

# ALERT

VOLUME 43, NUMBER 27 • SEPTEMBER 15, 2017

 **CalChamber**  
CALIFORNIA CHAMBER OF COMMERCE

## Parental Leave Mandate for Small Business Passes



A job killer bill mandating a new protected leave of absence for small businesses passed the Legislature this week and is on its way to the Governor.

**SB 63 (Jackson; D-Santa Barbara)** passed the Assembly on September 12 by a vote of 51-15. A day later, the Senate voted 25-13 to concur in Assembly amendments to the bill, sending the bill along to the Governor.

The California Chamber of Commerce and a coalition of business groups

and local chambers of commerce have been **opposing** SB 63 because it unduly burdens and increases costs of small employers with as few as 20 employees by requiring 12 weeks of protected employee leave for child bonding. It also exposes employers to the threat of costly litigation.

The recent amendments do not limit the bill's cost or employers' exposure to litigation.

Governor Edmund G. Brown Jr. vetoed a similar, but narrower, proposal just last year.

*See Parental Leave: Page 4*

## New Job Killer Bills Threaten Energy Reliability, Increase Permit Costs



The California Chamber of Commerce added two new job killers to its job killer list this week, bringing the total number of job killers to 27. The new

job killer bills, **AB 127 (Committee on Budget)** and **SB 774 (Leyva; D-Chino)**, were awaiting action by the full Senate and/or Assembly as *Alert* went to print.

### Jeopardizes Energy Reliability

**AB 127** threatens energy reliability by mandating the closure of the Aliso Canyon natural gas storage facility. The CalChamber has identified the bill as a job killer because it will eliminate jobs and place regional energy reliability at risk.

According to CalChamber's opposition letter, the Aliso Canyon storage facility is integral to providing electricity and natural gas to Southern California. If Aliso Canyon is not operational, this could lead to a lack of capacity necessary to run the electric grid, resulting in job loss and potential public safety, health and negative economic consequences.

The ability to inject and produce natural gas from the Aliso Canyon facility is important to maintaining a reliable energy supply throughout Southern California. Moreover, the region that Aliso Canyon serves is an economic powerhouse for California.

Well over 5 million Californians work with private sector employers in various

*See New Job Killer Bills: Page 5*

## California Treasurer Details Fiscal Record



California Treasurer John Chiang recaps for the CalChamber Board of Directors on September 8 how he has aimed to provide greater upward economic mobility for all Californians while serving in three state financial offices—as a member of the Board of Equalization, as state Controller, and in his current position. Chiang is one of several announced candidates for Governor.

### Inside

**Economic Report:**  
**Pages 9-10**

## Labor Law Corner

# Time Off for 'School Appearance Leave' Applies to All Employers



**David Leporiere**  
HR Adviser

*My administrative assistant just came to me and said she had to leave for the day because she got a call from her son's school saying that her son was being suspended. We have fewer than 25 employees, so I know that I don't have to give her time off to attend school activities, but in this case, do I have to let her leave, or can I require her to stay at work? If I do*

*let her go, do I have to pay her for the entire day's work?*

California has two types of leaves of absence related to employees' children's school:

- **School activities leave** applies only to employers with 25 or more employees.
- **School appearance leave** applies to all employers, regardless of size.

The school appearance leave requirement appears in California Labor Code Section 230.7. Under this provision, an employer cannot in any way discriminate against an employee who takes time off to appear at school in conjunction with a child's or ward's suspension from a class or school.

As a result, you cannot stop your employee from leaving work to go to her child's school, nor could you take disci-

plinary action against the employee for taking the time off.

The law does not require you to pay the employee for the time away from work, so on the day that the employee leaves early to go to her son's school, you need to pay her only for the actual time she spent in the office working.

For more information about the many family-related leaves of absence available in California, see the HR Library at [HRCalifornia.com](http://HRCalifornia.com).

*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](http://www.hrcalifornia.com).*

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*Alert (ISSN 0882-0929) is published weekly during legislative session with exceptions by California Chamber of Commerce, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Subscription price is \$50 paid through membership dues. Periodicals Postage Paid at Sacramento, CA.*

*POSTMASTER: Send address changes to Alert, 1215 K Street, Suite 1400, Sacramento, CA 95814-3918. Publisher: Allan Zaremborg. Executive Editor: Ann Amioka. Associate Editor: Sara Espinosa. Art Director: Neil Ishikawa. Capitol Correspondent: Christine Haddon.*

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## CalChamber-Sponsored Seminars/Trade Shows

More at [www.calchamber.com/events](http://www.calchamber.com/events).

### Labor Law

Meal and Rest Break Rules. CalChamber. September 21, Webinar. (800) 331-8877.

HR Symposium. CalChamber. October 26, Los Angeles. (800) 331-8877.

### International Trade

Perumim-Extemin: Peru Mining Show.

Duquesne University Small Business Development Center. September 18-22, Lima, Peru. (412) 396-5670.

Expanding Horizons: A Workshop for Small Businesses Entering Emerging Markets. Overseas Private Investment Corporation (OPIC). September 19, Oakland. (800) 814-6548.

