

May 31, 2019

**RECENT DEVELOPMENTS**

**NLRB Finds Certain Gig Economy Workers To Be Independent Contractors**

On the heels of the Department of Labor’s recent opinion letter, finding certain gig economy workers to be independent contractors under an “economic reality” analysis (as discussed in our [April 2019 E-Update](#)), the Office of General Counsel (OGC) of the National Labor Relations Board has now issued an Advice Memorandum finding UberX and UberBLACK drivers to be independent contractors as well.

As noted in [another article](#) in this month’s E-Update, Advice Memoranda contain the recommendations of the OGC to the Board on particular issues of interest. In this [memo](#), originally issued in April 2019, the OGC applied the common law agency test that the Board set forth in *SuperShuttle DFW, Inc.* Under this test, the Board reviews ten factors, with no one factor being decisive:

1. The extent of control which, by the agreement, the master may exercise over the details of the work.
2. Whether or not the one employed is engaged in a distinct occupation or business.
3. The kind of occupation, with reference to whether, in the locality, the work is usually done under the direction of the employer or by a specialist without supervision.
4. The skill required in the particular occupation.
5. Whether the employer or the workman supplies the instrumentalities, tools, and the place of work for the person doing the work.
6. The length of time for which the person is employed.
7. The method of payment, whether by the time or by the job.
8. Whether or not the work is part of the regular business of the employer.
9. Whether or not the parties believe they are creating the relation of master and servant.
10. Whether the principal is or is not in business.

All of these factors are evaluated by the “important animating principle . . . [of] whether the position presents the opportunities and risks inherent in entrepreneurialism.” Notably, “[W]here the common-law factors, considered together, demonstrate that the workers in question are afforded significant entrepreneurial opportunity, [the Board] will likely find independent-contractor status.”

In this particular case, involving the shared-ride and taxicab industries, the OGC also gave significant weight to two other factors: (1) the extent of the company’s control over the manner and

means by which drivers conduct business, and (2) the relationship between the company's compensation and the amount of fares collected.

Applying all of these factors, the OGC determined that both UberX and UberBLACK drivers had significant entrepreneurial opportunity based upon their near complete control of their cars and work schedules, along with their freedom to choose log-in locations and to work for Uber's competitors. UberBLACK drivers, in addition, invested more capital in their work by providing higher-end vehicles and maintaining commercial liability insurance. Moreover, they could hire other drivers to work on their behalf, could accept UberX requests in addition to those for UberBLACK, and contracted with Uber as business entities rather than individuals.

This memo further illustrates that the Trump administration's approach to independent contractor status is more lenient than that under the Obama administration, which tended towards finding employee status in almost all situations.

### **Rats! Rules! Even More NLRB Advice Memos**

The National Labor Relations Board's Office of the General Counsel (OGC) continues to issue Advice Memoranda, as it has regularly done for the past year or so. In addition to the memo discussed elsewhere in this E-Update, eight additional memos were issued in May, the earliest of which was prepared in February 2017, with the others coming in the last year or so. Notably, many of the principles articulated in the memos, particularly with regard to employer policies, apply to both non-union and union employers. Of particular interest are the following:

**IBEW Local 134 (Summit Design + Build)** (Dec. 20, 2018). The OGC found that, by erecting a large, stationary banner misleadingly proclaiming a labor dispute with a neutral employer, along with a large, inflatable "fat cat" strangling a construction worker, the union engaged in unlawful secondary picketing under the National Labor Relations Act. The Act protects both unions' rights to legitimately pressure employers with whom they are engaged in a labor dispute and neutral businesses' rights to be shielded from such labor disputes. The Board has held that "picketing urging a boycott of the neutral employer is coercive and therefore unlawful." Picketing has been defined in a broad and flexible manner, with a wide range of activities found to be tantamount to picketing.

Under the Obama administration, however, the Board determined that the display of an inflatable rat did not necessarily constitute picketing. Similarly, it had previously found that the display of stationary banners claiming labor disputes with neutrals was not a violation of the Act. The OGC, however, recommended that the Board revisit those decisions in order to conclude that the similar activities in question here constituted illegal picketing. The OGC further stated that any argument that the union had a First Amendment right to engage in such "speech" was invalid, as "the First Amendment does not shield unlawful secondary picketing."

