CalChamber Issues 2018 Midyear Employment Law White Paper

The year is more than halfway through, and yet again, California employers have been busy paying attention to plenty of new employment law developments. You need to make sure you are in compliance with new regulations, court rulings, local ordinances and more.

Midyear White Paper

Luckily, California Chamber of Commerce employment law experts highlight the significant developments so far this year in CalChamber’s free 2018 Midyear Employment Law Update white paper. This white paper includes information on:

- New employment classification tests for independent contractors and interns;
- A new ruling on off-the-clock work;
- Private Attorneys General Act claims;
- New discrimination regulations on national origins;
- Using salary history for employment decisions;
- Local minimum wage increases and new local ordinances; and
- Much more.

You’ll also learn about laws passed last year but effective July 1, and new and

Pay Data Disclosure Bill No Longer Job Killer
Administrative Burden Still Reason to Oppose

Create False Impression

SB 1284 requires employers to collect pay data in the aggregate. Doing so will likely demonstrate wage disparity amongst employees in the different job classifications or titles according to gender.

A disparity in wages, however, does not automatically translate into wage discrimination or a violation of the Labor Code. Specifically, SB 1284 seeks to collect pay data according to job title, not according to whether the jobs are “substantially similar” for purposes of comparison.

The term “substantially similar” was adopted in Labor Code Section 1197.5 to capture the intent of equal pay—meaning that employees who, with minor deviations, perform the same work according

Coalition Rally Participants Urge Legislators to Protect Independent Contractors

Hundreds of independent contractors gathered at the State Capitol on August 15 to urge policymakers to suspend any application of a recent court ruling to allow time to decide the best test for determining whether a worker is an independent contractor.

The workers at the rally included physicians, insurance agents, taxi drivers, rideshare drivers, salespeople, and speech therapists, among other independent contractors.

Pending Bill Limits Consumer Choices: Page 5
**Labor Law Corner**

**Answers to Common State Disability Insurance Questions**

How long can an employee collect State Disability Insurance (SDI)? Will SDI benefits be reduced if an employee collects sick, vacation or Paid Time Off (PTO) pay while on leave? Can an employee collect partial SDI benefits if he/she is able to come back to work only part-time? Will an employee lose SDI benefits if he/she gets laid off during his/her leave?

Employees going out on medical leave of absence often will have questions about the California State Disability Insurance program. An employer is not legally obligated to explain SDI benefits other than by providing the mandatory “Disability Insurance Provisions” brochure (Form DE 2515) published by the Employment Development Department (EDD).

It is helpful, however, to have some basic knowledge of SDI in order to help employees get the most out of this benefit.

**Benefits Duration**

- **How long do SDI benefits last?**
  Employees generally can collect benefits for up to 52 weeks with proper medical certification for any type of disability. However, an employee can’t collect more than the amount of wages in his/her base period, which is the period of time before the start of the disability that EDD uses to calculate the weekly benefit amount, so some employees may not be able to collect for the full 52 weeks.

**Integrating Benefits**

Many types of wages received by an employee during the period of an SDI claim can reduce SDI benefits, such as bonuses, commissions, and holiday pay. The most common types of wages employees may receive while collecting SDI—sick, vacation and PTO—are addressed below.

- **How do sick leave and PTO affect SDI benefits?**
  EDD considers both sick leave and PTO to be wages, so both can reduce SDI benefits. This means that an employee collecting SDI can receive sick and PTO wages that will bring him/her up to 100% of his/her normal weekly income, but not more.

  For example, an employee who normally earns $1,000 a week might collect $600 in SDI benefits. The employee could collect no more than $400 per week from his/her sick or PTO bank without having the SDI benefit reduced.

  - **How does vacation pay affect SDI benefits?**
    EDD does not consider pure vacation pay to be wages, and thus vacation does not affect SDI benefits. An employee may collect a full week’s vacation pay on top of whatever weekly SDI benefit he/she is receiving.

**Part-Time Return to Work**

An employee who is disabled and collecting SDI benefits may be permitted by his/her health care provider to return to work part-time. In that case the employee still may be able to receive full or partial SDI benefits depending on the amount of his/her wage loss.

For example, a full-time employee who normally earned $1,000 per week, and who was collecting $600 a week in SDI is able to return to work 18 hours per week and therefore earn $450. EDD will calculate a wage loss of $550 per week ($1,000 minus $450), and therefore reduce the SDI benefit from $600 to $550.

