



JOB KILLER

March 29, 2022

TO: Members, Senate Committee on Labor & Employment

SUBJECT: **SB 1162 (LIMON) SALARIES AND WAGES**
OPPOSE/ JOB KILLER – AS INTRODUCED FEBRUARY 17, 2022

California Chamber of Commerce and the organizations listed respectfully **OPPOSE** your **SB 1162 (Limon)** as a **JOB KILLER**. **SB 1162** would encourage new, burdensome litigation against employers based on the publication of broad, unreliable data collected by the state. Further, this bill undermines employers' ability to hire, imposes administrative and record keeping requirements that are impossible to implement, and subjects employers to a private right of action and penalties under the Private Attorneys General Act (PAGA). The additional burdens and costs this proposal would create will limit an employer's ability to offer higher wages and benefits to new or existing employees and discourage growth or expansion in California.

Attorneys Confirm They Will Use Public Pay Data to “Hammer Companies” by Filing Lawsuits, Which Caused Governor Brown to Veto a Similar Prior Bill:

Similar to what is proposed in **SB 1162**, AB 1209 (Gonzalez) from 2017 would have required the publication of data from employers on mean wage differentials between male and female employees. In an [article](#) that year by Scott Rodd titled “Employer attorney concerned about lawsuits as wage data bill passes Legislature,” published in the *Sacramento Business Journal* on September 13, 2017, a member of the plaintiff’s bar stated:

“By posting this on the Secretary of State’s website, the government is basically giving us (plaintiff lawyers) the data we need to go in there and hammer companies,” said Galen T. Shimoda, attorney owner at Shimoda Law Corp.

Although the wage data cannot form the sole basis of a lawsuit, he believes the database will help set him “on the right track.” And while the purpose of the bill is not to spark litigation against large companies, Shimoda believes the government understands that litigation is a part of the corrective force needed to address wage disparity.

“With AB 1209 providing true statistics, it’s almost like the government is saying, ‘Here’s the basis, litigators — go for it, start filing,’” he said.

By making public the reports required under SB 973 (Jackson), **SB 1162** will similarly open businesses up to litigation. Once the data is made public, a plaintiff’s attorney would simply have to review the companies with perceived pay disparities and send a settlement demand or threaten litigation.

Governor Brown vetoed AB 1209 due to this exact concern:

“While transparency is often the first step to addressing an identified problem, it is unclear that the bill as written, given its ambiguous wording, will provide data that will meaningfully contribute to efforts to close the gender wage gap. Indeed, I am worried that this ambiguity could be exploited to encourage more litigation than pay equity.”

SB 973 intentionally did not include a publication provision.¹ The DFEH may only publish that data in the aggregate, not data associated with specific companies. Undoing that agreement just two years later will discourage growth in California and expose employers to costs associated with defending against meritless litigation.

SB 1162 Seeks to Publicly Criticize Companies Based on Broad Data That the EEOC Has Acknowledged Does Not Accurately Compare Pay Between Similarly Situated Workers:

Less than two years ago, the California Legislature enacted SB 973 (Jackson). SB 973 requires all California employers with 100 or more employees to report pay data by sex, race, ethnicity, and job category to the Department of Fair Employment and Housing (DFEH). 2021 was the first year this information was reported. DFEH is permitted to use those reports to publish aggregate data regarding the workforce as a whole. SB 973 specified that those reports are confidential and not subject to Public Records Act requests.

The reports were modeled after the proposed federal EEO-1 form. Employers must categorize employees within ten job categories and identify the number of employees that fall within twelve pay bands. The job categories are exceptionally broad. For example, a multitude of various job titles would fall under the broad category of “professionals”.

In responding to concerns about the usefulness of the reports, the EEOC explicitly stated that these reports are not useful for identifying disparities in pay between two similarly situated workers:

¹ A prior version of SB 973, SB 1284 (Jackson) in 2018, that would have publicized these reports was amended to make the reports confidential. All subsequent versions of that bill specified that the reports are to be kept confidential.

The EEOC does not intend or expect that this data will identify specific, similarly situated comparators or that it will establish pay discrimination as a legal matter. Therefore, it is not critical that each EEO-1 pay band include only the same or similar occupations.²

These reports ultimately show broad swaths of data by job category, not according to whether the jobs are “substantially similar” for purposes of comparison under the Equal Pay Act or the Fair Employment and Housing Act.

