Supreme Court Rejects Security Screening Time Pay

On December 9, the U.S. Supreme Court unanimously held that employees need not be paid for time spent undergoing an employer’s security screening at the end of a work shift. *Integrity Staffing Solutions, Inc. v. Busk.* The case involved hourly warehouse workers who retrieve and package products for delivery to Amazon.com customers. The employees alleged they spent roughly 25 minutes at the end of each day waiting for and undergoing security screening before leaving the warehouse and that such time should be compensated under the Fair Labor Standards Act (FLSA). The decision turned on the Portal-to-Portal Act of 1947, which amended the FLSA to exclude from compensation activities that are “preliminary” or “postliminary” to an employee’s “principal activities.” The court held that security screenings were not compensable as postliminary activities because they were not “integral and indispensable” to the principal activities the employees were employed to perform. The court reasoned that the employees were employed to retrieve and ship products, not to pass through security screenings, and such screenings were neither integral nor indispensable because if the employer eliminated the screening, the employees’ ability to do their jobs would not be compromised.

NLRB Finalizes Union Election Rule

On December 12, the National Labor Relations Board (board) adopted a final rule on representation case procedures, which was published in the Federal Register on December 15, and will take effect on April 14. The rule significantly increases the pace of board election procedures to determine if a union will represent employees for collective bargaining. Among other things, the rule requires employers to distribute notice to employees and to provide personal email addresses and phone numbers to unions to communicate about elections. The rule also provides for electronic document filing and shorter procedural time periods. For instance, a pre-election hearing for the board to determine whether an election will proceed will generally be set for eight days after a notice of the hearing is served. Litigation during pre-election hearings generally will be limited to issues of whether the election should be conducted with the possibility of deferring eligibility questions until after the election if such questions are not mooted by the election results. Elections will no longer be automatically stayed for 25-30 days in anticipation of review requests, and review will be consolidated by a single post-election request. Post-election hearings generally will be set for 14 days after objections are filed.
**NLRB Reverses Employers’ Ability To Ban Employee Nonwork Email Use**

On December 11, the National Labor Relations Board (board) held that where an employer provides an employee with email access, the employee is presumptively allowed to use that email during nonworking time for Section 7 protected communications. *Purple Communications, Inc.* Section 7 of the National Labor Relations Act provides statutory protection for employees to communicate with one another about union organizing and their terms and conditions of employment. In *Purple Communications*, the board expressly overruled its 2007 decision in *Register Guard*, which held that an employer could completely prohibit employees who otherwise have email access from using the employer’s email system for Section 7 purposes without demonstrating any business justification as long as the ban was not applied discriminatorily. The *Purple Communications* board pointed out that its decision applied only to email, did not require employers to provide email access to all employees, and left the door open to employers demonstrating special circumstances that may justify a total ban on nonwork email or establishing restrictions to ensure efficient operation of the email system, such as prohibiting large email attachments.

**EEOC Challenges Employer Wellness Programs**

The U.S. Equal Employment Opportunity Commission (EEOC) recently filed its first lawsuits over employer wellness programs. First, the EEOC sued an employer for allegedly violating the Americans with Disabilities Act (ADA) by penalizing an employee for not participating in its corporate wellness program and discharging the employee allegedly in retaliation for her refusal to participate and to submit to related medical testing. *EEOC v. Orion Energy Sys. Inc.*, Civ. A. No. 1:14-cv-1019 (E.D. Wisc.) While EEOC guidance permits employers to offer voluntary wellness programs and related medical testing, the EEOC prohibits employers from penalizing employees who do not participate in those programs. In *Orion*, the alleged penalty was requiring the employee to pay her entire health care insurance premium plus a $50 monthly fee for not participating. In a second suit, the EEOC similarly claimed a violation of the ADA when the employer allegedly cancelled an employee’s medical coverage where the employee was unable to complete health testing and a risk assessment while on medical leave. *EEOC v. Flambeau, Inc.*, Civ. A. No. 3:14-00638 (W.D. Wis.). In connection with this suit, the EEOC stated that an employer cannot shift all health insurance costs for employees who refuse to participate in wellness programs. In a similar third case, the EEOC initially failed to obtain an injunction against an employer to prevent it from assessing surcharges to workers who do not undergo health screening, including blood and body mass testing. *EEOC v. Honeywell Int’l Inc.*, Civ. A. No. 0:14-cv-04517 (D. Minn.). On a related note, the EEOC’s most recent regulatory agenda indicates the EEOC intends to propose rules on employer wellness programs and financial incentives in 2015, including by amending regulations under the ADA and the Genetic Information Nondiscrimination Act.

