Senate, Assembly Leaders Commit to Reg Reform

At a State Capitol press conference September 1, legislative leaders announced an agreement on legislation to reform the regulatory process.

SB 617 (R. Calderon; D-Montebello/Pavley; D-Agoura Hills) is expected to be amended to require that each regulatory agency adopting regulations that create a business or economic impact of $50 million must provide an economic impact analysis.

Proposals requiring economic analysis and alternatives have been a priority of Senate and Assembly Republicans throughout this year.

The economic impact analysis to be required by SB 617 must be consistent with a specific process established by the state Department of Finance to ensure its objectivity and adequacy.

Once reviewed by the Finance Department, the agency adopting the regulations must use the economic analysis to consider alternatives using cost-effectiveness as the baseline or default option.

If the agency adopts anything other than the most cost-effective option, it must state on the record why and justify

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CalChamber Releases Second News Video

The second installment of “CalChamber News” released this week highlights AB 889 (Ammiano; D-San Francisco), requiring homeowners who hire “domestic work employees” to comply with onerous wage-and-hour mandates that even sophisticated businesses in California struggle to satisfy. The video has generated other stories with statewide and national reach. See the video at www.calchamber.com or on YouTube.

Senate Key to Fate of Most ‘Job Killers’ in Closing Week of Legislative Session

As Alert went to press, the Senate had approved a “job killer” bill that will lead to inflated liability costs. Most of the remaining “job killer” bills identified by the California Chamber of Commerce were awaiting action by the Senate.

The Assembly was set to consider a proposed ban on polystyrene food containers. The CalChamber has been urging lawmakers to reject the “job killer” proposals, which threaten the state’s job climate and will slow economic recovery if passed.

The list below does not include the “job killer” tax bills, which require a two-thirds vote for approval and therefore are unlikely to move.

Costly Workplace Mandates
- AB 22 (Mendoza; D-Artesia) Hampers Employment Decisions.
  Unfairly limits private employers’ ability to use consumer credit reports for legitimate employment purposes, unless the information in the report is “substantially job-related” and for a “managerial position.”
- AB 375 (Skinner; D-Berkeley) Expands Costly Presumptions.
  Increases workers’ compensation costs for public and private hospitals by presuming certain diseases and injuries are

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Labor Law Corner

Vacation, Paid Time Off Vests at Full Value; No Forfeiture Allowed

Can a California employer buy back vacation or paid time off (PTO) hours at less than full value from California-based employees?

No. That would be a forfeiture of earned and vested vacation or PTO and in violation of Labor Code Section 227.3.

The code, in brief, provides that vacation to be cashed out at termination is vested and requires unused vacation to be vested and requires unused vacation to be cashed out at termination at the ending rate of pay. Further, there can be no forfeiture such as buying back at less than full value. Another example of forfeiture is a “use it or lose it” policy.

An out-of-state firm that has employees in California also is subject to Labor Code Section 227.3.

The state Labor Commissioner has always opined that leave time which is provided without condition is presumed to be vacation no matter what name is given to the leave by the employer. PTO has the same characteristics as vacation and therefore is considered to be vacation and subject to Labor Code Section 227.3.

The same reasoning applies to floating holidays. Holidays that are tied to a specific event such as a birthday are not considered vacation and therefore not vested.

The statute of limitations on vacation claims starts to run on termination. That is when any unpaid vacation is due. This means that an employee can file a claim for any vacation wages due from the beginning of employment. For example, that includes any forfeiture which occurred any time during his/her employment.

California Code of Civil Procedure provides a three-year statute of limitations for claims arising out of a statutory obligation such as Labor Code Section 227.3.

Forfeitures are illegal and claims can be filed with the Labor Commissioner and courts when records are cold or nonexistent. Adequate records should be maintained and a reasonable cap on accrual of vacation should be considered.

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.

CalChamber-Sponsored Seminars/Trade Shows

More information at www.calchamber.com/events.

