Employer Public Shaming Gets Senate Committee OK

A California Chamber of Commerce-opposed job killer that could publicly shame employers and expose them to costly litigation for alleged wage disparity where no violation of the equal pay law exists passed a Senate policy committee this week.

AB 1209 (Gonzalez Fletcher; D-San Diego) imposes a mandate on California employers to collect data on the mean and median salaries paid to men and women under the same job title or description without also considering any bona fide reason for differences in compensation. CalChamber has identified AB 1209 as a job killer because the bill will:

• Create a false impression of wage discrimination or unequal pay where none exists and, therefore, subject employers to unfair public criticism;
• Expose employers to significant litigation costs to defend against meritless claims. It also creates a privacy concern for employees and the disclosure of their wages.

No Violation of Law

AB 1209 seeks to publicly shame employers for wage disparities that do not violate the law.

The bill requires employers to collect data regarding salaries paid to men and women in the same job title or classification, and submit that data to the Secretary of State, where it will be posted on a publicly accessible website and specifi-

Salary Data: Legitimate Uses

The CalChamber and coalition note that there are several legitimate, nondis-

CalChamber-Led Coalition: Revised Indoor Heat Illness Draft Too Burdensome for Businesses

A coalition of employer groups led by the California Chamber of Commerce continues to argue that a Cal/OSHA proposed draft indoor heat illness rule needs changes to avoid unnecessary burdens on business while protecting employees as intended.

In a July 7 letter to state regulators, the coalition explains that the latest discussion draft of the indoor heat illness regulation continues to be overly complex and ambiguous and therefore will lead to a lack of compliance and inability of the state to enforce the rule.

Coalition members represent employers large and small across many diverse industries and take the safety and health of their employees very seriously. Many coalition members were involved with developing and implementing the outdoor heat illness regulation and have significant experience with how to effectively prevent heat illness.

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Labor Law Corner

‘Association Discrimination’ Claims Growing Area of Labor Law

Americans with Disabilities Act (ADA) due to a family member with a disability. This is called “association discrimination,” defined by the Equal Employment Opportunity Commission (EEOC) as follows:

“The ADA prohibits employment discrimination against a person, whether or not he or she has a disability, because of his or her known relationship or association with a person with a known disability. This means that an employer is prohibited from making adverse employment decisions based on unfounded concerns about the known disability of a family member or anyone else with whom the applicant or employee has a relationship or association.”

Schedule Changes

Changes in schedules frequently are the accommodation requested, and need to be considered when such a request is made. Additionally, the employer’s perception that an employee is distracted at work because of a disabled child is indefensible, and can be the basis of a claim.

Other examples of association discrimination noted by the EEOC in its questions and answers are:

- A restaurant owner discovers that the chef’s boyfriend is HIV-positive and takes negative action against the employee accordingly.
- A company denying a promotion to an employee whose sister and mother had breast cancer—and the company’s perception that the employee would eventually get it and not be able to perform the duties of the promotion.

Interactive Process

Does the employer have to make the accommodation as noted above? As in most ADA issues, “maybe.”

But an employer does have an obligation to enter into the interactive process and discuss ways to accommodate its employees’ requests. Several factors are considered, but the ADA considers these situations case by case, and employers should use caution dealing with this growing area of the law.

The Labor Law Helpline is a service to California Chamber of Commerce preferred and executive members. For expert explanations of labor laws and Cal/OSHA regulations, not legal counsel for specific situations, call (800) 348-2262 or submit your question at www.hrcalifornia.com.

More at www.calchamber.com/events.

Labor Law

Leaves of Absence: Making Sense of It All. CalChamber. August 18, Sacramento. (800) 331-8877.

Business Resources

Mobile World Congress Americas. GSMA and CTIA. September 12–14, San Francisco. (202) 736-3200.

International Trade


See CalChamber-Sponsored: Page 3
Labor Commissioner Fines Contractor for Wage Theft of Subcontractor

For the first time, the Labor Commissioner has held a general contractor responsible for wage theft by its subcontractor by issuing citations under AB 1897 (Section 2810.3 of the Labor Code), which took effect on January 1, 2015.

The Labor Commissioner fined a general contractor nearly $250,000 for wage-and-hour violations committed by its drywall subcontractor, and a hearing officer recently upheld those fines.

AB 1897 holds business entities responsible for wage-and-hour violations of their subcontractors, staffing agencies or other labor contractors that supply workers.

‘Client Employer’ Liable

In brief, if a labor contractor fails to pay its workers properly or fails to provide workers’ compensation coverage for those employees, the “client employer” can be held legally responsible and liable.