10th World Chambers Congress. Sydney Business Chamber, The International Chamber of Commerce, and The International Chamber of Commerce World Chambers Federation. September 19-21, Sydney, Australia.

U.S.-Vietnam Business Forum 2017.

Consulate General of Vietnam in San Francisco. September 20, San Francisco. (415) 990-2636.

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.

National District Export Council Export Symposium and Forum. National District Export Council. September 27, Washington, D.C.

Panama Energy Roundtable. Institute of the Americas. September 28, Panama. (858) 453-5560 ext. 103.

The Road to Digital Europe: General Data Protection Regulation and Privacy Shield Workshop. Institute for Leadership Studies, Dominican University of California. September 28, San Rafael and San Jose.

Export Compliance Training Program. Orange County Center for International Trade Development (CITD). September 29, Santa Ana. (714) 564-5415.

Import Compliance Training Program. Orange County CITD. October 13, Santa Ana. (714) 564-5415.

Sustainable Building and Construction Trade Mission to Mexico. U.S. Department of Commerce International Trade Administration. October 16-20, Mexico City and Guadalajara, Mexico. (210) 472-4020.

U.S. Trade Mission to Azerbaijan. U.S.-Azerbaijan Chamber. October 16-20, Azerbaijan and Georgia. (202) 333-8702.

California-Germany Bilateral Energy Conference 2017. California Energy Commission. October 19-20, Sacramento.



# CalChamber Issues Renewed Call for Comprehensive Immigration Reform



California Chamber of Commerce President and CEO Allan Zaremborg

recently issued a statement renewing the call for comprehensive immigration reform in light of the announcement that the federal government will rescind the Deferred Action for Childhood Arrivals (DACA) program.

The DACA program was created in June 2012 and allows certain undocumented immigrants who entered the country as minors to receive a renewable two-year period of deferred action from deportation and eligibility for a work permit.

U.S. Attorney General Jeff Sessions announced on September 5 that the Department of Homeland Security will terminate the DACA program. It will expire on March 5, 2018.

## Longtime Position

“CalChamber has been a steadfast proponent of comprehensive immigration reform because it is crucial to California’s

economic future,” said Zaremborg. “The announcement by Attorney General Sessions highlights the need for comprehensive immigration reform once again and emphasizes the need for an immediate bipartisan solution to provide certain legal status for Dreamers. DACA has shown us that certainty in legal status fosters success in education, employment and job creation. It is a roadmap to achievement if we provide legal certainty for California’s more than 2.5 million undocumented residents.”

## More at Risk

California has more at risk than other states. There are nearly 800,000 workers and students enrolled in DACA in the United States. About 200,000 of those individuals are Californians. The end result of uprooting 200,000 Californians, 95% of whom are gainfully employed or enrolled in college, would create change for which the state is unprepared.

“Congress must act swiftly to address this issue so we aren’t left with a problem of losing productive tax-paying jobs,” Zaremborg said.

Zaremborg continued, “An important

aspect of California’s economy is our booming technology industry, which relies on highly skilled talent to innovate, design, manufacture, create jobs and enable success in the global marketplace. As things stand today, California cannot find enough ‘home grown’ engineers and scientists. We need to reform our inadequate H-1B visa program. Without reform, our jobs leave for offshore locations, which would not be a good outcome for the state.”

## Multiple Sectors Benefit

Many sectors of California’s economy will benefit from immigration reform. “In addition to the technology sector, the agricultural industry would benefit from the certainty created through comprehensive immigration reform,” Zaremborg said.

“We need a bipartisan solution that will provide a permanent legislative solution for Dreamers,” Zaremborg concluded. “We need to preserve California’s workforce and our ability to compete in the global economy. Comprehensive immigration reform will bring certainty to employers, employees and families.”

## U.S. Chamber Expert Reviews Prospects for Federal Tax Reform



Caroline Harris, vice president of tax policy and chief tax policy counsel for the U.S. Chamber of Commerce, uses humor and anecdotes to explain to the CalChamber Board of Directors on September 8 the procedural, policy and political challenges to passing a federal tax reform package.



## Parental Leave Mandate for Small Business Passes

From Page 1

### Coalition Opposition

In opposing SB 63, the CalChamber and coalition have been pointing out that the bill will overwhelm small employers. The bill targets small employers with as few as 20 employees within a 75-mile radius and requires those employers to provide 12 weeks of leave in addition to the other leaves of absence California already imposes.

The mandate will overwhelm small employers as follows:

- **Creates a combined 7-month protected leave of absence on small employers.** California employers with 5 or more employees already are required to provide up to 4 months of protected leave for an employee who suffers a medical disability due to pregnancy. SB 63 will add another 12 weeks of leave for the same employee, totaling 7 months of potential protected leave.

- **Could affect worksites that have substantially fewer than 20 employees.** SB 63 is applicable to any employer that has 20 or more employees within a 75-mile radius. Employees at multiple worksites are aggregated together to reach the employee threshold. Accordingly, a worksite that has only 5 employees will be required to accommodate this mandatory leave if there are other worksites in a 75-mile radius that have enough

employees to reach the 20-employee threshold.