Business Resources

International Trade
International Investment Forum. Sevastopol Institute of Banking of the Ukrainian Academy of Banking of the

CalChamber Calendar

Water Committee:
September 8, Rancho Palos Verdes
Board of Directors:
September 8–9, Rancho Palos Verdes
International Trade Breakfast:
September 9, Rancho Palos Verdes
CalChamber Fundraising Committee:
September 9, Rancho Palos Verdes
Taking Your Chamber’s PAC to the Next Level: October 14, Orange

Next Alert:
September 16
Several months ago, the California Chamber of Commerce released “Renew California,” a strategy to lead California to economic recovery. Since then, several events remind us of the need for what is contained in the plan. Among them are smaller-than-projected economic growth, which has made the fight for every job even more fierce. In addition, both the long- and short-term solutions to California’s budget woes require economic expansion and robust job creation.

Fortunately, we know the solutions that will put California back on the growth path. For that reason, it is no coincidence that CalChamber again highlighted “Renew California” as legislators returned to Sacramento. Focusing their efforts on eliminating the perception—and reality—that California has a bad business climate must be one of our main state priorities.

As the 2011 CalChamber Board chair and a vice president of a major California company, I am acutely aware of the Golden State’s anemic business climate. Depressing conditions are rampant in the nation and across California.

Here, rather than leading the national recovery as we should be, some data suggest that we actually are hampering economic recovery for the rest of the country. Unemployment and its impact—on everything from family balance sheets and government fiscal balances to housing markets—are animating the American political system.

**Restoring California Jobs**

But no significant improvement in our national numbers is likely to be meaningful without restoring the California jobs market. To revive America’s winning record, its former most valuable player needs to get hot again.

Unfortunately, California is struggling under the weight of one of the most difficult business climates in the country. For seven straight years, Chief Executive Magazine has ranked California as the worst state to do business in the country. Only a competitive business environment can provide a long-term solution to the fiscal challenges we face.

Our state should look around the country, identify what’s working and adopt those policies here. To address the shortcomings, policymakers must acknowledge the gaps.

It is important to point out that California has many advantages. Our positives include an outstanding system of higher education, an exceptional climate, an effective trade infrastructure, a well-educated workforce and the overall diversity of our economy. These factors, however, are hidden behind a policy framework that has been consistently hostile to business.

California’s negatives are unfortunately front and center. We hear the same things from businesses that have exited the state. They cite regulatory overreach, the high cost of doing business, including workers’ compensation rates, an unpredictable tax structure, energy costs and an extremely hostile litigation environment.

We need to do whatever is necessary to shore up those things that have made our state great and eliminate the problems confronting California’s employers. We need a practical, constructive, unified approach from all parties.

**Providing Certainty**

Our overarching goals in restoring a competitive business environment are clear:

- We must reduce the costs of employing people—period.
- We must encourage investment with a stable and fair tax system.
- Government must partner with businesses to streamline permitting and rationalize regulations.

- We must rebuild our trade infrastructure of rail, roads, bridges, ports and airports.
- We must deliver the world-class education that forms the backbone of a globally competitive workforce.
- And we must insist on transparency and accountability from government at all levels.

Achieving these goals will provide certainty to the business community and investors and support another golden age of economic growth. It will allow California to send a loud and clear message that we are, once again, open for business.

**Benchmarks**

My career has taken me to nearly 80 countries. I’ve seen what sound policies and incentives can achieve. We need to improve California’s manufacturing climate by benchmarking what others have done.

Proficiency in STEM education—science, technology, engineering and mathematics—is a key attribute supporting a strong manufacturing base. Manufacturers also need access to affordable, reliable energy, a pillar of overall economic competitiveness. California has long been a leader in promoting energy efficiency, but a growing population and an expanding economy will require more energy. We must ensure that the infrastructure is in place to deliver that energy when it is needed.