In this case, a general contractor hired a drywall and framing subcontractor for a hotel construction project in Southern California. According to the Labor Commissioner, the subcontractor shorted its workers, not paying them for four weeks.

The wage theft came to light after several of the subcontractor’s workers walked off the job and filed wage claims with the Labor Commissioner for non-payment of wages. The Labor Commissioner’s investigation revealed that the subcontractor paid the workers from an account with insufficient funds and skipped several pay periods for the majority of the workers.

Investigators also learned that the subcontractor failed to pay overtime wages to many of the workers, who worked up to two overtime hours per day.

Citations

The Labor Commissioner’s Office issued citations against both the general contractor and the subcontractor for unpaid overtime and minimum wages, waiting time penalties, rest period premiums and civil penalties for work performed over little more than a one-month period.

The subcontractor did not challenge the citations, but the general contractor contested its liability for the subcontractor’s wage theft.

On May 16, however, the hearing officer affirmed that the general contractor was responsible as a “client employer” and owed $249,879 for overtime and minimum wages, liquidated damages, waiting time penalties and civil penalties.

Under AB 1897, a client employer may be liable for the subcontractor’s owed wages, damages and penalties, as well as workers’ compensation violations. When workers are paid less than minimum wage, they are entitled to liquidated damages that equal the amount of underpaid wages plus interest.

Waiting time penalties are imposed when the employer fails to provide workers their final paycheck after separation. This penalty is calculated by taking the employee’s daily rate of pay and multiplying it by the number of days the employee was not paid, up to a maximum of 30 days.

“This case addresses the pervasive problem of wage theft in subcontracted industries,” said Labor Commissioner Julie Su in a statement. “Businesses at the top of the contracting chain that profit from workplace violations can no longer escape legal liability by hiding behind their subcontractors, even if they did not control the work performed or know about the violations.”

More Information

California Chamber of Commerce members can find more information on state law relating to contracting for labor in the Liability Issues When Working with Labor Contractors (AB 1897) – Fact Sheet and the HR Library’s Non-Direct Hires page on HRCalifornia.

Staff Contact: Gail Cecchettini Whaley

CalChamber-Sponsored Seminars/Trade Shows

From Page 2

Trade Mission to the Four Countries of the Pacific Alliance (Chile, Colombia, Mexico and Peru). U.S.-Mexico Chamber of Commerce California Regional Chapter. September 27–October 10, Santiago, Chile; Lima, Peru; Bogota, Colombia; Mexico City. (310) 922-0206.
Employers with 25 or more employees now must provide new employees with a written notice about the rights of victims of domestic violence, sexual assault and stalking to take protected time off for medical treatment or legal proceedings.

The new notice requirement went into effect July 1 as a result of legislation passed last year, AB 2337.

The notice also contains information on victims’ rights to accommodation and protections against discrimination.

The Labor Commissioner developed the notice, which can be found in both English and Spanish.

For the convenience of members and customers, the California Chamber of Commerce has made the English and Spanish versions of the notice available at no charge in the forms section of HRCalifornia.

Employers must provide this information to new workers when hired and current workers upon request.

**California Protections**

Under California law, all employers must provide victims of domestic violence, sexual assault and stalking with the right to take time off from work to appear in legal proceedings, such as obtaining a restraining order or other court order.

All employers must provide reasonable accommodations for victims of domestic violence, sexual assault or stalking who request an accommodation for their safety while working.

Companies with 25 or more workers also must provide these victims with the right to take time off to seek medical treatment for injuries, services from domestic violence shelters, programs or crisis centers, psychological counseling or safety planning.

Furthermore, California’s mandatory paid sick leave law allows employees to use their accrued paid sick leave when they need time off to appear in legal proceedings or for medical treatment.

**More Information**

More information about how paid sick leave can be used is available in the CalChamber white paper *The Who, What, When and How of Mandatory Paid Sick Leave in California*. The white paper is available to CalChamber members on HRCalifornia.

CalChamber members can learn more about *Domestic Violence, Sexual Assault and Stalking Victims’ Leave* in the HR Library on HRCalifornia.

**Staff Contact:** Gail Cecchettini Whaley

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**Ban on Seeking Salary History Keeps Moving**

From Page 1

criminal reasons employers seek information about an applicant’s prior compensation.

For example, employers do not necessarily have accurate wage information on what the current market is for all potential job positions. In fact, employers in competitive industries do not advertise salaries in order to utilize their pay structure as a way in which to lure talented employees from their competition.

By requesting salary information, employers can adjust any unrealistic expectations or salary ranges to match the current market rate for the advertised job position. This has worked to the benefit of the applicant/employee.

