulation does not contain a provision such as that found in 49 CFR §376.12(c)(4), after review of the Pennsylvania regulation relied upon by the Commonwealth Court to determine employee status, we believe that this state regulation was not intended to be dispositive as to employee/independent contractor status for workers' compensation purposes.

As a final aspect of its statutory analysis, the Commonwealth Court looked to 49 C.F.R. §376.11(c) and found that this regulation mandates identification of the leased vehicle in the carrier's service by displaying the name of the carrier and the ICC permit number on the vehicle. The Commonwealth Court, seizing on this regulation, concluded that Minter's display of Universal Am-Can's insignia and ICC and DOT permits on the outside of his truck established an "irrebuttable presumption" of an employment relationship between Universal Am-Can and Minter, citing Carolina Casualty Insurance Company v. Insurance Company of North America, 595 F.2d 128, 137 n.29 (3rd Cir. 1979).

Universal Am-Can faults the Commonwealth Court's reliance upon this regulation and upon Carolina Casualty for the proposition that an "irrebuttable presumption" of employment status is created when a driver displays a motor carrier's insignia. According to Universal Am-Can, Carolina Casualty is inapposite to this matter. Again, we agree.

In Carolina Casualty, the Court of Appeals for the Third Circuit stated that federal law, in effect, creates an "irrebuttable presumption" of an employment relationship between the driver and a motor carrier lessee whose placards identify the vehicle. However, Carolina Casualty arose in the context of a dispute between insurance carriers who were allegedly responsible for the payment of damages to an injured plaintiff as a result of an accident between the injured plaintiff and a driver/operator operating a tractor trailer wherein the lessor of the tractor-trailer and the motor carrier lessee were held jointly and severally liable for the accident involving the leased vehicle. As noted by Universal Am-Can, this case did not involve a claim brought by a driver against his alleged employer seeking workers' compensation benefits.

We concur with Universal Am-Can that reliance upon Carolina Casualty and the creation of an "irrebuttable presumption" is inappropriate in this case. Carolina Casualty and similar cases deal with a motor carrier's liability under leasing regulations to shippers and the public and not with the employment relationship between owner-operators and

motor carriers. The presence of a carrier's insignia on the outside of a rig is merely one of the many factors to be considered when determining employee/independent contractor status and does not command a conclusion of employee status.

In sum, we hold that the Commonwealth Court erred in finding that federal and state regulations *mandate* a finding of employee status. Kelly v. Walton, 293 A.2d 627, 629-31 (Pa. Cmwlth. 1970)(ICC regulations do not compel determination of employment status). Rather, compliance with these regulations is merely a factor that may be considered in a common law analysis of employee status.

Having concluded that the Commonwealth Court erroneously found that federal and state regulations require a finding of employee status, we must determine whether the result reached by the Commonwealth Court should be affirmed on other grounds. After consideration of the common law factors relevant to a determination of employee/independent contractor status, we believe that Minter failed to establish that he was an employee for purposes of the Workers' Compensation Act.

In determining employee or independent contractor status, certain criteria have come to serve as guideposts for the reviewing tribunal. Both parties correctly point to this court's decision in Hammermill Paper Company v. Rust Engineering Company, 243 A.2d 389, 392 (Pa. 1968), as setting forth the relevant factors in undertaking this analysis.

In Hammermill Paper, this court set forth the following indicia to be considered when determining employee/independent contractor status:

While no hard and fast rule exists to determine whether a particular relationship is that of employer-employee or owner-independent contractor, certain guidelines have been established and certain factors are required to be taken into consideration:

"Control of manner work is to be done; responsibility for result only; terms of agreement between the parties; the nature of the work or occupation; skill required for performance;

whether one is engaged in a distinct occupation or business; which party supplied the tools; whether payment is by the time or by the job; whether work is part of the regular business of the employer, and also the right to terminate the employment at any time." Stepp v. Renn, 184 Pa. Superior Ct. 634, 637, 135 A.2d 794 (1957). See also: Hader v. Coplay Cement Mfg. Co., 410 Pa. 139, 150, 189 A.2d 271 (1963).

Hammermill Paper, 243 A.2d at 392.

Whether some or all of these factors exist in any given situation is not controlling. J. Miller Co. v. Mixer, 277 A.2d 867 (Pa. Cmwlth. 1971). Further, while each factor is relevant, there are certain guidelines that have been elevated to be dominant considerations. The parties agree, and our case law confirms, that control over the work to be completed and the manner in which it is to be performed are the primary factors in determining employee status. See, JFC Temps, Inc. v. WCAB (Lindsay and G&B Packing), 680 A.2d 862 (Pa. 1996); Mature v. Angelo, 97 A.2d 59, 60 (Pa. 1953); Northern Central Bank and Trust Co. v. WCAB (Kontz), 489 A.2d 274 (Pa. Cmwlth. 1985); North Penn Transfer, Inc. v. WCAB, 434 A.2d 228 (Pa. 1981). Moreover, it is the existence of the *right* to control that is significant, irrespective of whether the control is actually exercised. See Mature v. Angelo; Johnson v. WCAB (DuBois Courier Express), 631 A.2d 693 (Pa. Cmwlth. 1993). With these parameters in mind, we turn to Universal Am-Can's argument that the Commonwealth Court erred in finding Minter to be its employee for purposes of the Workers' Compensation Act.