Economic recovery and job creation depend on the business community. Through the “Renew California” plan, CalChamber has delivered a road map to policymakers and the Governor so that we can take action to turn things in our state around.

We look forward to working together with Governor Jerry Brown and all parties committed to reclaiming California’s economic strength and our status as America’s MVP for job creation.

S. Shariq Yosufzai is 2011 chair of the CalChamber Board of Directors and vice president of Chevron Corporation.
Senate Key to Fate of Most ‘Job Killers’ in Closing Week of Session

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caused by the workplace, and establishes precedent for expanding presumptions into the private sector.

- **AB 1155 (Alejo; D-Watsonville)**
  Erods Workers’ Comp Reforms. Increases costs and lawsuits in the workers’ compensation system by eroding the apportionment provision that protects an employer from paying for disability that did not arise from work.

Economic Development Barriers

- **AB 350 (Solorio; D-Anaheim)**
  Costly Employee Retention Mandate. Inappropriately alters the employment relationship by requiring any successor contractor for “property services,” defined as licensed security, cleaning-related or light building maintenance, window cleaning or food cafeteria services, to retain employees of the former contractor for a minimum of 60 days and thereafter offer continued employment unless the employees’ performance during that period was unsatisfactory.

Employee Benefit Mandates

- **AB 325 (B. Lowenthal; D-Long Beach)**
  Unpaid Bereavement Leave. Adds to California’s reputation of being an overly litigious state by creating a private right of action and mandating an employer to provide an employee with up to three days of unpaid bereavement leave.

Expensive, Unnecessary Regulatory Burdens

- **SB 568 (Lowenthal; D-Long Beach)**
  Polystyrene Food Container Ban. Threatens thousands of manufacturing jobs within the state by inappropriately banning all food vendors from using polystyrene foam food service containers, ignoring the numerous environmental benefits associated with polystyrene products.

Assembly floor.

Inflated Liability Costs

- **AB 559 (Swanson; D-Oakland)**
  Undermines Judicial Discretion. Unreasonably increases business litigation costs by limiting judicial discretion to reduce or deny exorbitant attorneys fees in fair employment and housing claims that should have been raised in a limited civil proceeding. Passed Senate, August 31, 22-16. To enrollment.

- **AB 1062 (Dickinson; D-Sacramento)**
  Undermines Efficient Dispute Resolution. Dramatically increases litigation costs for employers by eliminating the right to appeal a court order denying or dismissing a petition to compel arbitration, driving more cases into the courts.

Legislative Leaders Commit to Reg Reform

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its choice.

“The proposal is an important step forward for California,” said CalChamber President and CEO Allan Zaremberg. “Requiring that all new regulations be analyzed for their impact on the economy and requiring agencies to give priority to the most cost-effective option are changes that California needs.

“These reforms will help begin to turn around the perception—and reality—that California has a bad business climate.”

Staff Contact: Marc Burgat

CalChamber President and CEO Allan Zaremberg speaks at a State Capitol news conference where Senate President Pro Tem Darrell Steinberg (D-Sacramento), at left, and Assembly Speaker John A. Pérez (D-Los Angeles), at right, expressed support for regulatory reform, a longtime business priority.

Action Needed

Contact your legislators and urge them to oppose the “job killer” bills. Easy-to-edit sample letters are available at www.calchambervotes.com.

Staff Contact: Marc Burgat

‘Job Killers’ Appear Stalled

Several “job killer” bills appeared unlikely to move further in the legislative process this year as Alert went to print.

It was reported that the author of a rate regulation proposal planned to delay further action on his bill until next year.

The bill, **AB 52 (Feuer; D-Los Angeles)**, creates uncertainty and delays for employers by creating an unworkable complex rate approval and regulation process for employer-sponsored health coverage and adds implementation fees on health insurers to support a complex and regulated plan approval process. It had been awaiting action by the Senate.