In addition, salary data can be used as a reference regarding whether the employee’s expectations of compensation far exceed what the employer can realistically offer. Requiring both the applicant and employer to waste time on the interview process which, for highly compensated employees, could be lengthy, to ultimately learn at the end of the process that the employer would never consider taking the compensation offered is unnecessary.

Although AB 168 allows an employee to request a pay scale for the specific position, that mandate raises concerns as well.

As set forth above, an employer may assume a pay scale accurately captures the current market for a specific position, yet could be wrong. Disclosing a pay scale could artificially limit an applicant’s interest in a position.

Employers determine the appropriate wage and salary to pay an applicant based upon various factors, including skill, education and prior experience, as well as the funding available for the job. Employers may feel compelled to enlarge the pay scale to create enough room to adjust that rate depending on the various factors and candidates for the job. Such a broad pay scale will not assist an applicant in negotiations.

**Current Protections**

In addition to AB 1676 enacted just last year, Labor Code Section 1197.5 was amended in 2015 by SB 358 (Jackson; D-Santa Barbara; Chapter 546) to mandate an employer provide equal wages for substantially similar work.

The CalChamber supported SB 358 after it was amended to clarify ambiguous standards, balancing the payment of equal wages for substantially similar work with maintaining an employer’s ability to control the workforce and pay higher wages for legitimate reasons other than gender.

Moreover, Labor Code Section 232 precludes an employer from disclosing his/her wages. The Fair Employment and Housing Act (FEHA) precludes any discrimination in the workplace based upon various protected classifications, including gender.

**Added Litigation Avenue**

As a part of the Labor Code, AB 168 exposes employers to costly litigation under the Labor Code Private Attorneys General Act (PAGA). Exposing employers to additional threats of litigation, even when the employer pays an applicant equal wages as other employees, is simply unfair.

**Key Vote**

AB 168 passed the Senate Public Employment and Retirement Committee on July 10, 3-2:

Ayes: Leyva (D-Chino), Pan (D-Sacramento), Portantino (D-La Cañada Flintridge).

Noes: Moorlach (R-Costa Mesa), Morrell (R-Rancho Cucamonga).

The bill will be considered next by the Senate Appropriations Committee.

**Staff Contact:** Jennifer Barrera
One of the things keeping state legislators busy in Sacramento right now is a shortsighted attempt to impose on California small businesses a new, one-size-fits-all mandated leave program that threatens their ability to stay in business.

SB 63 would impose a new unmanageable mandate on small business. The bill would dictate another leave program over and above the existing pregnancy disability leave for new parents.

No Flexibility

Small business owners want to be sensitive to the needs of new parents. But with limited resources and limited flexibility in managing their workforce, the best way for employers to meet the needs of new parents beyond what is already required in statute for pregnancy disability leave is to work out a mutually agreeable solution. This proposal is unworkable because there is no flexibility.

The cookie-cutter approach required under SB 63 would not adequately take into account the fact that in order to be profitable, a business must be responsive to its clients. The situation SB 63 would create could make this impossible.

Very troubling is the fact that the proposal would allow employers to sue their boss if the employer could not grant leave on the employee’s terms. SB 63 would put the employer in an untenable position of choosing between the threat of litigation by trial lawyers or meeting its customers’ needs.

Veto of Similar Bill

Last year, Governor Edmund G. Brown Jr. vetoed a measure that was nearly identical to SB 63, saying, “I am concerned, however, about the impact of this leave particularly on small businesses and the potential liability that could result.”

Yet the bill was reintroduced again this year without any sensitivity to either the governor’s or small businesses’ concerns. The threat of litigation under this proposal is significant. Any claim that the employer denied, interfered with, discouraged, retaliated or attempted to do any of these actions with regard to the employee’s 12-week leave could expose the employer to compensatory damages, injunctive relief, declaratory relief, punitive damages and attorney’s fees.

A 2015 study by insurance provider Hiscox regarding the cost of comparative employee lawsuits estimated that the cost for a small employer to defend and settle a single plaintiff claim was approximately $125,000. This amount is without regard to the merit of the claim and could easily put a small employer completely out of business.

Practical Realities

The size of the employer to whom SB 63’s mandate would apply also contributes to the bill’s overreach. The practical reality of how the policy would need to be implemented makes the measure particularly onerous. While the bill permits to apply only to businesses with 20-50 employees within a 75-mile radius, it does not take into account the impact on individual locations.

Consider a scenario where a business’s individual location employs five people and three are out on mandated protected leave programs. The inflexibility of the bill means there is no opportunity to work out a mutually agreeable arrangement for the leave to make sure both the needs of the employee and employer are met.