After only one year of this reporting requirement, **SB 1162** seeks to publicize all of this data identifiable by individual companies under the pretense that it would reveal gender and race-based pay disparities. As explained above, this data was never designed to show such disparities. Publicizing the data to target employers is a cynical and disingenuous manipulation of what the EEOC itself has acknowledged is not a reliable measure of pay disparities between similarly situated employees. Even if it did show such comparisons, as Labor Code Section 1197.5 recognizes, there are numerous, lawful, bona fide factors as to why wage disparities may exist between employees performing substantially similar work, such as: (1) different educational or training backgrounds amongst employees; (2) different career experience; (3) varying levels of seniority or longevity with the employer; (4) objective, merit-based system of the employer; (5) a compensation system that measures earning by quantity or quality of production; (6) geographical differences that impact the cost of living and job market; and, (7) shift differentials. By publishing broad categories of data based on job classifications and titles, **SB 1162** seeks to set up employers for public criticism with incomplete, uncontextualized reports and create a false impression of wage discrimination where none may exist.

The bill also proposes adding a report in which employers must publicly identify any labor contractors that they contract with, again with the intent of criticizing employers who use contractors, which is not unlawful. Publicizing this data is a ploy to enable fishing expeditions in support of litigation or public relations campaigns.

SB 1162 Undermines the Balanced Approach Enacted in 2017 Permitting Job Applicants to Request Pay Scales for Job Openings:

In 2016 and 2017, the Legislature passed a series of bills that prohibited employers from seeking or relying on applicants’ salary history for employment. At the time, discussions surrounding salary information included the issue of disclosure of pay scales for job openings. Several concerns were raised by the employer community.

Employers in competitive industries do not advertise salaries in order to utilize their pay structure as a way in which to lure talented employees. Not having a pay range listed benefits workers in those instances. In industries where everyone makes the same lock-step wages, employees tend to lose out because there is no opportunity for growth based on performance or experience. Further, an employer may assume a pay scale accurately captures the current market for a specific position, yet could be wrong. Employers need flexibility to adjust to the market.

On top of the financial devastation caused by COVID-19, a staggering 98% of small businesses have said that the labor shortage has negatively affected their financial situations.³ This bill unfairly penalizes smaller businesses that are unable to compete in the market against larger businesses or those with higher profit margins because disclosing a pay scale is likely to artificially limit an applicant’s interest in a position. Workers are likely then to skip right over their job postings without further consideration of other types of benefits the employer may offer or the type of working environment it offers.

² [FR-2016-07-14.pdf \(thefederalregister.org\)](https://www.federalregister.gov/documents/2016/07/14/2016-14141-e-e-o-c-report-on-the-e-e-o-1-pay-data)

³ Survey: Small Businesses on the Brink, Goldman Sachs, available at: <https://www.goldmansachs.com/citizenship/10000-small-businesses/US/infographics/small-businesses-on-the-brink/index.html>

In light of these concerns, a balance was struck between stakeholders that resulted in what is now existing law: applicants may request the pay scale after an initial interview. This provides applicants with pay scale information but also ensures that employers have flexibility regarding hiring and are not disclosing pay scales to competitors. **SB 1162** undermines this balance and is unlikely to provide much benefit to applicants. Indeed, public sector salaries have long been publicly available and pay disparities still exist. In a *Sacramento Bee* article from several years ago, the article detailed findings that, despite disclosing actual compensation of all employees, women staff in the California Legislature make less than male staff.⁴

Disclosing Pay Scales. Section two of **SB 1162** contains several provisions that are difficult if not impossible to implement. First, proposed section 432.3(c)(2) requires third parties to provide the pay scale to applicants that view the job posting. It then holds the employer liable under a statutory private right of action and PAGA if the third party fails to do this regardless of the fact that it is impossible to monitor the third party at all times. Additionally, that subsection requires the third party to provide the pay scale to applicants who “view the job posting”. Employers utilize a wide range of methods of advertisements for open positions. This could include a simple banner ad on a website that requires a person to click through to a new web page for information. It is unclear at what point the third party must disclose the pay scale and how a third party can track who is viewing certain advertisements. Again, any error here by the third party will lead to liability for the employer.