Universal Am-Can contends that Minter failed to establish that he was an employee because the evidence of record does not support the WCJ's conclusion that Universal Am-Can exercised, or had the right to exercise, the requisite degree of control over the work to be done by Minter and the manner of performance. We agree.

In resolving the issue of Minter's status, the WCJ identified the following findings of fact as relevant to his determination:



- (1) Mr. Minter was the owner of the tractor-trailer unit which he was operating at the time of his injury.
- (2) When he was injured, Mr. Minter was hauling cargo for the defendant.
- (3) Mr. Minter and the Defendant entered into a Contractor Operating Agreement on February 5, 1993 (Defendant Exhibit A). Through this Agreement, Mr. Minter leased his tractor-trailer unit to the Defendant.
- (4) By the Contractor Operating Agreement the Defendant took exclusive control of Mr. Minter's tractor-trailer unit.
- (5) Mr. Minter was required to place the Defendant's identification insignia on his truck.
- (6) Although Mr. Minter had a right to haul cargo for others, this right was severely restricted by the terms of the contract. He could exercise this right only if the Defendant had no cargo to haul and only with the permission of the Defendant.
- (7) Mr. Minter was required to contact the Defendant's dispatcher by telephone every 12 or 24 hours, depending on the load (Driver's manual, Employee Exhibit 4).
- (8) Although Mr. Minter was responsible for maintenance and fueling of his tractor-trailer unit, the Defendant's driver regulations include requirements for mandatory inspections, for observing speed limits, and for covering loads with tarps.
- (9) The Defendant's driver's manual includes a provision which relieves the driver of all duty and responsibility as to the vehicle and cargo when "off duty" while making the mandatory one hour stop for meals. This provision implies control by the Defendant during on duty work hours.
- (10) Although Section 7A of the Contractor Operating Agreement apparently makes Mr. Minter fully responsible for hiring, firing and directing drivers of his tractor-trailer, this responsibility is essentially controlled by the Employer by the Agreement section 7F which requires Defendant approval of all drivers and

by the numerous regulations and requirements contained in its driver's manual.

- (11) Mr. Minter chose his travel routes without direction from the Defendant.

WCJ's decision, Finding of Fact No. 8.

Based upon these specific findings, the WCJ determined that Minter's work was controlled to a large degree by Universal Am-Can. The WCJ found that Universal Am-Can controlled the essential elements of Minter's work through the Contractor Operating Agreement and its driver's manual. The WCJ also found that Minter's right to refuse an assignment, to choose his travel routes, and his obligations to maintain and fuel his tractor-trailer were not sufficient to make him independent of control by Universal Am-Can. The WCJ concluded that this control of Minter's work made him an employee of Universal Am-Can at the time of the injury.

We agree with Universal Am-Can that these factors are insufficient to establish that Minter was an employee of the company. The factors specified by the WCJ in reaching that conclusion are for the most part governed by federal regulations. Because a motor carrier has no ability to negotiate aspects of the operation of leased equipment that are regulated, these factors may not be considered in resolving whether an owner-operator is an independent contractor or employee.<sup>3</sup>

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<sup>3</sup> The dissent offers several factors as support for its conclusion that Minter was not an independent contractor. It is evident that the dissent views the Contractor Operating Agreement as onerous to Minter because provisions of that agreement do not favor him only.

The negotiated terms of the Contractor Operating Agreement were designed to compensate Minter for his performance and the use of his equipment. The financial incentives and disincentives were designed to encourage the efficient operation of Universal Am-Can's business. This reflects that the hauling of freight is intended to profit both motor carrier and owner-operator. We cannot conclude that the existence of a profit  
(continued...)

In applying the traditional test for determining whether a workers' compensation claimant is an independent contractor or employee, we must consider control over the work to be completed and means of performance. Factors which demonstrate compliance with government regulations do not assist in the application of the test. The existence of the regulations precludes a motor carrier and an owner-operator of leased equipment from negotiating any terms subject to the regulations. Neither party has bargaining power, or the ability to control the work to be done, when dealing with matters subject to regulation.

The extensive federal and state regulation of motor carriers is intended to protect the public. "Safety in motor vehicle operation...was an important concern of the [Interstate Commerce Commission] in its development of the equipment-leasing regulations." American Trucking Assns. v. United States, 344 U.S. 298, 305 (1958).

In North American Van Lines, Inc. v. National Labor Relations Board, 869 F.2d 596 (U.S. App. D.C.1989), the U.S. Court of Appeals for the District of Columbia Circuit analyzed the impact of federal regulation on the status of truck drivers as independent contractors or employees. The issue before the court was whether a determination of the National Labor Relations Board that North American Van Lines, Inc. had committed an unfair labor practice should be set aside as exceeding the NLRB's jurisdiction. The company argued that the drivers were independent contractors rather than employees, and that the NLRB's jurisdiction extended only to employees. The court concluded that the drivers were independent contractors and that the NLRB lacked jurisdiction over the matter.