- **Imposes a mandatory leave with no discretion to the employer.** The leave under SB 63 must be given at the employee's request, regardless of whether the employer has other employees out on other California-required leaves.

- **Imposes additional costs on small employers that are struggling with the increased minimum wage.** Although the SB 63 leave is not "paid" by the employer, while the employee is on leave, the employer will have to maintain medical benefits, pay for a temporary employee to cover for the employee on leave (usually at a higher premium) or pay overtime to other employees to cover the work of the employee on leave.

- **Exposes small employers to costly litigation.** Labeling an employer's failure to provide the SB 63 leave as an "unlawful employment practice" exposes an employer to costly litigation under the Fair Employment and Housing Act (FEHA).

An employee who believes the employer did not provide the 12 weeks of protected leave, failed to return the employee to the same or comparable position, failed to maintain benefits while the employee was out on the 12 weeks of leave, or took any adverse employment action against the employee for taking the leave, could pursue a claim against the employer seeking: compensatory dam-

ages, injunctive relief, declaratory relief, punitive damages, and attorney's fees

The cost for a small to mid-size employer to defend and settle a single plaintiff discrimination claim is approximately \$125,000, according to a 2015 study by insurance provider Hiscox.

### Family-Friendly State

California already imposes numerous family-friendly leaves of absence on employers. The National Conference of State Legislatures recognizes California 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, pregnancy disability leave and the California Family Rights Act.

These state leaves are in addition to the leaves of absence required by federal law.

In a recent study, "The Status of Women in the States: 2015 Work & Family," California ranked No. 2 for work and family policies that support workers keeping their jobs and also caring for their family members.

### Action Needed

The CalChamber is encouraging members to [contact the Governor](#) and urge him to **veto SB 63**.

**Staff Contact:** [Jennifer Barrera](#)

## Caltech Head Cites Flows from Basic Science to Usable Technology



Thomas F. Rosenbaum, Ph.D., president and professor of physics at the California Institute of Technology, describes for a CalChamber Board of Directors dinner audience how Caltech is in "the business of creating knowledge for the ages, but we are also in the business of solving society's problems of today."

## Pay Stub Best Practices Pay Off

Your company's pay stub is more than just a piece of paper. For California employers, the pay stub (referred to as a wage statement) is an important legal requirement.

When California employers pay wages, they must provide employees with an accurate, itemized wage statement, either as a pay stub or a separate written document. Failure to comply may result in penalties or lawsuits.

The California Labor Code requires employers to include nine categories of information on wage statements, as well as information on paid sick leave (Labor Code Sections 226, 246). Piece-rate employers also have additional pay stub requirements (Labor Code Section 226.2).

Your company ultimately will be responsible for any inaccuracies. If you use a payroll company, don't simply assume that the wage statements your provider prepares are accurate. Review the wage statement for completeness and accuracy. It's also good practice to check in with your payroll company to make



The obligation to produce an accurate pay stub with all of the legally required information falls on the employer.

sure that all legal requirements are met.

The *What's In Your Wage Statements?* white paper is available for [download for non-California Chamber of Commerce members](#). CalChamber members can [download the white paper from](#)

[HRCalifornia](#) (log-in required).

CalChamber members also can use the [SmartStub, an interactive tool](#) to help determine what information must be on your wage statements.

**Staff Contact:** Gail Cecchettini Whaley

## New Job Killer Bills Threaten Energy Reliability, Increase Permit Costs

*From Page 1*

fields, from aerospace and biotech to goods movement and manufacturing. The region features key industries where the impacts of energy reliability, both natural gas or electricity, would cause major disruptions and ripple through the economy, affecting goods movement and the production of transportation fuels, industrial chemicals and medical gases, among others.

Last session, the Legislature passed and the Governor signed SB 380 (Pavley; D-Agoura Hills; Chapter 14), mandating an extensive, multi-agency safety review and public hearing process to evaluate the Aliso Canyon facility. The steps required under this recently enacted law are underway. It is premature to mandate the elimination of this facility before the state agencies undertaking this extensive process have made a final decision, Cal-

Chamber argues in its letter.

### Adds Costs for Permittees

**SB 774** will establish the California Toxic Substances Board (CTSB) within the Department of Toxic Substances Control (DTSC). The job killing proposal requires DTSC to adopt a new fee schedule by January 1, 2019 "at a rate sufficient to reimburse the department's costs to implement" its statutory requirements.

In its opposition letter, the CalChamber explains that this will result in *significant* new and additional costs being imposed on permittees as evidenced by the existing *structural deficits* in both the Hazardous Waste Control Account and the Toxic Substances Control Account—which are the two primary sources of funding for DTSC—and the estimated \$3 million annually plus the significant-yet-unknown one-time costs relating to SB 774.

CalChamber's analysis of the bill finds that SB 774 will create an additional bureaucratic layer that will not promote efficient and effective permitting or site cleanup. The authority, duties and powers vested in the CTSB make clear that it is not just an "oversight board." The new

"collaboration" requirement in the amendments will have no practical effect other than to drive up costs that will be passed through to permittees.