Two proposals seemed stalled in the Assembly Appropriations Committee:

- **SB 829 (DeSaulnier; D-Concord)**
  Undermines Employer Rights. Undermines employer rights in California Division of Occupational Safety and Health (Cal/OSHA) citations by allowing private parties to interfere with the appeals process which could impose significant costs on employers, the Cal/OSHA Appeals Board and on Cal/OSHA.

- **SB 535 (De León; D-Los Angeles)**
  Climate Change Tax Increase. Increases costs and discourages job growth by implementing unlimited fees and taxes under a cap-and-trade system.
Small Business Advocate of the Year
Veterinary Medicine Director Helps Chamber Fight for Local Business

For more than 40 years, Dr. Les Malo has been an active member of his community. A founding partner and director of medicine at the Garden Grove Dog and Cat Hospital, and president of the Orange County Emergency Pet Clinic, Malo has always considered himself to be a responsible businessman. Through the hospital, Malo had long done charity work for his community, but had never needed to get involved with local advocacy efforts.

When the city of Garden Grove began to consider removing the animal hospital from its location for a redevelopment project, Malo knew it was time to take action.

“I got started with the chamber because I was trying to protect my business,” Malo said. “For over 40 years we did charity work for our community. We did what every responsible member of the community does. But, all of a sudden [the city] made a decision to take the business out and I said, ‘No. Stop it!’”

Thanks to the Garden Grove Chamber’s support, the city dropped its plans to remove Malo’s hospital, which still stands at its original location today.

Of One, Many

Oftentimes, business owners are too busy running their businesses to demonstrate and speak out against what’s affecting them, Malo said. The chamber of commerce watches out for businesses and springs into action on their behalf.

“As a business person, you’re checking out the leaves of a tree,” he said. “By supporting a chamber of commerce, you have someone who’s looking at more than just the leaves of the tree, but at the whole forest.”

A chamber of commerce also is a difficult force to disregard. While a single person can be ignored by lawmakers, the chamber makes it hard for business issues to be overlooked, as the chamber is not just one voice; it represents a multitude of voices, emphasized Malo.

Advocacy Efforts

In June, the California Chamber of Commerce presented Malo with a 2011 Small Business Advocate of the Year Award to recognize him for his advocacy efforts on behalf of small businesses.

‘If Not Now, When?’

The chamber establishes its agenda based on what issues it thinks are the most important to local business, Malo said.

“We want to keep our businesses,” he said. “We want to make sure that government doesn’t do anything that makes us less competitive to other cities and, in a bigger picture, business in other states.”

Anything that over-regulates or increases the cost of manufacturing will limit businesses’ ability to compete. This in turn endangers businesses.

“If we perish, jobs perish,” he added. Chambers of commerce allow people to get involved in a wide variety of areas. Oftentimes, people don’t realize all the things that need to be done, but “they need to be done,” Malo said.

“The tentacles of business are everywhere and the reliance of one on another is everywhere,” Malo said. “So many things have an impact on your business. And being a member of a chamber of commerce makes you realize what you can do to influence them.”

Moreover, members of the business community can help legislators who simply don’t get how business operates, he pointed out.

“We see the unexpected consequences other people can’t see. If you’re an informed businessman, you can anticipate that and inform people,” Malo said.

This is one of the reasons advocacy is so important, he stressed.

“You sit back there and you think that from some magic the world is going to know what to bring to the party, but it’s not,” he said.

To illustrate the importance of what chambers of commerce do, Malo recalled the words of Hillel, an ancient rabbi and philosopher: “If I am not for myself, who will be for me? And if I am for myself alone, what am I? And if not now, when?”

“If business doesn’t take up its own advocacy, who do we expect will? If business is just for business, what is it?” Malo asked. “The chamber is proof that it’s not only for it and itself...If we don’t stand up and tell the people, ‘hey we [businesses] are not the bad guys,’ nobody gets it.”
National Labor Relations Board Requires New Union Rights Notice to Employees

The National Labor Relations Board (NLRB) is requiring that most private sector employers notify employees of their rights under the National Labor Relations Act (NLRA) by posting an 11” x 17” notice beginning November 14, 2011.

