Wage & Hour Defense Blog

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California "Daily Overtime" Inapplicable Under Collective Bargaining Agreement

By Aaron Olsen and Michael Kun

In California, employers typically must pay overtime to non-exempt employees at a rate of one and one-half times their regular rates of pay not only when those employees work more than 40 hours in a week, but also when they work more than eight hours in a day. That requirement is known as "daily overtime." (And employers must pay "double time" when non-exempt employees work more than 12 hours in a day. But that is a different issue, for a different day.)

In a new decision issued on January 22, 2014, the California Court of Appeal has just confirmed an important exemption to "daily overtime" where employees are covered by collective bargaining agreements, awarding summary judgment to the employer and shutting down the plaintiffs' attempt to read the exemption in a manner that would negate it.

COLLECTIVE BARGAINING AGREEMENT

between
UNION
and
EMPLOYER

January 23, 2014

A section of the California Labor Code – Labor Code 514 – provides an exemption from "daily overtime" for employees covered by a collective bargaining agreement whereby they receive at least 30% more than the state minimum wage and premium pay for "overtime." Not "daily overtime," but "overtime." The plaintiffs nevertheless argued that employees covered by a qualified collective bargaining agreement must still receive some amount of premium compensation for "daily overtime."

The California Court of Appeals summarily rejected this argument, explaining that employees covered by qualified collective bargaining agreements are not entitled to premium pay for "daily overtime," but are only entitled to premium pay for "overtime," as defined by the employer and union. There, the employer and union had defined "overtime" as time worked beyond 40 hours in a week or 12 hours in a day. And that, the Court concluded, was all the "overtime" the plaintiffs could get.

The confirmation of this important exemption – and the ability of an employer and union to define "overtime" for the purposes of Labor Code section 514 -- is a welcome development for employers who face claims like those brought by the plaintiffs. Barring California Supreme Court review and reversal, it would seem to shut down the argument to negate the exemption in future cases, including class actions.

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Epstein Becker & Green, P.C.
1925 Century Park East, Suite 500 • Los Angeles, California 90067-2506 • Phone: (310) 556-8861

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