The bill has been tagged a job killer because it bypasses public participation and input by allowing DTSC to adopt future fee schedules as "emergency" regulations when such regulations will have significant impacts on permittees' ability to continue to provide vital services to California communities.

SB 774 also creates significant uncertainty by giving the CTSB the power to disregard the administrative record and allowing it to impose conditions on hazardous waste permits and require various actions relating to site cleanup following a single hearing, and stating the director "shall comply" with such directives.

In the opposition letter, CalChamber warns that SB 774 will "result in the hazardous waste being sent out of state, where the waste would be treated as garbage and thus subject to few if any environmental protections, contrary to California's goals."

**Staff Contacts:** Amy Mmagu, Louinda V. Lacey

## CalChamber Calendar

*Public Affairs Conference:*  
October 17–18, Santa Monica



# NAFTA Central to Future U.S. Outlook, Global Competitiveness, National Security



**Michael C. Camuñez**

international strategist told a California Chamber of Commerce audience last week.

NAFTA has turned the United States, Mexico and Canada into a manufacturing powerhouse, Michael C. Camuñez, president and CEO of Monarch Global Strategies, said at the CalChamber international breakfast on September 8. (See story online for [text of remarks](#) as prepared for delivery.)

## Co-Production

U.S. industries that created cross-border production chains have been particularly successful, Camuñez pointed out.

One example, he said, is automobile manufacturing, where products advertised as Made in U.S.A. include significant components from both Mexico and Canada. Inputs cross international borders six or seven times before completion of the final product, he commented.

Mexico sends 80% of its exports to the United States, he said, but 40% to 45% of some of those exports are U.S.-made components, pulling on supply chains that include small and medium-sized manufacturing employers and creating jobs.

## National Security

Camuñez encouraged listeners to look beyond press-fueled stereotypes of Mexico as a crime capital. He noted that the United States shares a 3,000-mile

The North American Free Trade Agreement (NAFTA) is at the center of the nation's future economic competitiveness and national security, an

border with Mexico and contrasted that border with others in the world that are shorter and less secure.

Security in air travel depends on Mexico, he said, pointing out that Mexico clears and vets out air passengers from around the world who are on the U.S. watch list.

## NAFTA Negotiations

U.S. global leadership developed over multiple generations of support for free markets, liberalized trade and recognition that protectionist policies contributed to

• labor contracts, such as abiding by international labor standards (for example no use of child labor);

• environment: the idea that a country can't degrade the environment to gain a competitive advantage;

• state-owned enterprises: making sure that the government-owned operation has to compete on a level playing field with private entities and abide by market principles.

So far, Camuñez observed, the United States has done much posturing and "socializing lots of concepts," but not supplying actual text for chapters of the agreement.

The "biggest wild card" in the negotiation process, he said, is President Donald Trump.

## CalChamber NAFTA Position

The CalChamber understands that the NAFTA was negotiated more than 25 years ago, and, while our economy and businesses have changed considerably over that period, NAFTA has not. We agree with the premise that the United States should seek to support higher-paying jobs in the United States and to

grow the U.S. economy by improving U.S. opportunities under NAFTA.

The provisions of the NAFTA with Canada and Mexico have been beneficial for American industries, agricultural enterprises, farmers, ranchers, energy companies and automakers. Any renegotiation of NAFTA must recognize the gains achieved and ensure that U.S. trade with Canada and Mexico remains strong and without interruption.

The CalChamber actively supported the creation of the NAFTA among the United States, Canada and Mexico, comprising 484.3 million people with com-

*See NAFTA: Page 8*



(From left) Awi Bawle, deputy director of the Governor's Office of Business and Economic Development; Michael Camuñez, president/CEO of Monarch Global; and 2017 CalChamber Chair Susan Corrales-Diaz at the CalChamber Council for International Trade breakfast on September 8. Bawle later gave a recap of the environmental goals that will be a focus for the remainder of the Governor's term.

the Great Depression, said Camuñez.

In the current round of discussions about NAFTA, however, the United States is advancing protectionist positions that run contrary to the history of support for free trade principles, he said.

The approach, he said, is hurting U.S. credibility with Canada, Mexico and the world.

There are areas of agreement of what needs to be done to modernize NAFTA, he said, citing as examples:

• digital commerce, including software as a service, recognition of electronic signatures and the free flow of data;

# CalChamber Partner in Governor's Lunch for Mexico Secretary of Foreign Affairs



On Monday, September 11, Governor Edmund G. Brown, Jr. in partnership with the California Chamber of Commerce, held a luncheon for Mexico Secretary of Foreign Affairs Luis Videgaray Caso.

The foreign minister's delegation included Mexico Undersecretary for North American Affairs Carlos Manuel Sada Solana and Secretary Videgaray's senior adviser, Narciso Antonio Campos Cuevas. The new Consul General of the Mexican Consulate in Sacramento, Lilián Ferrer, was also in attendance, together with California Attorney General Xavier Becerra, and several members of the California Legislature, including Assembly Speaker Anthony Rendon.