**Minimum Wage Increases In NY, CT, NJ and for Federal Contractors**

Minimum wage rate increases will soon be taking effect in several states and cities and for government contractors. In New York, the minimum wage is increasing to $8.75 per hour effective December 31, and in Connecticut and New Jersey, the minimum wage is increasing to $9.15 and $8.38 per hour, respectively, effective January 1. In San Francisco, San Jose and San Diego, the hourly minimum wage increases to $11.05, $10.30 and $9.75, respectively, on January 1. On December 2, Chicago also passed an ordinance to increase its minimum wage to $10 per hour, effective July 1, with annual increases until 2019.

Likewise, the minimum wage for federal government contractors and subcontractors will increase from $7.25 to $10.10 per hour on January 1, with annual adjustments thereafter based on Consumer Price Index increases. For covered tipped employees, the minimum wage increases to $4.90 per hour on January 1, 2015, with annual increases thereafter until it reaches at least 70 percent of the minimum wage for covered non-tipped employees. Contractors and subcontractors must insert minimum wage provisions in covered contracts and notify workers under those contracts of the minimum wage rate. Increases apply to replacements for expiring contracts and to new contracts that result from solicitations issued after January 1, or contracts that are awarded outside the solicitation process after such date. A final implementing rule also addresses procedures for reporting complaints and resolving disputes as well as penalties for violations, which may include payment of back wages and debarment for up to three years.

**New York Job Protections for Ebola Health Care Workers**

New York Gov. Andrew Cuomo and New York City Mayor Bill de Blasio announced a program of financial incentives and employment protections for health care workers traveling to West Africa to assist in the treatment of Ebola patients. The program is modeled on the benefits and rights provided to military reservists and seeks to ensure the seamless continuation of pay, health care and employment (continued on page 3)
New York Job Protections for Ebola Health Care Workers (continued from page 2)

following a health care worker’s return to the United States. In furtherance of these goals, the state of New York has offered to provide necessary reimbursements to health care workers and their employers for any required quarantines.

New York Emergency Responder Leave Law Takes Effect

Effective December 22, New York’s unpaid leave law for volunteer emergency responders takes effect. The law, which was signed by Gov. Andrew Cuomo on September 23, requires volunteer firefighters and volunteer ambulance workers to be granted unpaid leave during periods when the federal or state government has declared a state of emergency. Such leave may be charged against other leave to which the employee is entitled. To be eligible for leave, the employee must previously have provided the employer with written documentation regarding his or her volunteer membership. A waiver is possible if the employee’s absence would cause an undue hardship on the employer’s business.

NLARB Affirms Ruling Prohibiting Class Arbitration Waiver

The National Labor Relations Board (board) recently affirmed its controversial decision in D.R. Horton, Inc., (357 N.L.R.B. No. 184), which held that a mandatory arbitration agreement precluding employees from bringing joint, class or collective workplace claims in any forum violates the National Labor Relations Act (NLRA). Murphy Oil USA, Inc., 361 NLRB No. 72. In Murphy Oil, the board held that an employer violated the NLRA by requiring its employees to agree to resolve all employment-related claims through individual arbitration and by taking steps to enforce its arbitration agreements when its employees filed a collective claim under the Fair Labor Standards Act (FLSA). The board ruled this was unlawful on the basis that employees, by joining class or collective actions, were exercising their right to engage in concerted protected activity under the NLRA. Murphy Oil recognized decisions by the U.S. Court of Appeals for the Second, Fifth and Eighth Circuits, which rejected the D.R. Horton conclusion that arbitration pacts barring class or collective claims violate federal labor law. However, Murphy Oil ultimately decided against adopting the reasoning of those courts.