In the alternative, even if the conduct did not amount to picketing, the OGC advised that the union's activity still amounted to unlawful coercion or restraint under the Act, in that the conduct "overstepped the bounds of propriety and went beyond persuasion so that it became coercive to a very substantial degree." The OGC noted that, under those circumstances, the Board would have to

weigh the union's First Amendment rights, which would be entitled to lesser protection because the conduct is commercial or labor speech, not primarily in the public interest.

[Ally Financial, Inc.](#) (July 5, 2018). The OGC considered whether the employer's following work rules were lawful under the National Labor Relations Act, utilizing the *Boeing* test that the Board articulated in December 2017 and that we fully discussed in our [December 15, 2017](#) and [June 8, 2018](#) E-Lerts: (1) a policy prohibiting insubordination, neglect of duties or other disrespectful conduct, including refusal to perform work or comply with a supervisor's instructions; (2) a policy prohibiting solicitation or distribution of literature without management or HR approval; (3) a policy prohibiting conduct not in the best interest of the company; and (4) a prohibition on the use of company supplies or equipment, including email, for solicitation and distribution. Under the *Boeing* test, rules are divided into three categories, depending on whether they (1) are lawful, (2) warrant individualized scrutiny, or (3) are unlawful.

The OGC determined that the first rule was a presumptively lawful Category 1 rule, because employers have a legitimate and substantial interest in preventing the identified behaviors and expecting employees to perform their work and follow instructions. The others were found to be unlawfully overbroad Category 3 rules in that they banned protected activities. The solicitation and distribution rule violated employees' well-established rights to solicit during non-work time and to distribute literature during non-work time and in non-work areas. The reputational rule impacts employees' rights to engage in protected concerted or union activity that could negatively impact an employer's reputation, such as strikes, protests, boycotts, and other "public expressions of workplace dissatisfaction." And finally, the use of company equipment rule violates the Board's ruling in *Purple Communications*, to the extent it restricts employees' rights to use an employer's email system during non-working time to engage in protected communications.

[Vistra Energy](#) (April 1, 2019). The OGC found that the employer did not violate the National Labor Relations Act when it refused to deduct and remit dues to the union after the original local's amalgamation into another local. The specific language of the employees' dues checkoff authorization forms only authorized payments to the original local, without mention of "successors and assigns," even given the "substantial continuity" of the union representation.

### **D.C. Circuit Emphasizes Need for Specific Evidence to Support Legitimate Nondiscriminatory Reasons**

The U.S. Court of Appeals for the D.C. Circuit recently explained the burden on employers to provide sufficiently specific evidence to support their legitimate nondiscriminatory reasons for adverse employment actions in the context of a discrimination claim.

**The Court's Ruling:** When addressing a claim of discrimination under federal antidiscrimination laws that rely on circumstantial (rather than direct) evidence, a court uses the *McDonnell Douglas* framework, which sets forth a three step burden-shifting analysis: (1) the employee must establish a *prima facie* case of discrimination (i.e. that the employee has been treated differently than other employees of a different protected characteristic for engaging in the same conduct); (2) if the *prima facie* showing has been made, the employer must then articulate a legitimate non-discriminatory reason for its action; and (3) if the employer meets this burden, the employee must then show that the articulated reason is actually a pretext for discrimination.

In [\*Figueroa v. Pompeo\*](#), the D.C. Circuit addressed what the employer must show in order to meet its burden, noting that “[a]n employer cannot satisfy its burden of production with insufficiently substantiated assertions.” In order to make an “adequate” showing, the D.C. Circuit noted that there are numerous factors, but the following four are paramount in most cases: (1) the employer must produce evidence that a factfinder may consider at trial or in a summary judgment proceeding; (2) if the factfinder believes the evidence, it must reasonably be able to find that the employer’s action was motivated by a nondiscriminatory reason; (3) the nondiscriminatory reason must be legitimate (i.e. “credible” in light of the proffered evidence); and (4) the evidence must present a “clear and reasonably specific explanation.” Ultimately, according to the D.C. Circuit:

the employer “must proffer admissible evidence showing a legitimate, nondiscriminatory, clear, and reasonably specific explanation for its actions. The evidence must suffice to raise a triable issue of fact as to intentional discrimination and to provide the employee with a full and fair opportunity for rebuttal. When the reason involves subjective criteria, the evidence must provide fair notice as to how the employer applied the standards to the employee’s own circumstances.