The message from the Foreign Affairs Minister was one of reinforcing the strong relationship between California and Mexico—with shared values and a shared future. The Minister also commented on the importance of the ongoing North American Free Trade Agreement (NAFTA) negotiations—in particular for California and of course, Mexico.

The gathering was held at the Governor's Executive Mansion and was an opportunity to meet with the new foreign minister, who was appointed at the beginning of 2017.

The approximately 50 in attendance included key members of the Governor's Cabinet and a small number of California business representatives, including 2017 CalChamber Chair Susan Corrales-Diaz of Systems Integrated, President and CEO Allan Zaremberg, Vice President of International Affairs Susanne T. Stirling, and CFO Larry Dicke. CalChamber

Board members Donna Lucas of Lucas Public Affairs and Fred Ruiz of Ruiz Foods also attended.

The luncheon was successful with all in attendance continuing to promote good relations between California and Mexico.

## Trade/Tourism Statistics

Mexico continues to be California's

No. 1 export market, purchasing 15.4% of all California exports. California exports to Mexico amounted to \$25.3 billion in 2016. Computers and electronic products remained California's largest exports, accounting for 21.7% of all California exports to Mexico. Exports of transportation equipment and machinery from California to Mexico grew to total more than \$5 billion.

Also in 2016, California imported \$46.35 billion in goods from Mexico, a \$5 billion increase from 2014. The top import categories were transportation equipment, computer and electronic products, agricultural products, and manufactured commodities. California is the second largest importing state for goods from Mexico.

According to a December 2016 report by Visit California, nearly 7.8 million people visited California from Mexico in 2015, spending more than \$3 billion. Mexico sends more visitors to California than any other country by a wide margin.

**Staff Contact: Susanne T. Stirling**



Governor Edmund G. Brown Jr. gives a welcoming toast to honor Mexico Secretary of Foreign Affairs Luis Videgaray Caso at a luncheon held at the Governor's Executive Mansion. Also at the table are (from left): CalChamber President/CEO Allan Zaremberg, Assembly Speaker Anthony Rendon, First Lady Anne Gust Brown, and California Attorney General Xavier Becerra.



CalChamber CEO Allan Zaremberg (left) speaks with Mexico Secretary of Foreign Affairs Luis Videgaray Caso and Lilián Ferrer, Mexico consul general in Sacramento.

Photos by Sara Espinosa



# CalChamber Reaffirms Support for U.S.-South Korea Free Trade Agreement



The California Chamber of Commerce reaffirmed support for the U.S.-Korea Free Trade Agreement

(KORUS) in a letter sent September 5 to members of the Trump administration, including the Secretary of Commerce and the U.S. Trade Representative.

The U.S. business and agriculture community had received reports over the Labor Day weekend that the administration was considering withdrawing from the agreement, due to the imbalance of trade figures.

By September 7, however, news sources were reporting that the White House had assured key lawmakers, including House Speaker Paul Ryan (R-WI), that the administration had decided not to withdraw from the agreement.

## Fallout

Withdrawing would harm many in the U.S. business and agriculture communities and help few. It would also alienate a key ally at a time when regional security is fragile.

Defending KORUS is a priority issue for the U.S. Chamber, the CalChamber, and businesses across the country, as the agreement has high standard rules and significant tariff savings that have allowed the United States to compete effectively against Korea's 11 other free trade agreement (FTA) partners.

Per the U.S. Chamber, the United

States does have a \$28 billion goods deficit with Korea. From 2014 to 2016, however, Korea's imports from the world fell 22%, causing significant losses to Korea's other trade partners while U.S. exports during that time held steady, thanks to KORUS.

The bulk of the U.S. deficit is autos and electronics. U.S. imports of Korean cars have roughly doubled, but this transpired without any reduction in U.S. tariffs. In other words, KORUS has had nothing to do with the \$24 billion worth of Korean vehicles that America imported last year; rather, it is attributable to strong auto demand in the U.S. as Korea sold into a U.S. market. At the same time, imports from Korea are trending down, while U.S. vehicle exports to Korea continue to rise from a low base.

The U.S. business community views KORUS as a strong agreement as written, and urges the administration to focus on more effective enforcement to solve issues as Korea's economy improves.

Following the U.S. withdrawal from the Trans-Pacific Partnership, if the U.S. now withdraws from KORUS, the U.S. will lose significant market share to the European Union, Australia, China and others while sending a very dangerous message that America is not interested in doing business in Asia and at the same time also significantly damaging America's influence.

## Statistics

Small and medium-sized companies make up a majority of U.S. businesses

exporting to Korea.

Korea is California's seventh largest export destination. California is the top exporting state to Korea, making up nearly 20% of U.S. exports. In 2016, California exported more than \$8.2 billion to Korea. Top products from California to Korea included nonelectrical machinery, computers and electronics, transportation equipment and food products.

According to the most recent figures, U.S. foreign direct investment in Korea totaled roughly \$34.6 billion and was concentrated largely in the manufacturing, banking, and wholesale trade sectors. Korean foreign direct investment to the United States reached \$40 billion.

