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Collective Bargaining Agreements Trump California Daily Overtime Rules, California Court Finds

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Employees covered by a collective bargaining agreement that undisputedly provided "premium wage rates for all overtime hours worked" under Section 514 of the California Labor Code are not entitled to additional daily overtime, as a California Court of Appeal decision has confirmed. Vranish v. Exxon Mobil Corp., No. B243443 (Cal. Ct. App. Jan. 22, 2014). Based on Section 514's plain language, its legislative history and guidance from the California Department of Industrial Relations, Division of Labor Standards Enforcement ("DLSE"), the*Vranish* Court rejected the employees' attempt to import the daily overtime requirement into their collective bargaining agreement and affirmed summary judgment in favor of the employer.

Background

George Vranish, Jr. and others (collectively, "employees") worked at an on-shore facility near Gaviota, California. The Exxon Employees Federation-Western Division (the "Union") represented the employees. The Union and the employer entered into a collective bargaining agreement ("CBA") outlining the employees' work schedules, rates of pay, and overtime.

Under the CBA, the employees regularly worked seven 12-hour shifts in a seven-day period then had seven days off. The CBA further provided that the employees were paid overtime at a rate of one-and-one-half times their regular rate for all hours worked in excess of 40 per workweek or 12 hours per workday, but overtime was not paid for hours worked between eight and 12 in a workday. It was undisputed that the employees were paid all overtime due and that their regular rate exceeded the California minimum wage by at least 30 percent.

The employees sued the employer for its alleged failure to pay overtime for all hours over eight in a workday in violation of Section 510 of the California Labor Code. The employer asked the trial court to dismiss the employees' claims because Section 514 of the Labor Code exempts covered collective bargaining agreements from Section 510. The trial court agreed. It dismissed the employees' complaint and the employees appealed.

Applicable Law

Section 510 of the Labor Code provides, in relevant part: "Any work in excess of eight hours in one

workday . . . shall be compensated at the rate of no less than one and one-half times the regular rate of pay for an employee." However, Section 514 of the Labor Code states: "Sections 510 and 511 do not apply to an employee covered by a valid collective bargaining agreement if the agreement expressly provides for wages, hours of work, and working conditions of the employees, and if the agreement provides premium wage rates for all overtime hours worked and a regular hourly rate of pay for those employees of not less than 30 percent more than the state minimum wage."

Appeal Denied

The employees argued that the phrase "all overtime hours worked" in Section 514 referred to overtime as defined in Section 510. Therefore, they asserted, they should have been paid for hours worked in excess of eight per workday. The appellate court rejected their argument. The Court ruled it was undisputed that the CBA provided for "premium wages," that the employees were paid the contractual premium rate for all overtime hours worked, and their regular rate exceeded the minimum wage by at least 30 percent. Thus, the CBA fell squarely within Section 514's terms, and "[n]othing in section 514 require[d]" the employer to look to the definition of overtime in Section 510.

The Court further noted that the Legislature "did not pick and choose" what provisions of Section 510 would not apply to employees covered by a qualifying collective bargaining agreement. Rather, the Legislature "made a categorical statement" that Section 510 "as a whole" did not apply to employees with valid collective bargaining agreements. Therefore, the Court concluded that Section 514's plain language precluded the employees' claim for daily overtime.

In addition, the Court found that, even if Section 514 were ambiguous, the legislative history demonstrated the Legislature did not intend for "requirements for daily overtime" to apply to employees covered by a qualifying collective bargaining agreement.

Likewise, the Court noted the DLSE's Enforcement Policies and Interpretations Manual stated that it was not necessary for a collective bargaining agreement covered under Section 514 to "provide the same premium rates . . . as required by the California law." DLSE Manual, § 50.7.1.1 (2002). Accordingly, the Court concluded that, because the employees were covered by a qualifying collective bargaining agreement under Section 514, they were not entitled to daily overtime and affirmed summary judgment in Exxon's favor.

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