**Termination While Collecting SDI**

SDI benefits usually are not affected by a termination, layoff or voluntary quit so long as the employee remains disabled and meets EDD’s usual eligibility criteria.

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**CalChamber-Sponsored Seminars/Trade Shows**


**Labor Law**


Lead the Charge: Preventing Sexual

See CalChamber-Sponsored: Page 3

**CalChamber Calendar**

**Water Committee:**
September 6, Dana Point

**ChamberPAC Advisory Committee:**
September 6, Dana Point

**Board of Directors:**
September 6–7, Dana Point

**International Trade Breakfast:**
September 6, Dana Point

**Public Affairs Conference:**
November 27–28, Huntington Beach
Get Capitol Insider App for Latest Insights on Lobbying, Current Events

With just a few weeks remaining in the current session of the California Legislature, one way for readers to stay up-to-date on legislative activities is the Capitol Insider blog presented by the California Chamber of Commerce.

CalChamber launched the blog this year to provide insights from CalChamber policy advocates and experts on issues under consideration in Sacramento. Now, interested readers can gain easier access to the Capitol Insider blog via an app available to download from the iTunes and Google Play stores.

Blog posts provide examples of the wide range of subjects the CalChamber covers for members, including: the broad and potentially devastating impact of a court decision changing how to determine whether a worker is an independent contractor; remediation for lead paint used in homes; what makes a bill a job killer; the survival of some job creators; environmental groups’ shifting position on styrofoam containers; trial attorneys and data breach legislation; education reform; sexual harassment prevention legislation; a day in a policy advocate’s life; how the California Water Commission reacted to pressure via letters and media; the Legislature sticking to market mechanisms (cap-and-trade) to attain the state’s ambitious goals for reducing greenhouse gas emissions; and rulemaking by the California Division of Occupational Safety and Health (Cal/OSHA).

To download the Capitol Insider app, visit www.calchamber.com/mobile.

Mandatory E-File and E-Pay for All Employers

Effective January 1, 2018, all employers are required to electronically submit employment tax returns, wage reports, and payroll tax deposits to the Employment Development Department (EDD). Employers that aren’t already filing and paying electronically, can visit the Information Sheet: E-file and E-pay Mandate for Employers, DE 231EM; e-Services for Business User Guide, DE 160; FAQs—E-file and E-pay Mandate for Employers; Information Sheet: E-file and E-pay.

CalChamber-Sponsored Seminars/Trade Shows

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Harassment in Your California Workplace. CalChamber. September 17, Pasadena. (800) 331-8877.

Business Resources


International Trade

Vehicle Aftermarket Trade Mission to Chile. Auto Care Association and International Trade Administration. August 21–22, Chile. (301) 654-6664.

83rd Thessaloniki International Fair. HELEXPO. September 8–16, Thessaloniki, Greece.
Brazil FinTech Roadshow. Fintech. September 17–19, São Paulo, Brazil. (772) 388-6496.
Central America Energy Transition Roundtable. Institute of the Americas. September 20, Mexico City. (202) 646-5859.

Pay Data Disclosure Bill No Longer Job Killer

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to a composite of skill, responsibility and effort, should be paid the same wage rate, unless a bona fide factor for the disparity exists. The example used in the legislative debate on SB 1284 compared a housekeeper at a hotel who cleaned hotel rooms versus a janitor who cleaned the lobby. Although a housekeeper and janitor may be “substantially similar” based upon the skill, responsibility and effort required, it is unlikely that employees will have the same job title.

Aggregate data as proposed in SB 1284 fails to take these valid, non-discriminatory reasons into consideration and will create a false impression of wage discrimination where none exists. For example, there could be a disparity in the mean of salaries between two exempt employees because one employee has worked for the employer for only 6 months, whereas the other employee has been with the employer for 10 years.

In addition, a wage disparity could exist because one employee may be hired directly out of college while another employee has five years of prior experience in the same position. Moreover, a pay disparity could exist because one employee negotiated a higher salary while the other negotiated more flexible hours. These factors will not be effectively captured in the aggregate data under SB 1284, creating the impression of an equal pay violation where none may actually exist.

New, Separate Mandate

As drafted, SB 1284 presumes that the federal EEO-1 pay data reporting requirement already went into effect; however, the federal government has suspended the pay data provision of the EEO-1 reporting requirement.

Thus, SB 1284 creates a new reporting requirement for employers that do business in California. Also, SB 1284’s mandate is not identical to the proposed EEO-1 pay data reporting requirements that were supposed to go into effect.