## U.S.-Korea FTA

The CalChamber was part of a broad-based coalition that waged a multi-year campaign to secure congressional passage of the U.S.-Korea FTA, which was implemented on March 15, 2012.

Implementation of the U.S.-Korea FTA has eliminated tariffs and other barriers to trade in goods and services, promoted economic growth, and enhanced trade between the United States and Korea.

The FTA strengthens a more than 60-year-old alliance between the United States and South Korea, while reinforcing the economic and political reforms South Korea continues to make.

For more information, see [www.calchamber.com/international](http://www.calchamber.com/international).  
Staff Contact: **Susanne T. Stirling**

# NAFTA Central to Future U.S. Outlook, Global Competitiveness, Security

*From Page 6*

bined annual trade with the United States being around \$1.069 trillion in 2016. In 2016, goods exports totaled over \$496.919 billion while goods imports totaled nearly \$572.217 billion.

The CalChamber's long-standing support for NAFTA is based upon an assessment that it serves the employment, trading and environmental interests of California and the United States, as well

as Canada and Mexico, and is beneficial to the business community and society as a whole. Since 1993, trade among the three NAFTA countries has nearly quadrupled.

The CalChamber now urges a quick and efficient process, and one that does not hinder ongoing trade and investment among the three NAFTA members who must be kept united in the same end-goal of a successful renegotiation. Throughout

this process, the Trade Promotion Authority with its objectives and procedures should be followed. Further, during the process, the CalChamber encourages re-examination of the provisions agreed upon by the three countries during the already negotiated Trans-Pacific Partnership, as these may provide a starting point for further discussion.

Staff Contact: **Susanne T. Stirling**



# State Economic Growth Slows; Constraints Include Labor, Housing, Uncertainty

## California at Cruise Speed

Like the U.S., California's economy continued to roll forward in the first part of 2017. The unemployment rate edged down, nonfarm jobs maintained an upward trajectory and grew at a modest pace, and economic activity in the state advanced at a somewhat faster rate than the nation as a whole.

As of April, the state's wage and salary (nonfarm) jobs grew by 1.4% year-over-year, corresponding to a year-over-year gain of 236,700 jobs.

Most of the state's private industries added jobs in yearly terms in the first part of 2017. Health Care led the way in absolute terms with 55,600 jobs added in April, followed by Leisure and Hospitality (+51,000), and Construction (+38,000).

Consistent with recent trends, Manufacturing (-11,400) and Mining and Logging (-1,600) both lost jobs, but they were joined by Information (-8,800) and Administrative Support Services (-5,600).

By contrast, the Government sector registered a year-over-year increase of 44,400 jobs as of April.

Although the California economy has continued to grow, the pace of growth has slowed markedly in recent months: The 1.4% employment gain in April 2017 was less than half of the 3.3% rate achieved one year earlier.

The slowdown was evident across all industries, too. Health Care grew by 2.6% year-to-year in April 2017 compared to a 4.2% gain in April 2016, while Professional Services slowed from 3.0% growth

a year ago to 1.0% in April 2017, and Leisure and Hospitality saw a 2.7% increase this year, well behind the 4.4% gain of last year.

years. From 2012 through 2016, statewide job gains averaged 2.7% growth per year. That is more than double the 25-year average of 1.1%, and was outpaced only in

the late 1990s when the rate of growth hit 3.2%, also over a five-year stretch.

Moreover, the slowdown is not exclusive to California. In fact, U.S. job growth slowed from 1.9% annually in April 2016 to 1.5% in April of this year. So, while job growth in California has decelerated, the state is still adding jobs at an above-average rate.

## Limits to Growth

So, what accounts for the broad-based slowdown in job creation in recent months and can (or should) anything be done about it? A few things come to mind.

## Labor Market Constraints

With the state's unemployment rate hitting a 16-year low of 4.8% in April and the labor force participation rate stabilizing at just over 62% for now, the labor market appears to be at full employment.

So far this year, the labor force has increased by 0.8%, no different than the last five years during which California far outpaced job growth nationally.

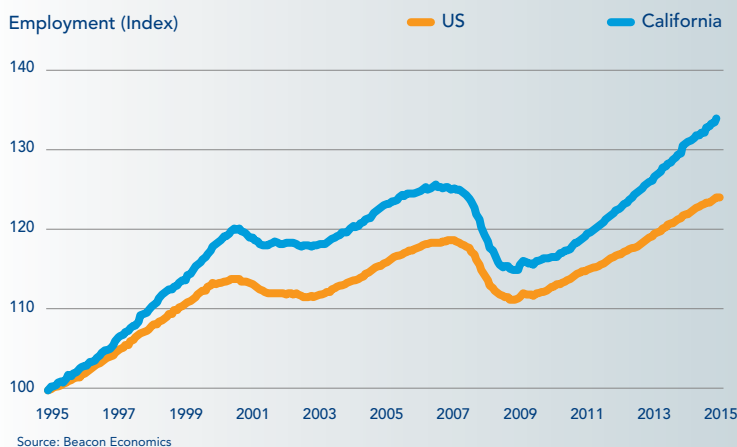
It is worth noting that the labor force participation rates for younger individuals

have been declining, a trend that is expected to continue. A reversal of this trend would represent newfound slack in the labor market.