In reaching this conclusion, the court utilized a "right to control" test. The court stated that "[t]he test requires an evaluation of all circumstances, but 'the extent of the actual supervision exercised by a putative employer over the means and manner of the

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(...continued)

motive of a business converts the relationship of carrier/owner-operator to employer/employee.

workers' performance is the most important element to be considered in determining whether or not one is dealing with independent contractors or employees.” 869 F.2d at 599 (citations omitted). Although the issue before the court did not involve a workers' compensation claim, the relevant inquiry focused, as we do, on control over the manner and means of the truck drivers' performance.

The court stated,

[R]estrictions upon a workers' [sic] manner and means of performance that spring from government regulation (rather than company initiatives) do not necessarily support a conclusion of employment status. Indeed, employer efforts to ensure the workers' compliance with government regulations, even when those efforts restrict the manner and means of performance, do not weigh in favor of employee status. “The employer cannot evade the law...and in requiring compliance with the law he is not controlling the driver. It is the law that controls the driver.”

869 F.2d at 599 (citations omitted). See also, National Trailer Convoy, Inc. v. Employment Security Agency of Idaho, 360 P.2d 994, 996 (Idaho 1961) (“Requirements that truck and driver meet Interstate Commerce Commission standards ... point toward compliance with governmental regulations, and are not indicia of an employer-employee relationship.”)

In this case, the factors offered as support for Minter's claim that control of the work to be done was in the hands of Universal Am-Can are the subject of government regulations. The WCJ relied upon the fact that Universal Am-Can's regulations included requirements for mandatory inspections, for observing speed limits, and for covering the loads with tarps. Inspection requirements and speed limits are obviously subjects of government regulations. As to covering loads with tarps, John Mumpower, Universal Am-Can's Regional Manager, testified that the securing of loads with tarps was subject to government regulation. R. 107a. Minter himself testified that loads had to be secured to

meet the approval of the Pennsylvania Department of Transportation to transport them. R. 24a.

The WCJ emphasized provisions of the driver's manual that relieved Minter of all duty and responsibility as to the vehicle and cargo when "off duty" while making the mandatory one hour stop for meals; however, Federal Motor Carrier Safety Regulations regulate hours of service of drivers and maximum driving time, 49 C.F.R. §§ 395.1, 395.3. The WCJ also emphasized his finding that while the Contractor Operating Agreement made Minter fully responsible for hiring, firing and directing drivers of the tractor-trailer, Minter was required to obtain Universal Am-Can's approval of all additional personnel; however, Federal Motor Carrier Safety Regulations regulate commercial driver's license standards, 49 C.F.R. § 383.37. The regulations would prohibit Minter from hiring his own drivers where, *inter alia*, the driver had a commercial motor vehicle driver's license under suspension, revocation or cancellation. See also, Contractor Operating Agreement, paragraph 3, R. 262a. The requisite approval of Universal Am-Can merely provided a method for ensuring compliance with federal regulations.

The obligations imposed by law upon a motor carrier such as Universal Am-Can when leasing equipment from an owner-operator are not probative of the question of whether the carrier exercises control over the manner of the work to be performed by the owner-operator. The regulations reflect the control of the government, not the motor carrier.

Minter had the right to haul freight for others and the right to refuse assignments from Universal Am-Can. The WCJ placed great emphasis on the fact that Universal Am-Can retained the right to approve the hauling of freight for others. This reflects the nature of the industry, however, which permits "trip leasing" while the equipment of an owner-operator is leased to a motor carrier.

Trip leasing would allow Minter to haul freight for a different authorized carrier while the equipment was under lease to Universal Am-Can. The federal regulations require, however, a separate written agreement with the second carrier. The trip lease agreement specifies the duration of the agreement and the movement of the freight.

The Federal Motor Carrier Safety Regulations allow written equipment leases to provide for “considering the authorized carrier lessee as the owner of the equipment for the purpose of subleasing it ... to other authorized carriers during the lease.” 49 C.F.R. § 376.12(2). Under the lease agreement with Minter, Universal Am-Can assumed complete responsibility for the operation of the equipment for the duration of the lease. In the absence of a trip lease with a different authorized motor carrier, Universal Am-Can would ultimately be responsible for the use of the equipment. Requiring Minter to seek approval from Universal Am-Can before using the leased equipment to haul for another carrier under those circumstances is not inconsistent with either party’s rights and responsibilities under the lease agreement.

The record in this case failed to establish that Universal Am-Can exercised control over the work to be done by Minter or over the manner in which it was to be performed. Based upon the foregoing, we conclude that the Commonwealth Court erred in determining that Minter was an employee of Universal Am-Can at the time of the injury. Accordingly, the order of the Commonwealth Court is reversed.

Mr. Justice Cappy files a concurring and dissenting opinion in which Mr. Justice Nigro and Madame Justice Newman join.