In the context of this particular case, the D.C. Circuit noted that it was not sufficient for the employer to simply state that it hired the best qualified applicant. Rather, the employer has to articulate the specific reasons for the applicant’s qualifications, such as seniority, length of service in the same position, personal characteristics, general education, technical training, experience in comparable work, etc. The D.C. Circuit observed that this approach is consistent with that of a number of sister Circuits, including the Eleventh, Fifth, Sixth and Seventh.

**Lessons for Employers:** This case emphasizes the need for employers to have clear, specific, and demonstrable reasons for employment decisions. Even though the employer does not have a burden of proof in discrimination cases (which remains at all times on the plaintiff) the employer does have to have evidence to support the reasons that it advances to rebut the plaintiff’s claims. Unsubstantiated, vague or conclusory assertions will not suffice.

### **Collection of D.C. Universal Paid Leave Tax Begins**

The District of Columbia passed the Universal Paid Leave Act of 2016, as we previously reported in our [December 2016 E-Update](#), and the requirement for employer contributions to fund the leave benefits begins on July 1, 2019.

The bill, which covers only private sector workers, guarantees eight weeks of paid time for new parents, six weeks of paid time to care for a family member who is experiencing a serious health condition, and two weeks of paid personal sick time. Employers with employees in D.C. and paying unemployment insurance for those employees are subject to the Act.

Employers with five or more covered employees must electronically register for an online account with the D.C. Department of Employment Services (DOES). Those with fewer than five employees may either use the online portal or request paper registration and communications.

Employers will be required file quarterly reports and to pay a tax of .62 percent of the gross wages of D.C. employees to the UPL Implementation Fund, and they may not seek to recoup any portion of this contribution from their employees. UPL taxes may be paid through the same DOES portal used for unemployment tax collection, and must also be submitted on a quarterly basis no later than the last day of the month following the close of the quarter. The first payment, covering wages paid to covered workers from April 1 through June 30, 2019, is due no later than July 31, 2019. Employees may begin to collect benefits on July 1, 2020.

The DOES has an Office of Paid Family Leave (OPFL), which has recently launched a [website](#) to assist employers with compliance. Employers may complete their online registration there.

## **TAKE NOTE**

**New Maryland Minimum Wage Poster.** As we discussed in our [webinar](#) on Maryland’s recently enacted employment laws, Maryland employers must post in the workplace the current version of the state minimum wage poster, and an [updated version](#) has just been released by the Maryland Department of Labor, Licensing and Regulation. Maryland employers should immediately update this posting.

**Updated Poster for Government Contractors and Subcontractors.** The Office of Federal Contract Compliance Programs has announced updates to the National Labor Relations Act rights poster that federal contractors and subcontractors are required to display under Executive Order 13496.

The changes are only technical in nature – reflecting a new telephone number for the National Labor Relations Board and contact information for the hearing impaired. Nonetheless, government contractors and subcontractors should replace their current poster with the updated one, available [here](#).

**NYC Prohibits Discrimination Based on Sexual and Reproductive Health Decisions.** Following recent bans on hair discrimination and pre-employment testing for marijuana, the New York City Council has now [banned](#) discrimination based on an employee’s “sexual and reproductive health decisions,” by adding it to the list of protected categories under NYC law.

“Sexual and reproductive health decisions” are defined as “any decision by an individual to receive services, which are arranged for or offered or provided to individuals relating to sexual and reproductive health, including the reproductive system and its functions.” The new law provides examples of such services to include: “fertility-related medical procedures, sexually transmitted disease prevention, testing, and treatment, and family planning services and counseling, such as birth control drugs and supplies, emergency contraception, sterilization procedures, pregnancy testing, and abortion.” Employers whose policies list the protected categories under NYC law should update them to include this new designation.