For example, the lookback period for SB 1284 is one year from any pay period between July 1 and September 30 of each reporting year. In contrast, the EEO-1 proposed regulations were going to use a lookback period from October 1 to December 31. Thus, by using the proposed EEO-1 Report, employers will actually be in direct violation of SB 1284. This is just one example of the inconsistencies that will overburden employers by requiring them to comply with a new and separate mandate.

Employee Choices

SB 1284 requires employers to provide pay data regarding an employee’s total earnings as shown on the Internal Revenue Service’s Form W-2. However, a W-2 form does not take into account an employee’s own decisions and actions that also can create wage disparity which has nothing to do with discriminatory intent by the employer.

For example, an employee’s request to work part-time, reduced hours, or only on specific shifts that pay a lesser rate than others, will have an impact on the wages he or she earns. Per diem employees may work only one shift per month, at the employee’s own request.

Moreover, if the employee is a “sales worker” or performing another job where the employee actually earns.

Finally, a wage disparity also can be created by an employee’s personal choices as to pre-tax payroll deductions. One employee may max-out all pre-tax deductions for a 401(k), dependent child reimbursement, medical expense reimbursement, college savings, etc., while another employee may not request any such deductions be made to his or her paycheck. None of these employee choices and actions will be captured or reflected in the data collected pursuant to SB 1284 to justify a potential wage disparity. Again, this omission on the report will create the false impression of wage discrimination where none exists.

Premature

SB 1284 is premature because there is a Pay Equity Task Force assigned to analyzing the Equal Pay Act, as well as workplace and compensation policies that can lead to successful compliance with the act. The task force is supposed to release a report this year about the act. Thus, SB 1284 is premature because the Legislature should wait for the task force report before imposing a new mandate on employers.

For more information on the remaining job killer bills, visit www.CAJobKillers.com.

Staff Contact: Laura E. Curtis

2018 Midyear Employment Law White Paper

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updated regulations for hotel housekeepers and health care facilities.

Download Now

CalChamber members can download the white paper from the HR Library at HRCalifornia.com.

Nonmembers can download the white paper from the link at HRCalifornia.com.
Pending Proposal Limits Consumer Choices, Could Cause Higher Prices, Hurt Trade

A California Chamber of Commerce–opposed bill that could ban California sales of many personal care products is awaiting consideration by the Assembly. SB 1249 (Galgiani; D-Stockton) jeopardizes hundreds of thousands of California manufacturing, distribution and retail jobs by effectively banning for sale any personal care product whose ingredient was tested on animals on or after January 1, 2020 anywhere in the world, by anyone, at any time, and for any purpose.

As many cosmetic products contain active ingredients that are required by state, federal and international law to be animal tested for purposes of demonstrating human health and safety, SB 1249 severely handicaps American cosmetic companies that have no control over animal testing done on shared ingredients for purposes unrelated to cosmetics.

The original intent of the bill was to align California with current European Union (EU) regulations banning animal testing on cosmetic products or ingredients, which would have effectively made California the leading state with the toughest animal testing ban in the country.

As drafted, however, SB 1249 forces retailers to pull any personal care product, not just cosmetics, off the shelves if even one ingredient is tested on animals anywhere in the world, by any other industry, at any time, for any reason.

**Products Affected**

The coalition of SB 1249 opponents, including the CalChamber, is pointing out that SB 1249 could eliminate thousands of personal care products on which Californians rely each day, and prevent California consumers from having access to newer, safer or more affordable personal care products.

The SB 1249 ban would apply to a variety of products, including: sunscreen, lip balm with sunscreen, anti-cavity toothpaste, mouthwash, anti-dandruff shampoo, acne products, soap, antiperspirant, deodorant, cosmetics, hair color, nail products, under eye cream, moisturizer, body cream, body cleansers, face wash.

**Alternative Tests in Use**

Since the 1980s, the personal care products industry has invested hundreds of millions of dollars to develop scientifically valid alternative safety test methods.

Companies now consider animal testing only when mandated by government bodies or, in rare cases, for safety evaluations of new ingredients when no viable alternative is available.

**Ignores Science**

The State of California, U.S. Food and Drug Administration, and foreign governments require animal testing in limited instances when science dictates it is necessary to protect consumers, worker safety and the environment, and determine if ingredients found in food, over-the-counter medications and lifesaving treatments are safe for human use.

It is illogical for California to require animal testing on ingredients and then ban these ingredients from being used in California.