Currently, small employers have the ability to balance the parental needs of their employees and customers, without the interference of state law. Employers can work with their employees to determine the amount of leave needed in consideration with other employees who may be out on leave as well, and how that leave can be provided while still making sure the business’s needs are addressed.

After determining an appropriate leave schedule, employees also can access and obtain wage replacement while on leave through California’s Paid Family Leave program. SB 63 eliminates this flexibility as it mandates the leave instead of allowing the employer and employee to determine a mutually agreeable arrangement.

Most small businesses do not have a dedicated human resource officer who can monitor and juggle all the various leave programs available to employees nor can small businesses absorb workload with numerous employees in one location out on simultaneous leaves. This proposal ignores the limited resources of a small business.

Proponents often emphasize the idea that SB 63 wouldn’t “cost” employers anything because it deals with “unpaid leave.” What they forget to mention is that small businesses or companies who deal with very specialized products or services cannot simply hire a temp to do the job necessary to stay profitable.

Also, under the proposal, employers are required to continue to maintain and pay for the absent employee’s health coverage during his or her leave. Additionally, the employer must either pay other employees overtime to cover the duties of the individual on leave or hire a temp, if possible, at a premium price to cover during the absence.

Family-Friendly State

California is already recognized by the National Conference of State Legislatures as one of the most family-friendly states given its list of programs and protected leaves of absence, including paid sick days, school activities leave, kin care, paid family leave program and pregnancy disability leave—all of which apply to small business. This list is in addition to the leaves of absence required at the federal level.

Leave policies like the one proposed in SB 63 can overtake and strain small business employers who, ironically, are needed by families to provide the jobs, paychecks and benefits that will allow them to support their families in the future.
Revised Indoor Heat Illness Draft Too Burdensome for Businesses

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prevention regulation to be more stringent than the regulation for outdoor work environments.

Review Data

The rulemaking is mandated by SB 1167 (Mendoza; D-Artesia; Chapter 839) of 2016, and therefore the necessity of a resulting regulation need not be demonstrated; however, the coalition urges the agency to review its own enforcement data and any available information concerning instances of heat illness among indoor workers.

While the legislative mandate requires the agency to move forward with this regulation, actual data reflecting how, why and what kinds of indoor workplace workers suffer heat illness will provide meaningful context to the agency’s proposed regulation. This data should be shared with the regulated community so employers’ experience and expertise can be applied meaningfully to crafting an indoor heat illness regulation that can protect workers without imposing unnecessary and ineffective mandates on covered employees.

Impact on Employers

Very few small and medium employers will be able to comply with this complex proposal without being forced to seek the assistance of an expert consultant, which will be a substantial burden for these employers. It also is unnecessarily prescriptive, much more so than the outdoor heat illness prevention regulation.

Coalition Concerns

The coalition outlines its primary concerns:

- **Statutory timing requirement.** A rulemaking timeline consistent with legislative intent requires the Division of Occupational Safety and Health (Cal/OSHA) to submit a proposed regulation to the Cal/OSHA Standards Board by January 1, 2019. After the board’s receipt of the proposed rule, the process of review and stakeholder interaction with the division should begin. The final regulation should be a rule with which employers can comply, that protects employees and results from a measured, thoughtful process that is not needlessly rushed by a misinterpretation of the agency’s statutory mandate.

- **Proposal is too complex.** Employers must understand and comply with numerous regulations enforced by various agencies, in addition to Cal/OSHA regulations. The coalition strongly supports providing safe and healthful workplaces for its employees. If the rule is too complex for employers to understand and implement, the benefit of the regulation’s intended protection will be difficult to achieve.

- **Proposal too costly.** As written, the implementation costs would be significant for most if not all employers subject to the rule. Many employers will not have the expertise to interpret the complex requirements and would have to hire costly staff or consultants. The coalition asserts that the economic impact of this rule would exceed the $50 million economic impact threshold, making the rule a major regulation requiring an economic impact analysis. An alternative approach that is the most cost effective manner to achieve protection for workers is advised and achievable. The complexity of this proposed draft is unnecessary; worker protection can be achieved with less complexity and less cost. A more cost effective approach also would relieve the state of the obligation to conduct the required major regulation economic impact analysis.

Coalition Proposes Amendments

The coalition has provided amendments to a draft regulation that is general enough in nature to be adopted by varied workplaces without being overly burdensome and complex. It is consistent with the coalition’s remarks provided during the two advisory committees, as well as the remarks in the prior comment letter.

The amendments cover issues such as making the indoor heat illness prevention plan track more closely with the outdoor heat illness prevention plan, definitions, first aid, emergency response, control measures and recordkeeping.