The California Chamber of Commerce will be preparing a compliance product in time for employers to distribute it to employees before the November 14 deadline. The NLRB has not yet released all the final poster specifications.

In addition to helping employers comply with the new posting requirement, the CalChamber has submitted a letter asking the NLRB to delay implementation of the notice requirement to January 1, 2012.

“We just don’t make any sense to require an employer to advocate to its employees to be union members and strike and picket. This will encourage unionization questions from employees to their employers, requiring employers to get costly legal advice, risk erroneously answering a question or ignoring their employees,” said CalChamber President and CEO Allan Zaremberg.

Background

The NLRA was enacted in 1935 and regulates most private sector labor-management relations in the United States. The NLRA excludes agricultural, railroad and airline employers. Certain small businesses may be excluded if they are not under the NLRB’s jurisdiction. In addition, the NLRB has agreed to exempt the U.S. Postal Service from the new posting requirement.

In justifying the new requirement, the NLRB states that “many employees protected by the NLRA are unaware of their rights under the statute” and that the requirement to post the notice “will increase knowledge of the NLRA among employees, in order to better enable the exercise of rights under the statute.”

Notice

The poster must be placed in a conspicuous place readily seen by employees. Employers must post the notice on an intranet or Internet site if personnel rules and policies are customarily posted there. Requirements for printing the poster in languages other than English if more than 20 percent of employees speak that other language also are detailed.

The notice is similar to one the U.S. Department of Labor requires for federal contractors. Text of the notice included as an appendix to the final NLRB rule states, among other points, that employees have the right to:

- organize a union to negotiate with their employer about wages, hours and working conditions;
- form, join or assist a union;
- bargain collectively with their employer;
- discuss wages and benefits and other terms of conditions of employment or union organizing with co-workers or a union;
- strike and picket, depending on the purpose or means of the strike or the picketing; and
- choose not to do any of these activities, including joining or remaining a member of a union.

The notice provides examples of unlawful employer and union conduct and tells employees how to contact the NLRB with any questions.

Small Business Exclusion

Some very small employers will not be subject to the notice requirement because they are not under the NLRB’s jurisdiction.

The NLRB does not exercise jurisdiction over small businesses whose annual volume of business has only a slight effect on interstate commerce. The NLRB generally applies two standards to determine if it has jurisdiction:

- the retail standard, including home construction. The NLRB will take jurisdiction over any such employer with a gross annual volume of business of $500,000 or more.

- the non-retail standard, which applies to most other employers. It is based on the amount of goods sold or services provided by the employer out of state (“inflow”) or goods or services purchased by the employer from out of state (“outflow”). The NLRB will take jurisdiction over any employer with an annual inflow or outflow of at least $50,000.

Small businesses who are unsure if they are under the NLRB’s jurisdiction and subject to the poster requirement should consult with labor counsel.

Coalition Protest

The CalChamber and a coalition of employers had argued in February that the NLRB was overstepping its authority in requiring the notification and that the proposed requirement was unnecessary and imposed an undue burden on employers.

The NLRB said it believes it has demonstrated it has the statutory authority to require the posting.

The NLRB reported receiving 7,034 comments from employers, employees, unions, employer organizations, worker assistance organizations “and other concerned organizations and individuals, including two members of Congress.”

A majority of comments opposed the rule or aspects of it, according to the NLRB, but many opposing comments contained suggestions for improvement.

Modifications the NLRB said it made in response to comments include not requiring employers to distribute the notice via email, voice mail, text messaging or related electronic communications even if they customarily communicate with employees in that manner; and allowing notices to be posted in black and white as well as color.

Q & A Sheet

A questions-and-answers sheet about the “Employee Rights under the NLRA” poster requirement is available on HRCalifornia as part of the HRWatchdog blog.