## **Employee’s Statements on SSDI Application May Preclude ADA Claim**

An employee’s assertions of complete disability on her application for Social Security Disability benefits barred her claim under the Americans with Disabilities Act, according to the U.S. Court of Appeals for the First Circuit.

In [\*Pena v. Honeywell Int'l, Inc.\*](#), following her exhaustion of medical leave and resulting termination, the employee applied for SSDI benefits, stating, “I became unable to work because of my disabling condition...” and “I am still disabled.” She also sued her employer for violating the ADA.

In order to sustain a claim under the ADA, the employee must show not only that she is disabled, but that she is “qualified,” meaning that she is able to perform the essential functions of her job, with or without a reasonable accommodation. The U.S. Supreme Court has previously addressed the interaction between an employee’s application for SSDI benefits and an ADA claim, in *Cleveland v. Policy Mgmt. Syst. Corp.* According to the Supreme Court, an application for SSDI benefits does not necessarily doom an ADA claim, because there are different standards for each of those laws. Rather, it is necessary for the employee to explain any inconsistencies in any SSDI statements regarding the employee’s inability to work and her ADA claim.

The First Circuit rejected the employee’s argument that it was sufficient for her simply to state that SSDI is different from the ADA. Rather, the First Circuit noted that she needed to offer a “reasoned explanation” for her SSDI statements, which she failed to do (particularly noting that she had been represented by counsel in both proceedings). Thus, as this case illustrates, an employee may be held accountable for her SSDI statements to the extent that such statements may undercut an ADA claim and the employee has no reasoned explanation for the discrepancy.

**Employees May Be Required to Arbitrate Section 1981 Race Discrimination Claims.** Relying on Title VII precedent, the U.S. Court of Appeals for the Ninth Circuit found that race discrimination claims under Section 1981 can be subjected to mandatory arbitration.

In [\*Lambert v. Tesla Inc. dba Tesla Motors Inc.\*](#), the Ninth Circuit for the first time addressed the arbitrability of Section 1981 claims. The Ninth Circuit, as well as a number of sister Circuits, has previously found that Title VII claims may be subject to compulsory arbitration, while rejecting the argument that compulsory arbitration weakens Title VII. In that prior holding, the Ninth Circuit noted the U.S. Supreme Court’s position that “arbitration affects only the choice of forum, not substantive rights.” The Ninth Circuit in the present case then relied on that Title VII holding to expand arbitrability to Section 1981, finding that both statutes address employment discrimination, and that legislative intent in this area has been to accord parallel or overlapping remedies against discrimination.

**NLRB Finds Employer’s Changing Termination Reasons Demonstrate Pretext.** In a case on remand from the U.S. Court of Appeals for the Third Circuit, the National Labor Relations Board found that an employer’s shifting explanations for an employee’s termination established pretext, and that the employee was actually terminated for engaging in concerted activity protected under the National Labor Relations Act.

In [\*MCPC Inc.\*](#), during a company meeting, an employee commented that several engineers could have been hired for the salary of a new executive. The employee was terminated without a reason being given. The ALJ found, however, and the Board agreed, that the employee had actually been terminated for engaging in protected concerted activity during the meeting.

On appeal to the Third Circuit, the court found that the Board had applied the wrong test in analyzing the employer's motive for the termination by failing to give adequate consideration to the employer's reasons for termination. The *Wright Line* test should have been utilized, under which the Board's General Counsel must show that an employee's protected or union activities were a motivating factor in the employer's adverse employment decision. The case was then remanded to the Board to apply the *Wright Line* test.

Notably, in the initial proceedings, the employer asserted that the employee had been terminated for accessing and disseminating salary information in violation of the company's confidentiality policy. In its post-hearing brief, the employer then claimed that the employee's termination was based on his violation of the confidentiality policy and his dishonesty during the company's investigation into how the employee knew the salary information. Upon remand, however, the employer then asserted that the employee was terminated only for his dishonesty, and not his violation of the confidentiality policy. The Board found these shifting reasons for termination demonstrated pretext under *Wright Line*.

This case highlights the importance for employers to provide a reasonable and consistent explanation for adverse employment decisions, as changing reasons may suggest an improper motive.

