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Employment Law Practice Group
June 2009
AALRR Alert

AALRR Wins Groundbreaking Case on the Application of California's Wage and Hour Laws to the Public Sector



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Public agencies scored a significant win last week when the California Court of Appeal held that most of the state's wage and hour laws do not apply to public employers. Public employers have increasingly found themselves involved in litigation regarding whether California's wage and hour laws are applicable to them. This class action lawsuit alleged that the Arvin-Edison Water Storage District was required to provide its employees with daily overtime and meal periods in accordance with California's Labor Code and Wage Orders. Further, the lawsuit alleged that the District did not qualify as a "municipal corporation" within the meaning of Labor Code section 220 and, therefore, was required to immediately pay final wages upon an employee's termination.

After AALRR attorneys Nate Kowalski, Kevin Dale, and Jennifer Cantrell provided the District with a vigorous defense, the California Court of Appeal found in favor of the District in all respects. (Johnson v. Arvin-Edison Water Storage Dist. (June 3, 2009) F056201.) The decision is published at ----Cal.Rptr.3d ----, 2009 WL 1545555.

Background

As a public agency, the District is governed by the wage and hour laws set forth in the federal Fair Labor Standards Act ("FLSA"). California's wage and hour laws are more stringent than the FLSA in several respects. For example, unlike the FLSA, California law requires private employers to pay daily overtime for hours worked above 8 per day, and requires private employers to provide meal and rest periods. In contrast, the FLSA requires overtime to be paid for all hours worked above 40 per week and does not require meal and rest periods. Further, while California law requires private employers to "immediately" pay final wages upon an employee's termination, the FLSA does not contain such a requirement. In bringing his class action lawsuit, Plaintiff sought to apply these more stringent state wage and hour laws to the District.

Public Agencies Are Not Subject to Labor Code Sections 510 and 512

In defending the District, AALRR directed the Court's attention to several key principles of statutory construction. To begin, "absent express words to the contrary, governmental agencies are not included within the general words of a statute." Further, "provisions of the Labor Code apply only to employees in the private sector unless they are specifically made applicable to public employees." Based on these and other principles of statutory construction, the Court found that Labor Code sections 510 (daily overtime) and 512 (meal periods) do not apply to the public sector.

Wage Order No. 17 Does Not Apply to the District

California's 17 Wage Orders set forth employment regulations for specified industries and/or occupations. The Court noted that while most of the Wage Orders expressly exempt public agencies, Wage Order No. 17 does not. However, Wage Order No. 17 was promulgated in 2000 for the purposes of applying to an "altogether new" industry. Since public agencies such as the District were in existence well before Wage Order No. 17 was created, the Court stated that it was not applicable to the District.

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The District Qualifies as a "Municipal Corporation" for Purposes of the Labor Code

While Labor Code sections 201 and 202 require employers to immediately pay final wages to an employee upon termination, and Labor Code section 203 imposes penalties for violations, Labor Code section 220(b) exempts public agencies including counties, cities, towns, and municipal corporations from these sections. Plaintiff argued that a water storage district does not qualify as a "municipal corporation" for purposes of this exemption.

However, the Court noted that irrigation districts and water districts have long been deemed to be "municipal corporations". The Court reasoned that a water storage district is similar to irrigation and water districts in that it is a public agency and has a principal function of supplying water. In sum, the Court held that a water storage district also qualifies as a "municipal corporation" and is, therefore, exempt from Labor Code sections 201, 202 and 203.

What Does this Decision Mean for Public Employers?

While public agencies must still comply with the wage and hour laws set forth in the FLSA, this decision clarifies that public agencies are not subject to the provisions of the California Labor Code or Wage Orders unless the statute so specifies. Notably, this is a case of first impression, that is, no Court of Appeal has decided these issues until now. As such, this decision should greatly benefit all public agencies -- cities, counties, special districts, K-12 school districts, community college districts, universities and the State itself -- that are facing wage and hour claims based on state law.

AALRR has extensive experience both in advising public entities on wage and hour laws and in defending against class action complaints. For more information, please contact one of our attorneys listed above.