California Bill Limits Arbitration Agreements

California Gov. Jerry Brown recently signed into law Assembly Bill 2617, which bars a person from requiring another to waive certain state civil rights protections as a condition to entering into a contract for goods or services. Such protections include the right to file a complaint with a governmental entity or pursue a claim in court. Notably, the bill expressly precludes pre-dispute arbitration agreements. However, the bill leaves intact the option to enter into post-dispute agreements, provided that both parties do so knowingly, voluntarily and in writing. The new law takes effect January 1, and likely will be challenged on the basis of preemption by the Federal Arbitration Act.

California Federal District Courts Uphold Arbitration PAGA Waivers

The third quarter of 2014 brought decisions from each of California’s four federal district courts that are at odds with the California Supreme Court’s June 2014 holding in Iskanian v. CLS Transp. L.A., LLC, 59 Cal. 4th 348. See June 2014 edition of Employment Flash. Iskanian held that arbitration agreements with mandatory class action waivers generally are enforceable but that the Federal Arbitration Act (FAA) does not preempt California state law prohibiting waiver of representative actions under the Labor Code. Private Attorneys General Act of 2004 (PAGA). PAGA allows employees, acting as “private attorneys general,” to sue employers for certain Labor Code violations with 75 percent of any penalties recovered going to the state and 25 percent to the employees. Each of California’s federal district courts has now enforced PAGA waivers in arbitration agreements, finding FAA preemption of California’s rule against PAGA waivers. Lucero v. Sears, No. 3:14-cv-01620 (S.D. Cal.); Mill v. Kmart Corp., No. 14-CV-02749-KA-A (N.D. Cal.); Langston v. 20/20 Companies, Inc., No. EDCV 14-1360 JGB SPX (C.D. Cal.); Ortiz v. Hobby Lobby Stores, Inc., No. 2:13-cv01619 (E.D. Cal.).

California Courts Disagree on Who Decides Class Arbitrability

California’s Second and Fourth Appellate Districts recently reached opposite conclusions on whether courts or arbitrators should decide if an agreement authorizes class arbitration where the arbitration agreement is silent on the issue. Two divisions within California’s Fourth Appellate District have held that courts, not arbitrators, must decide whether arbitration agreements allow class action arbitration, unless there is a clear and unmistakable agreement that designates the arbitrator as the decision maker. Network Capital Funding Corporation v. Papke, 230 Cal. App. 4th 503 (2014); Garden Fresh Rest. Corp. v. Super. Ct., No. D066028 (Cal. Ct. App. 2014). The Second Appellate District held differently, following the U.S. Supreme Court’s opinion in Green Tree Fin. Corp. v. Bazzle, 539 U.S. 444 (2003), which concluded that the question of whether an agreement allows class arbitration is merely a procedural question presumptively for
California Courts Disagree on Who Decides Class Arbitrability (continued from page 3)

the arbitrator to decide. *Sandquist v. Lebo Automotive, Inc.*, 228 Cal. App. 4th 65 (2014). Recognizing that the Supreme Court later clarified that *Bazzle* is not binding authority, the Second District found it persuasive.