Staff Contact: Gail Cecchettini Whaley
Court Ruling on Cost-of-Living Adjustments Is Workers’ Comp Victory for Employers

California employers and insurers scored a victory in a recent California Supreme Court decision on annual cost-of-living adjustments for certain workers’ compensation claimants.

In the case of Christine Baker v. Workers’ Compensation Appeals Board and X.S., the court looked at how the Legislature intended cost-of-living adjustments to be calculated for total permanent disability and life pension payments.

The question before the court was whether a 2002 law required the total permanent disability and life pension payment cost-of-living adjustments to be calculated:

- prospectively from January 1 following the year in which the worker first becomes entitled to receive benefits;
- retroactively to January 1 following the year in which the worker is injured; or
- retroactively to January 1, 2004 for every case regardless of the date of injury or the date the first benefit payment becomes due.

Supreme Court Ruling

The Supreme Court ruling agreed with a friend-of-the-court brief filed by the California Chamber of Commerce that the Legislature intended that cost-of-living adjustments be calculated and applied prospectively beginning on the January 1 following the date on which the injured worker first becomes entitled to receive and actually begins receiving benefit payments.

Background

The case involved “X.S.,” a shortened version of a fictitious name assigned by the presiding workers’ compensation administrative law judge to protect the applicant’s medical privacy.

X.S. was injured in January 2004 while employed as an accountant/controller, and eventually was deemed eligible to receive $728 weekly for life.

A dispute arose when the applicant claimed the weekly payments that began on October 20, 2006 should be increased to reflect annual increases in the state’s average weekly wage by calculating retroactive cost-of-living adjustments from the January 1 following the date on which he was injured to the date on which his total permanent disability payments began.

The Workers’ Compensation Appeals Board said the cost-of-living adjustment should apply on the January 1 following the date of injury, regardless of when the first payment was received.

The Court of Appeal, however, annulled the board’s decision and sided with the California Applicants’ Attorneys Association, finding that the cost-of-living adjustment begins to accrue January 1, 2004, without regard to the date of injury. The appeals court reasoned that otherwise a worker whose total permanent disability does not become permanent and stable for a number of years would see payments “exposed to the ravages of inflation over time, eroding the real value of the benefits.”

Double Windfall Nixed

The Supreme Court overruled the Court of Appeal, finding the lower court’s interpretation to be at odds with the language of the law and could result in a “windfall ‘double escalator’” by applying the cost-of-living adjustment retroactively from January 1, 2004 until the date the worker was injured. Because the indemnity payments owed to the injured worker were already increased by statute, there was no reason for the Legislature to have further included a cost-of-living adjustment increase.

Pointing to the very same legislative records highlighted by the CalChamber during oral argument in May, the state high court also cited the language of the law in finding “no compelling reason” to conclude the Legislature intended the cost-of-living adjustments in the law to “broadly redress all the potentially erosive effects of inflation” in the two categories of disability benefits covered by the section of law in dispute.

This ruling results in the most favorable interpretation possible for California employers and insurers, representing potential savings of billions of dollars in these two categories. Staff Contact: Erika Frank

CalChamber-Sponsored Seminars/Trade Shows

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(310) 263-3060.


November 28–30, Alexandria, Egypt.


Labor Law

Determining Independent Contractor Status. CalChamber. September 8, Webinar; September 19, On Demand. (800) 331-8877.
Register for Our Webinar on Determining Independent Contractor Status

One of the top 10 things employers do to get sued is make everyone an “independent contractor.” Just because you want the employee to be one, or because the employee prefers independent contractor status does not make it so. Before classifying an individual as an independent contractor, familiarize yourself with the many factors the government uses to determine independent contractor status.

Not sure if someone is an independent contractor? Then you will want to attend this webinar presented by our top employment law experts.

THURSDAY SEPTEMBER 8, 2011

10:00 a.m. – 11:30 a.m. PDT
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