Next Step

Cal/OSHA is reviewing and considering the comments received from stakeholders. The coalition is hopeful that Cal/OSHA will make further revisions to the proposal incorporating coalition language followed by further consultation with stakeholders before moving forward to formal rulemaking. However, Cal/OSHA has not made its next steps public.

Staff Contact: Marti Fisher

CalChamber members:

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CalChamber Backs Cap-and-Trade Bill

The California Chamber of Commerce this week announced its support of legislation that will help maintain a healthy economy and provide the least costly path to achieving the state’s climate goals by extending the cap-and-trade program to 2030, AB 398 (E. Garcia; D-Coachella).

Essential Element

“The balanced, well-designed cap-and-trade program in AB 398 is essential to reducing the costs of California’s greenhouse gas reduction goals established last year in SB 32,” said CalChamber President and CEO Allan Zaremberg in a July 13 statement. “AB 398 will provide the least costly path to achieving our climate goals by extending cap and trade to 2030. The measure will help California maintain a healthy economy that produces well-paid, middle class jobs.”

Last year California passed SB 32 (Pavley; D-Agoura Hills; Chapter 249), which adopted the most ambitious greenhouse gas (GHG) reduction goal in this or any other country.

By 2030, Californians must reduce carbon emissions by 40% below their already-constrained 2020 levels. SB 32, however, did not authorize the least costly approach to reach the 2030 greenhouse gas reduction goal.

AB 32, the 2006 landmark climate change law, set a goal of reducing greenhouse gas emissions to 1990 levels by 2020, the equivalent of a 30% reduction compared to a business as usual trend.

AB 398 creates a market-based approach of cap-and-trade, which would provide the largest GHG emission sources with more flexibility and is less expensive to consumers than the command-and-control scheme embodied in SB 32.

According to the nonpartisan Legislative Analyst’s Office (LAO), authorizing cap-and-trade beyond 2020 “is likely the most cost-effective approach to achieving the 2030 GHG target.” The LAO compared the costs of cap-and-trade with direct regulation and found mandates to be two- to 10-times more expensive than a market mechanism.

CalChamber Lawsuit

In 2012, the CalChamber sued the Air Resources Board (ARB) for setting up a program to auction a portion of the GHG emission allowances to the highest bidders. The lawsuit asserted that the auction amounted to a tax requiring approval by a two-thirds vote of the Legislature.

Although the California Supreme Court declined to review the split 2-1 decision by the Appellate Court in favor of the state, the CalChamber lawsuit set the stage for the administration calling for a two-thirds vote on the cap-and-trade bill so there would be no question about the use of the revenues generated by the auction.

Legislative leaders have scheduled a vote on AB 398 for next week.

Staff Contact: Amy Mmagu

Employer Public Shaming Gets Senate Committee OK

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Cally attributed to the individual company. The intent is to publicly shame companies who report any disparities in pay amongst employees of different genders.

In its bill letter, CalChamber explains that wage disparities do not automatically equate to wage discrimination or a violation of law.

Bona Fide Factors

The California Labor Code recognizes numerous, lawful, bona fide factors as to why wage disparities may exist between employees performing substantially similar work, such as:

- Different educational or training backgrounds amongst employees;
- Different career experience;
- Varying levels of seniority or longevity with the employer;
- Objective, merit-based system of the employer;
- A compensation system that measures earning by quantity or quality of production;
- Geographical differences that have an impact on the cost of living and job market;
- Shift differentials.

Publicly shaming companies for wage disparities that are not unlawful is simply unfair, will discourage growth in California, and expose employers to costs associated with defending against meritless litigation.

Key Vote

AB 1209 passed the Senate Labor and Industrial Relations Committee on July 12, 4-1:

Ayes: Atkins; (D-San Diego), Bradford (D-Gardena), Jackson (D-Santa Barbara), Mitchell (D-Los Angeles).

No: J. Stone (R-Temecula).

Action Needed

AB 1209 will be considered next by the Senate Appropriations Committee.

The CalChamber is asking members to contact their senator and members of Senate Appropriations to urge them to oppose AB 1209 as a job killer.


Staff Contact: Jennifer Barrera
Are You in Compliance With Mandatory Midyear Poster Updates?

On July 1, 2017, minimum wage increases took effect in many California cities, as well as in other states. Workplaces in these locations require updated postings. (Plus, Arizona, Nevada and Oregon have added other midyear notices.)

Where your employees work affects which updated posters apply to you. You can review covered employers and employees at calchamber.com/july1. Preferred and Executive members receive their 20% member discount.

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