**EEOC Files First Sex Discrimination Suits For Transgender Employees**

Two and a half years after the U.S. Equal Employment Opportunity Commission (EEOC) first determined that discrimination against transgender individuals constitutes sex discrimination and is actionable under Title VII of the Civil Rights Act of 1964, the EEOC filed its first lawsuits alleging sex discrimination against transgender workers. In one case, the EEOC alleged that an employer improperly fired an employee after the employee disclosed she was transitioning from male to female and would present herself in female clothing, allegedly telling the employee that what she was “proposing to do” was unacceptable. *EEOC v. R.G. & G.R. Harris Funeral Homes, Inc.*, Civ. A. No. 2:14-cv-13710 (E.D. Mich.). In the other case, the EEOC claimed an employee was fired for similar reasons, mainly after notifying her employer of her transition from male to female and wearing feminine clothing to work. Although the employee was told her position was being eliminated, the employer allegedly hired a male worker for the same position. *EEOC v. Lakeland Eye Clinic, P.A.*, Civ. A. No. 8:14-cv-02421 (M.D. Fla.). The EEOC has signaled that these suits are part of a wider strategic effort to prioritize coverage of gay and transgender employees under Title VII.

**NLRB Approves Social Media Disclaimer**

The National Labor Relations Board (board) Division of Advice recently found that an employer lawfully could require its employees to include a disclaimer when expressing their views on a website or blog indicating the views are the employee’s and not necessarily the employer’s. *U.S. Security Assocs., Inc.*, No. 04-CA-66069. The board found that such a disclaimer was lawful because the employer has a legitimate interest in protecting itself against unauthorized postings and the disclaimer would not unduly burden employees’ Section 7 rights. The board also found that this employer’s rule requiring employees to express themselves on social media in a “respectful manner” was lawful since the employer used the requirement in other sections of the handbook in a manner that would not inhibit employees’ Section 7 rights. However, the board ruled several of the employer’s provisions were unlawful, including its ban on discussing confidential and sensitive information, its ban on linking or referring to its website absent prior written approval, and its ban on posting social media material that is “embarrassing” to another person, the employer or customers.

**Federal Contactor LGBT and Veteran Developments**

On December 3, the Labor Department Office of Federal Contractor Compliance Programs (OFCCP) announced a final rule barring federal contractors from discriminating against lesbian, gay, bisexual and transgendered employees. This rule implements Executive Order 13672, which President Obama signed in July 2014. The final rule requires, among other things, federal contractors to update their equal opportunity clauses but does not change their data collection or analysis requirements.

Separately, the OFCCP released a new compliance evaluation scheduling letter and accompanying Itemized Listing. The new Itemized Listing includes documentation of recently effective requirements under Section 503 of the Rehabilitation Act and Section 4212 of the Vietnam Era Veterans’ Readjustment Assistance Act; makes substantial changes to the content and form for reporting compensation data; and expands employment activity data reporting for applicants, hires, promotions and terminations to include individual race and ethnicity. These documents will be used for new audits.

The Department of Labor’s Veterans’ Employment and Training Service (VETS) issued a final rule altering the reporting requirements on veteran employment and hiring for federal contractors. The final rule renames the VETS-100A Report to VETS-4214 Report and provides that contractors can now report the total number of protected veterans in their workforce in the aggregate, rather than by each category of veterans protected by the statute. Federal contractors will not be required to comply with this rule until the reporting cycle in August 2015.

**New York City Earned Sick Time Rules**

New York City recently issued rules requiring employers to amend their written sick leave policies to address certain permissible limitations on sick leave. For instance, a written sick leave policy must contain any minimum amount of sick leave (not to exceed four hours) that employees must use in a day. The policy also must contain any required employee advance written notice (up to seven days) before taking leave for foreseeable reasons and the procedures for providing such notice. Further, the policy must address any medical documentation requirement (only allowed after an employee uses three consecutive workdays) and consequences for not providing such documentation. Other topics that must be addressed include any requirement for verification from the employee that sick time was used for a permitted purpose, any annual sick leave front-loading (as opposed to accruing over time), and any payout or donation policy.
California Imposes Joint Liability for Labor Contractors