“Opportunities for Promotion.” SB 1162 requires businesses of all sizes to post “any opportunity for promotion” and the accompanying pay scale for all current employees prior to making a promotion decision. “Opportunity for promotion” as defined is problematic. It would include an actual vacancy or anticipated vacancy. Not only is this a significant administrative burden, but also this would require a company to publicly expose an employee who has put in their notice or wishes to resign without other employees knowing.

⁴ [How staff pay for men and women compares in California Legislature | The Sacramento Bee \(sacbee.com\)](#)

Finally, at its core, this provision completely eliminates employers' flexibility regarding hiring. A business of any size, small or large, that wants to move quickly in making a strategic hire must delay that process and opens itself up to litigation for even the slightest error in how it disseminates notice of a vacancy.

SB 1162 Includes Two Private Rights of Action and Allows Any Employee, Including One Who Never Had Any Intention of Applying for a Vacancy, to Sue for Penalties Under PAGA:

Sections two and three of **SB 1162** each contain a private right of action. Because they amend or create new sections of the Labor Code, they also expose employers to lawsuits under PAGA. As explained above, both sections two and three suffer from flaws regarding implementation. It is unfair to penalize employers for requirements that are impossible to follow.

More significantly, one of the biggest issues with the overreach of PAGA is that a plaintiff need not show harm to bring a PAGA claim.⁵ This means that any employee, even one who was not interested in the open job position, could bring a claim under PAGA for a violation of these sections. PAGA lawsuits have increased over 1,000% since the law took effect in 2004. The data demonstrates that PAGA benefits the plaintiffs' bar, not workers. The current average payment that a worker receives from a PAGA case filed in court is \$1,300, compared to \$5,700 for cases adjudicated by the state's enforcement agency. Even though workers are receiving higher awards in state-adjudicated cases, employers are paying out 29% less per award. This is likely because of the high attorney's fees in PAGA cases filed in court. Attorneys usually demand a minimum of 33% of the workers' total recovery, or \$372,000 on average, no matter how much legal work was actually performed. In addition to receiving lower average recoveries in PAGA cases, workers also wait almost twice as long for their owed wages. The average wait time for a PAGA court case is 23 months compared to 12 months for the state-decided cases.

For these and other reasons, we respectfully **OPPOSE** your **SB 1162** as a **JOB KILLER**.

Sincerely,



Ashley Hoffman
Policy Advocate
California Chamber of Commerce

Acclamation Insurance Management Services (AIMS)
Allied Managed Care (AMC)
Antelope Valley Chambers of Commerce
California Association for Health Services at Home
California Beer and Beverage Distributors
California Building Industry Association
California Chamber of Commerce
California Credit Union League
California Employment Law Council
California Hospital Association
California Landscape Contractors Association
California League of Food Producers
California Railroads
California Restaurant Association
California Retailers Association
California State Council of the Society for Human Resource Management (CalSHRM)
Carlsbad Chamber of Commerce
Citrus Heights Chamber of Commerce
Civil Justice Association of California

⁵ See, e.g., *Lopez v. Friant & Associates, LLC*, 15 Cal. App. 5th 773 (2017)

Coalition of Small and Disabled Veteran Businesses
Corona Chamber of Commerce
Construction Employers' Association
Danville Area Chamber of Commerce
Farm Employers Labor Service
Flasher Barricade Association (FBA)
Fresno Chamber of Commerce
Greater Coachella Valley Chamber of Commerce
Greater High Desert Chamber of Commerce
Housing Contractors of California
Imperial Valley Regional Chamber of Commerce
Job Creators for Workplace Fairness
La Cañada Flintridge Chamber of Commerce
Laguna Niguel Chamber of Commerce
Lake Elsinore Valley Chamber of Commerce
Lodi Chamber of Commerce
Long Beach Area Chamber of Commerce
Murrieta/Wildomar Chamber of Commerce
Oceanside Chamber of Commerce
Orange County Business Council
Paso Robles Chamber of Commerce
Santa Maria Valley Chamber of Commerce
Santee Chamber of Commerce
Simi Valley Chamber of Commerce
Southwest California Legislative Council
True Blue
Valley Industry & Commerce Association
Visalia Chamber of Commerce
Western Growers Association
West Ventura County Business Alliance
Wine Institute

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