**Threatens Trade**

The EU regulation recognizes that some international laws mandate animal testing and does not ban for sale in the EU a product subject to such requirements. However, the EU regulation does not allow companies to use that data to substantiate the health and safety of a product—companies still must use alternative test methods in the EU.

SB 1249, however, bans for sale in California any personal care product that has been tested due to state, federal or international legal requirements. Moreover, SB 1249 could have wider trade implications as it would appear to prohibit imports into California from other countries where animal testing may have occurred. SB 1249 could be in violation of U.S. obligations under the World Trade Organization, including the Agreement on Technical Barriers to Trade.

SB 1249 also plays right into the hands of China’s protectionist trade policies by incentivizing U.S. companies to move their U.S.-based cosmetic manufacturing to China. That is because China’s animal testing regulations allow domestically located manufacturers to avoid its animal testing import laws for some cosmetic products, but require animal testing for all imported cosmetic products.

Therefore, SB 1249 will force U.S.-based cosmetic manufacturers that want to sell in California and China to move high-paying California jobs into China to avoid SB 1249’s product ban.

The coalition opposing SB 1249, including CalChamber, remains committed to an ongoing dialogue with the author’s office and aligning the bill with the provisions found in the EU regulation.

Staff Contact: Adam Regele
CalChamber Urges Agency to Withdraw Proposed Regulatory Amendments

In a comment letter this week, the California Chamber of Commerce and other employer groups urged the Fair Employment and Housing Council to withdraw proposed regulatory amendments regarding harassment and discrimination prevention and training because the proposed regulation will cause legal inconsistency. According to the Council, the goal of the draft regulation is to clarify the individuals to whom fair employment and housing laws apply and spell out requirements for a law passed in 2017 regarding a transgender rights poster and harassment prevention training on gender identity, gender expression, and sexual orientation. However, the proposed regulations go further than the intended stated purpose and create additional confusion for employers.

Concerns with Draft Regulation

The proposed changes to the regulations “drastically deviate” from current state and federal definitions about the number of weeks an individual needs to be employed for the regulations to apply. Moreover, the proposed regulations about harassment and discrimination prevention and correction and training are premature given the number of bills pending before the California Legislature on the subject.

The CalChamber said the council should wait for the end of the legislative year before imposing new employer mandates that may change as quickly as they are adopted.

The CalChamber also expressed concern that the draft regulations add to the definition of “employee” both “interns and unpaid volunteers,” as well as “persons providing services pursuant to a contract.” If properly classified, the CalChamber points out in its letter, an intern is not an employee. Whether a person is properly classified as an unpaid volunteer is determined by the parties’ intent. So long as the person intends to volunteer his/her services for public service, religious or humanitarian objectives, not as an employee and without expecting pay, the person is properly classified as a volunteer rather than an employee.

It is legally inaccurate to presume “persons providing services pursuant to a contract are employees,” the CalChamber states.

The CalChamber asked the council to delete “interns and unpaid volunteers, and persons providing services pursuant to a contract” from the definition of “employee” and to define each term separately so there is no presumption of an employer-employee relationship.

Providing conflicting definitions of an “employee” in various regulations regarding the Fair Employment and Housing Act, the CalChamber states, will only lead to confusion for employers, difficulty in compliance and increased exposure to liability despite good faith compliance efforts.

Next Steps

The council held a public hearing on the draft regulations on August 17. It may adopt the draft regulations as proposed or if it makes changes to the proposed text, it must make the modifications available for additional public comment.

CalChamber Revives Disaster Relief Fund to Help California Businesses

The fires blazing throughout California are just the most recent example of the disasters that have hit the state in recent years.

To provide assistance to help communities recover, the California Chamber of Commerce has revived its disaster relief fund.

Whereas past efforts focused on a single disaster, such as earthquakes or hurricanes, the revived fund will be a continuing program of collecting funds so they will be available to provide help to businesses for any type of catastrophe.

“One of the best ways to help revitalize the communities leveled by a fire or a natural disaster is to help their businesses recover,” said CalChamber President and CEO Allan Zaremberg. “The dollars raised by this campaign will give a badly needed boost to businesses in hard-hit areas.”

To Donate

Donations to the California Foundation for Commerce and Education (CFCE) disaster relief fund are tax deductible for both businesses and individuals.