**Employer's Misstatements May Not Be Unlawfully Coercive Under the NLRA.** In *Didlake, Inc.*, the National Labor Relations Board held that an employer's statements to employees regarding their dues obligation are not coercive and do not constitute objectionable conduct even if they contain misstatements of the law, provided that the employer did not act in a "deceptive manner."

During a union organizing campaign, two supervisors misstated the law when they characterized union membership and the payment of dues as a "condition of employment" if the union won a NLRB election. The employer won the election, but the Regional Director found that the employer's conduct was objectionable and ordered a second election, which the union won.

In reversing the Regional Director, the Board concluded that the employer did not act deceptively, and an employer's mere misrepresentations regarding a union's ability to compel membership or enforce the payment of dues do not rise to the level of illegal objectionable conduct. The Board also noted that the employer's statements were based on the employer's experience with the same union at another nearby facility. Accordingly, the Board reversed the Regional Director, vacated the results of the second election, and certified the results of the first election won by the employer.

**Profanity and Aggressive Physical Conduct May Be Protected Activity.** The National Labor Relations Board found that a union steward's use of profanity and "aggressive physical conduct" in a location visible to employees and customers may be protected by the National Labor Relations Act.

In *Greyhound Lines, Inc.*, a chief union steward was terminated for his conduct during a confrontation with a company manager over the manager's alleged mistreatment of a fellow employee. The Board found that the steward was engaged in protected union activity during the confrontation. Under Board law set forth in the 1979 case of *Atlantic Steel Co.*, however, an employee's misconduct may cause the loss of protection under the Act, depending on four factors:

(1) the location of the discussion; (2) the subject matter of the discussion; (3) the nature of the employee's outburst; and (4) whether the outburst was, in any way, provoked by the employer's unfair labor practices.

In applying these factors, the Board found that the first factor was neutral, in that there was no evidence that customers actually saw or were impacted by the confrontation, and other employees did not know what happened. The second factor favored protection, since the union steward was acting in his official capacity when he approached the manager. The third factor was also found to be neutral. Although the use of profanity and threatening gestures would normally argue against protection, there was evidence that employees and management alike at the facility regularly used similar profanities and that no one had ever previously been disciplined for the use of profanity. Finally, the Board found the last factor to favor protection, as the union steward's outburst was in reaction to the manager's yelling and pointing at him. Consequently, after considering the four factors, the Board found that the union steward did not lose the protection of the Act, and his termination was therefore unlawful.

This case illustrates that conduct that would normally be found unacceptable may, in fact, be protected under specific circumstances – including the type of conduct normally tolerated in the workplace.

**Granting A Day Off to Non-Union Employees Is Not Necessarily Anti-Union Animus.** In [\*Merck, Sharp & Dohme Corp.\*](#), the National Labor Relations Board held that an employer was not motivated by unlawful anti-union animus when it prevented most of its unionized workforce from participating in its company-wide Appreciation Day, a paid day off before Labor Day weekend in 2015.

An administrative law judge (ALJ) previously held that the employer's decision discriminated against union-represented employees, in violation of the National Labor Relations Act. In a 2 to 1 decision, the Board majority reversed the ALJ and found that the employer's decision was a reflection of the "competing forces and counteracting pressures" inherent in collective bargaining relationships. The employer cited the unions' past refusals to accept the employer's proposed mid-term contract modifications concerning year-end holidays as one of its reasons for not extending Appreciation Day to the unionized employees. The Board reasoned that the employer's position was not evidence of anti-union animus, but, rather, a lawful message that the employer, too, would stand firm and the unions would have to live with the limitations of their contractual benefits along with their advantages. Accordingly, the Board dismissed the Complaint.

## NEWS AND EVENTS

**Webinar** - Shawe Rosenthal is pleased to offer our clients the opportunity to participate in a *free 60-minute* webinar: "**Mental Health in the Workplace: Identifying Issues and Accommodating Employees**" on Tuesday, July 11, 2019, at 11:00 a.m. EST. This webinar is being presented by the [Employment Law Alliance](#), of which we are the Maryland member firm. The webcast will explore practical ways that human resource professionals can identify warning signs of mental illness and provide support and accommodations to employees within the boundaries of the law. Additionally, you will learn about possible challenges with employee health insurance as you seek to work with employees who are struggling with mental health issues. You can [click here to register](#).