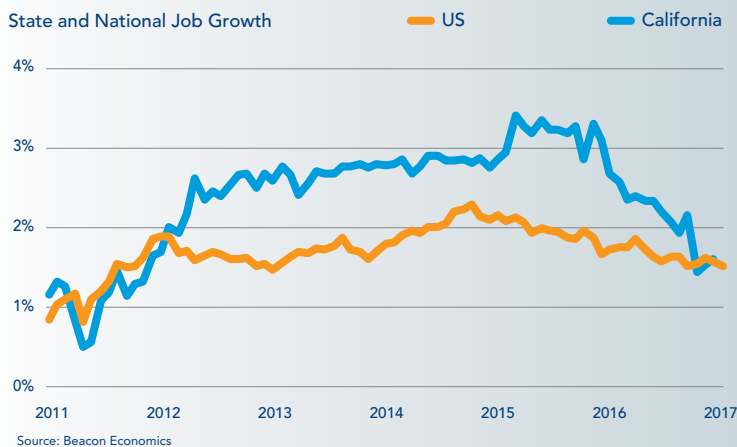
Regardless, data on job openings at the national level suggests that a large

*See Next Page*

### State Economic Performance



### The Big Slowdown



In a significant reversal of trend, Information was down by 1.7% year-to-year in April after an impressive 9.7% yearly gain a year ago.

Keep in mind that California has seen impressive job gains over the last five

## State Economic Growth Slows; Constraints Include Labor, Housing

*From Previous Page*

number of positions are going unfilled, presumably because of a lack of qualified job applicants.

While comparable data for California are not readily available, the national trend very likely applies to California and is one possible limit to job growth in the state.

### Housing Affordability

Housing affordability concerns are ever-present in California and become more problematic when the economy is expanding. While not at an all-time low, housing affordability has edged down in recent years as home prices have risen.

And homeownership, which slid from nearly 60% prior to the Great Recession to 53% in the second quarter of 2016, finally reversed direction and climbed to 55% in early 2017.

Stress in the owner-occupied market has spilled into the rental market, contributing to low vacancy rates and upward pressure on rents across much of the state.

Affordability problems hit low- and middle-income households hardest, and as a result, these households have left the state in larger numbers than those with higher incomes.

Arguably, housing affordability challenges are a second limit to job growth in the state, and likely exacerbate the job mismatch problem mentioned earlier.

### Uncertain Outlook

While the notion that uncertainty can lead to inaction makes sense, it is not so easy to find hard evidence to confirm such a connection. Still, it stands to reason that firms must make plans regarding future sales, capital expenditures, and hiring, but will sit on their hands, or at best tread slowly, if their outlook for the future is cloudy for any reason.

Federal policies regarding trade,

immigration, health care, and taxes are akin to the “rules of the road” for businesses and employers. Given that those rules may change under the current administration in Washington, there is every incentive to wait and see what will transpire. To the extent that this includes hiring decisions, we have yet a third limit to job growth.

problem if our communities and cities do not build more units.

As for the clouds of uncertainty that surround the current politico-economic environment, California, its communities, employers, and residents must make their way forward cautiously and hope that the clouds will clear in the coming months and years.

To be sure, Beacon Economics is NOT anticipating a recession in the near future. Rather, the state labor market has hit cruise speed, shifting into overdrive and adding jobs at a steady, if slower, pace than it experienced during the acceleration phase of the last few years.

And despite the slow-down in job growth, many signs point to continued growth in the overall economy. California will continue to outpace the nation as a whole.

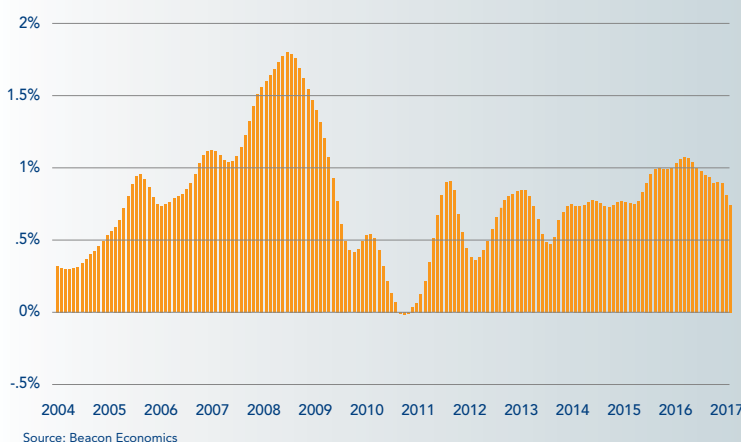
Wages will rise over the foreseeable future, driving household spending. Most

of the key sectors of the state economy will continue to add jobs, albeit at a slower pace.

And single-family home construction has accelerated in the last two quarters. If sustained, it will not only lead to more construction employment, but also unleash additional spending on household items such as white goods and furnishings.