Assembly Bill 1897, effective January 1, adds a new provision to the California Labor Code (Section 2810.3) that significantly extends legal responsibility and civil liability for employers who use contractors. Under the bill, “client employers” are jointly liable when their labor contractor commits wage, hour or workplace safety violations, or fails to obtain workers’ compensation coverage for workers supplied to the client employer. “Client employers” are defined as business entities with 25 or more employees that have at least six workers at any given time supplied by staffing agencies or other labor contractors to perform labor within or upon the entity’s premises or worksites and within the usual course of business. “Labor contractors” are defined as individuals or entities that supply, either with or without a contract, a client employer with workers to perform labor within the client employer’s usual course of business, with exclusions for certain nonprofits, labor organizations, hiring halls operating under a collective bargaining agreement and motion picture payroll services companies. The bill also excludes from coverage as “workers” employees who are exempt from overtime compensation under California’s executive, administrative or professional wage orders.

President Obama Announces Immigration Actions

On November 20, President Obama announced a series of executive actions relating to immigration. These included the following initiatives aimed at supporting U.S. high-skilled businesses and workers:

- Publication by U.S. Citizenship and Immigration Services (USCIS) of a final rule allowing employment authorization for certain H-4 visa holders (spouses H-1B visa holders) where the principal H-1B holder has applied for permanent residence.

- Increased consistency for the L-1B visa program (reserved for intracompany transferees with specialized knowledge), through issuance by USCIS of a memorandum on the meaning of “specialized knowledge.”

- Reformation by USCIS and U.S. Immigration and Customs Enforcement of Optional Practical Training (OPT) for foreign students and graduates of U.S. universities through expansion of the degree programs eligible for OPT and extension of the time period and use of OPT for STEM (science, technology, engineering and mathematics) students and graduates.

- Clarification by USCIS with respect to AC21 permanent portability (for foreign workers with pending adjustment applications who wish to change jobs) including on job changes that constitute the “same or similar job” and promotions to supervisory positions and transitions to related jobs in the field are permitted.

- Clarification of the standard through which an EB-2 national interest waiver can be granted and proposal of a program that would permit parole status for inventors, researchers and founders who have been awarded substantial U.S. investor financing or otherwise hold potential for job creation through new technologies or research.

Initiatives also were announced to modernize the PERM (labor certification) program and to modernize and streamline the U.S. visa system, among others. With limited exceptions, timeframes for the implementation of the executive actions are to be determined.

Germany Implements Minimum Wage Act

Germany’s Minimum Wage Act (MWA) becomes effective January 1. The MWA, which applies throughout Germany and across all industry sectors, requires employers to pay a minimum wage to all their employees of at least EUR 8.50 gross per hour. Transitional regulations apply to certain industries, which may delay implementation until January 1, 2018. The MWA also covers employees employed in Germany by non-German companies even if the employment relationship is not governed by German law. As wages typically are paid monthly in Germany, the reference period for which the minimum wage must be paid is the calendar month. Accordingly, the total monthly compensation divided by the hours worked (including overtime) must equal the minimum of EUR 8.50 per hour. Variable parts of a salary paid for a quarter or a calendar year (e.g. commissions or annual bonuses) likely may only be considered in the month of payment but not for the overall period for which they are intended to compensate. Significantly, the MWA imposes compliance obligations on companies that contract out work. A company that hires a contractor needs to ensure that such contractor complies with the MWA, otherwise, the contractor’s employees may sue the company for the unpaid portion of the minimum wage. (The company could then seek such amounts from the contractor.) Violations of the Minimum Wage Act can result in fines, with fines for repeated and significant violations of up to EUR 500,000.
United Kingdom Holiday Pay Entitlements

European Union (EU) working-time legislation requires employers in Europe to give employees statutory minimum paid holiday (or vacation) of at least four weeks (or 20 days) a year. United Kingdom (U.K.) employees are entitled to a minimum of 28 days of paid leave a year, including any public holidays, but employers often grant slightly more. A recent flurry of cases in European and U.K. courts have addressed the requirement to pay “normal pay” during an employee’s statutory leave, requiring employers to reassess their holiday pay calculations and include regular payments that are intrinsically linked to the work performed by employees.