**Victory** – [Chad M. Horton](#) won an arbitration for an energy company. The arbitrator found that the company had just cause to issue discipline to an employee for taking four days off from work after his request for that time off had previously been denied.

**Article** – [Elizabeth Torphy-Donzella](#) authored an article, “[Cleaning Up ‘The Similarly Situated’ Mess Lewis v. Union City](#),” which was published in the May 2019 issue of *Bender’s Labor and Employment Bulletin*, a monthly newsletter for labor and employment practitioners.

### **TOP TIP: A Primer On Reporting EEO-1 Pay Data**

As we [previously reported](#), the Equal Employment Opportunity Commission will be collecting 2017 and 2018 pay data as required by its revised EEO-1 form. But what does that actually mean to employers?

Employers with 100 or more employees, as well as government contractors and subcontractors with 50 or more employees, are required to submit an annual EEO-1 form, which has traditionally collected demographic data (race, ethnicity and sex) across 10 job categories (Component 1). Those employers with 100 or more employees (but not government contractors and subcontractors with 50-99 employees) will now also submit data on pay and hours worked (Component 2), broken down into the same job and demographic categories, and into one of 12 pay bands for each job category. This information will be submitted through an online portal that the EEOC will make available in mid-July.

In order to prepare for the submission, employers must take the following steps with regard to each reporting year (2017 and 2018):

- Identify a “workforce snapshot period,” which is a pay period of the employer’s choice between October 1<sup>st</sup> and December 31<sup>st</sup> of the EEO-1 reporting year.
- Identify the employees employed during the “workforce snapshot period,” including their job category, sex, race and ethnicity, as previously reported for Component 1 purposes.
- For each employee, employers will need to determine their pay data and hours worked.
  - The pay data for each employee will come from Box 1 of their Form W-2.
  - Based on the amount of pay, the employee will be assigned to one of 12 pay bands set forth for the applicable job category.
  - The hours worked data for each non-exempt employee will be the recorded hours worked during the EEO-1 reporting year (because under the Fair Labor Standards Act, employers are supposed to track the actual hours worked by non-exempt employees).
  - Because employers are not required to track the hours worked by exempt employees, the hours worked data for each exempt employee can be presumed to be 40 hours per week for full-time employees, and 20 hours per week for part-time employees, multiplied by the number of weeks employed during the EEO-1 reporting year. If the employer actually tracks the hours worked by exempt employees, however, it can use that actual data instead.

- The individual pay and hours data are then aggregated and reported in boxes by race, ethnicity and sex in each of the 12 pay bands, within each of the 10 job categories. If there is no data for a particular box, the box will be left blank.

Additionally, in a [progress report](#) to the court in the lawsuit resulting in the reinstatement of the pay data collection requirement, the EEOC stated that by approximately June 3, 2019 it would provide contact information for the email and phone helpdesk to assist employers with questions and concerns about the collection of pay data, with the desk to be operational by approximately June 17, 2019. The EEOC reiterated that it was still on track to open the pay data collection from July 15 through September 30, 2019.

## RECENT BLOG POSTS

Please take a moment to enjoy our recent blog posts at [laboremploymentreport.com](http://laboremploymentreport.com):

- [Governor Hogan Vetoes the Ban the Box Bill](#) by [Fiona W. Ong](#), May 28, 2019.
- [Debt or No Debt? Your Employees' Future in the Balance](#) by [Elizabeth Torphy-Donzella](#), May 22, 2019.
- [Does "Sex" Encompass Sexual Orientation and Gender Identity? The Supremes Will Soon Decide](#) by Lindsey A. White and Chad M. Horton, May 15, 2019 (Selected as "noteworthy" by the Employment Law Daily).
- [Lactation Law Verdict Sends a Message: Don't Mess With Mom!](#) by [Elizabeth Torphy-Donzella](#), May 7, 2019.
- [Employers Must Submit EEO-1 Pay Data for Both 2017 and 2018 by September 30, 2019](#) by [Fiona W. Ong](#), May 2, 2019.