**Staff Contact: Dave Kilby**

**California Labor Force Growth**



### Conclusion: Overcoming Limits to Growth

But there are ways to ease these limits to growth. For one, California relies on immigrants as a key component of its labor force, like the United States as a whole. By coming up with an immigration policy that acknowledges the essential role of immigrants in the U.S. economy, California can ease its labor force constraint and add to its workforce.

For another, addressing the problem of housing affordability can slow state-to-state outmigration. At the state and local level, that means increasing supply by taking steps to enable more home construction, especially that which aligns with the state's housing needs.

In fact, demand-side efforts to make homeownership more affordable (loan programs, interest rate subsidies, and the like) won't ease the housing affordability



*The California Chamber of Commerce Economic Advisory Council, made up of leading economists from the private and public sectors, presents a report each quarter to the CalChamber Board of Directors. This report was prepared by council chair Christopher Thornberg, Ph.D., founding partner of Beacon Economics, LLC.*



# Legislative Outlook

An update on the status of key legislation affecting businesses. Visit [www.calchambervotes.com](http://www.calchambervotes.com) for more information, sample letters and updates on other legislation. Staff contacts listed below can be reached at (916) 444-6670. Address correspondence to legislators at the State Capitol, Sacramento, CA 95814. Be sure to include your company name and location on all correspondence.

## Legislature Sends Anti-Arbitration Bill to Governor



A California Chamber of Commerce-**opposed** job killer bill that provides the perfect pleading pathway for class action attorneys to avoid arbitration has passed the Legislature and is on its way to the Governor.

**SB 33 (Dodd; D-Napa)** will negatively impact employers with unnecessary and costly class action litigation that benefits trial attorneys, not consumers.

The bill passed the Assembly on September 5, 46-23. The Senate concurred in Assembly amendments a day later, 25-13.

Despite being amended eight times, SB 33 still contains ambiguous terms that will create further litigation. Ambiguity, inconsistencies and confusion serve only to benefit trial attorneys and their ability to pursue costlier litigation with high attorney fee recoveries, not consumers.

SB 33 is not limited to the fraudulent creation of financial accounts, as the proponents claim. SB 33 states that a respondent cannot be compelled to arbitration regarding a “purported contractual relationship.” This term is undefined and will create significant litigation over what relationships are included or excluded.

The bill also creates confusion between who is the respondent and the respondent consumer. SB 33 amends a section of the Code of Civil Procedure that refers to “petitioners” and “respondents” of a motion to compel arbitration, meaning the parties to the litigation.

Instead of applying and utilizing these same terms, recent amendments to SB 33 include undefined terms, therefore adding another layer of ambiguity and concern to this bill that will create further litigation.

As amended, SB 33 specifies that its provisions do not go into effect until January 1, 2018. The bill does not limit its application, however, only to contracts created after January 1, 2018, thereby invalidating all existing consumer contracts with a financial institution that include an arbitration provision.

SB 33 precludes the enforcement of a valid arbitration agreement for claims of fraud with a depository institution. SB 33 is sponsored and supported by trial attorneys who would prefer class action litigation as opposed to arbitration because it provides a significantly higher financial recovery for trial attorneys.

Finally, SB 33 is preempted under the Federal Arbitration Act, as emphasized by a recent U.S. Supreme Court opinion, which determined that a Kentucky agreement with a similar anti-arbitration bias is preempted by federal law.

### Action Needed

The CalChamber is urging members to contact the Governor and ask him to **veto SB 33** as a job killer.

**Staff Contact: Jennifer Barrera**

## Dialysis Clinic Staffing Ratio Bill Stopped



**OPPOSE**

A California Chamber of Commerce-**opposed** bill that could have substantially increased health care costs, without offering significant improvements in health outcomes or patient access is dead for the year.

On September 8, Senator Ricardo Lara (D-Bell Gardens) announced that he would not bring up his bill, **SB 349**, for a vote on the Assembly Floor before the end of session. Senator Lara did promise to bring the bill up in 2018 after conducting stakeholder meetings.

SB 349 would have set staffing ratios for California dialysis facilities at a ratio

stricter than any in the entire country. The bill also mandated the Department of Public Health to issue regulations setting an appropriate minimum transition time between dialysis patients and if one was not set by 2020, the bill mandated a 45-minute transition time between dialysis patients.

CalChamber opposed SB 349 because it would have significantly increased health care costs, reduced the availability of dialysis clinics and patient shifts at clinics and resulted in job losses with no clear evidence of a clinical benefit to patients.

**Staff Contact: Karen Sarkissian**

# ALERT

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SEPTEMBER 15, 2017 • PAGE 12

## Sexual Harassment in the News

With sexual harassment in the news and shaking up Silicon Valley, it's a cautionary tale for staying in compliance. If you wait until conduct is unlawful, even toward job applicants, independent contractors and other nonemployees, you've waited too long. Education is the important first step.

Remember, California companies with 50 or more employees are required to provide two hours of sexual harassment prevention training to all supervisors **within six months of hire or promotion**, and every two years thereafter.

**Save 20% on our online California harassment prevention courses for supervisors and employees.**

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