Typically (and in accordance with the U.K. Working Time Regulations 1998 (WTR)) employers have paid holiday pay based on salary only, including regular compulsory overtime or shift payments. For employees with irregular hours (and commensurate pay), that salary is based on their average earnings in the 12 weeks preceding the leave taken. Earlier this year, the European Court of Justice (ECJ) found that an employee’s “normal pay,” on which holiday pay is based, includes commission that is “directly linked” to the employee’s work. *Lock v British Gas* [2014] IRLR 648. The ECJ concluded that the commission payable should be based on the average commission earned over a representative reference period. This case will now return to the U.K. Employment Appeal Tribunal (EAT) and is due to be heard in February 2015. The key questions arising from this decision are whether the U.K.’s reference period of 12 weeks is correct, what other payments might be included in “normal pay” and, significantly for employers, how far back employees’ claims for underpaid holiday pay could go. The latter two questions were answered partially with the EAT’s November decision in *Bear Scotland & Ors v. Fulton & Ors UKEATS/0047/13BI*, which found:

- Both guaranteed overtime and non-guaranteed overtime that an employee is required to work should be included in holiday pay;
- Travel allowances (but not expenses) should be included in holiday pay;
- These payments apply only to the EU statutory minimum holiday of 20 days a year (European Leave) and not the longer U.K. statutory period or additional contractual holiday; and
- Underpaid holiday should be treated as a claim for deduction from wages. Where there have been repeated underpayments, they result in a series of deductions. The limitation period for bringing these claims is three months from the last deduction in the series, but the series will be broken by a gap of three months or more between deductions.

Although not part of the final decision, this case suggests that the 20 days’ European Leave should be deemed taken first in the employer’s holiday year, which would assist in breaking the series of deductions and limiting back pay claims. Employers and a government task force in the U.K. are assessing the implications of these decisions and the proper calculation of pay and scope of back pay claims.

United Kingdom Shared Parental Leave Law

On December 1, the provisions in the United Kingdom Children and Families Act 2014 for shared parental leave (SPL) took effect. Mothers (or primary adopters) must take two weeks of compulsory maternity leave immediately after the birth, but thereafter eligible parents whose child is due to be born, or in the case of adoption, placed, on or after April 5, will be able to share the balance of the mother’s entitlement to 52 weeks of maternity leave and 39 weeks of statutory (government paid) maternity pay. Fathers (or eligible partners, including same sex partners) also will be entitled to two weeks of paternity leave at the time of the birth.

The SPL scheme is flexible, so both parents can take SPL at the same time, subject to each being employed by their employer for 41 weeks before the expected date of birth and meeting the National Insurance earnings threshold. The father/partner will have the same rights as the mother/primary adopter with regard to employment protection and return to work and maternity (or shared parental) pay. To claim SPL the mother must serve eight weeks’ notice on her employer, indicating how the SPL will be split between the parents. The notice provisions and entitlements are not simple. For example, both parents can ask to take SPL as one continuous period or in up to three separate blocks each, returning to work in the meantime. Employers can, however, refuse a proposed pattern of leave, having allowed at least 14 days to discuss this with the employees. The SPL rights cover statutory entitlements only, but employers will be under pressure to align SPL with any enhanced contractual maternity rights. Although maternity pay rights have long been specially protected in Europe, employers cannot rule out the possibility of sex discrimination claims if contractual shared parental pay is less favourable than their usual maternity practice.
Employment Flash provides information on recent developments in the law affecting the corporate workspace and employees. If you have any questions regarding the matters discussed in this newsletter, please call one of the following attorneys or your regular Skadden, Arps contact:

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