Checks should be made payable to CFCE (Tax ID #51-0159900), Attn: Disaster Relief Fund, 1215 K Street, Suite 1400, Sacramento, CA 95814.
State Water Board Delays Final Action on Controversial Delta Plan

At the request of the administration, the State Water Resources Control Board plans to delay final action on the final draft plan update for the lower San Joaquin River and Southern Delta, a central part of the statewide system providing water to California farms and cities.

The update is part of the final draft Bay Delta Water Quality Control Plan and has been the subject of hundreds of letters, extensive public comment and a significant number of one-on-one meetings with various stakeholders and experts regarding the effects of altering stream flows in the San Joaquin River.

The State Water Board will accept oral comments on the update on August 21 and 22 as previously planned, but the revised meeting notice it issued this week states that final action will be deferred to a future meeting, with no date specified.

The Plan’s recommendation is pretty much unchanged from its earlier very controversial version released in September 2016 and is intended to increase the required flows left in rivers for the protection of fish and wildlife, but significantly reduce water available to water users in the Lower San Joaquin River Watershed and some of the coastal areas. The recommendation caused a loud outpouring of vitriolic comments from stakeholders and legislators in the press and at public State Water Board hearings about the economic damage and loss of jobs to communities.

The final Plan with some slight wording changes calls for a diversion target of 40% of “unimpaired flows” from February through June with a permitted diversion range of 30% to 50%, depending on conditions for the Stanislaus, Tuolumne and Merced rivers through to the San Joaquin River.

The State Water Board’s release of the final Plan on July 6 produced a similar outcry. Concerns were raised by a variety of water rights holders such as farmers and ranchers, but cities, counties and water districts also rebuked the State Water Board, saying the Plan will remove some of the nation’s most fertile farmland from production and seriously harm Northern and Central California economies. See the Capitol Insider blog for details.

Rally Participants Urge Legislators to Protect Independent Contractors

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**Dynamex Decision**

In late April, the California Supreme Court issued a decision in *Dynamex Operations West, Inc. v. Superior Court of Los Angeles*, No. S222732 (April 30, 2018), in which it set forth a new standard for distinguishing between an employee versus an independent contractor. (See May 4, 2018 Alert.)

This new test, called “ABC,” has never existed in any form of California law, either in statute or by regulation. The ABC test is the first time in U.S. history that such a test has been imposed by a court, without legislative approval, with three independently dispositive factors.

**Capitol Rally**

Speakers at the rally told moving stories about why they choose to be independent contractors and how that choice benefits them and their families.

According to the U.S. Bureau of Labor Statistics, 79% of independent contractors prefer this model of work over traditional employment.

**Livelihoods at Risk**

California is estimated to have nearly 2 million residents who choose to work as independent contractors. That figure is a conservative one as the 2018 U.S. Bureau of Labor Statistics Economic Release did not include the number of individuals who supplement their income with online platforms. This data is expected to be released by the department later this year.

Independent contractors work in many industries, including health care, education, financial planning, agriculture, beauty, creative fields (filmmaking, editors, writers), technology development, insurance, construction, on-demand marketplace and transportation.

In addition, the franchise business model is based on an independent contractor relationship between a franchisor and franchisee. California has more than 76,000 franchise locations that support nearly 730,000 jobs.

Without action this month, state legislators are putting the work of an estimated 2 million California independent contractors at risk.

After the rally concluded, independent contractors met with their state legislators to ask them to suspend application of the ruling beyond Dynamex workers until the Legislature has time to develop a solution during the next legislative session.

**I’m Independent Coalition**

This CalChamber-led coalition is working to build support for workers’ ability to work independently.

Through its website at imindependent.co, the coalition explains why state lawmakers need to suspend putting the Dynamex decision into effect (except for Dynamex workers) so that there can be a robust legislative discussion about how best to balance worker protections with a flexible work model.

(At center) Christopher Silva and Marco Silva (light blue jacket) of Silva Sons Transport Inc. are among the hundreds of independent contractors at the August 15 rally on the steps of the State Capitol.
Stop sexual harassment in the workplace before it starts.

Demonstrate your pledge against disrespectful and unprofessional behavior in your California workplace by providing all employees with harassment prevention training—including mandatory training for new supervisors and supervisors due for retraining.

CalChamber's California-specific training reinforces your company's zero-tolerance policy by educating employees on what harassment is, what it looks like, its consequences and what to do if they witness or experience harassment.

Take 20% off every online California harassment prevention seat you purchase now through 9/21/18.

Use priority code CHPA. Preferred and Executive members receive this offer in addition to their 20% member discount.

PURCHASE online at calchamber.com/hptalert or call (800) 331-8877.