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Alert | Labor & Employment

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The New New Deal? U.S. House Of Representatives Passes Sweeping Labor Reform With Significant but Uncertain Future

Unions are back in the news. On March 9, 2021, the U.S. House of Representatives successfully passed the Protect the Right to Organize Act (the PRO Act), legislation designed to overhaul the current labor relations framework—touching on issues including independent contractors, joint employers, employee arbitration agreements, and new union organizing rules. While Senate passage may not happen, President Biden's insistence on being the "most pro-union president" could make the PRO Act a legislative priority later in his term.

I. Expanding the Class of Covered Employees

The PRO Act contains a host of laws and definitional revisions that significantly expand the class of employees covered by the National Labor Relations Act (NLRA).

a. *Independent Contractor Classifications*

The PRO Act redefines "employees" under the NLRA, by codifying the "ABC Test" for independent contractors used by certain states (such as California and Massachusetts). In practice, this new definition will significantly expand the class of eligible "employees" entitled to unionization and collective

bargaining rights by making it more difficult for employers to categorize workers as independent contractors.

b. *Joint-Employer Classifications*

The PRO Act redefines "employers" under the NLRA, by codifying the liberal joint-employer standard announced in *Browning-Ferris Industries*, (2015) 362 NLRB No. 186. The new standard looks to the "right-to-control" any terms and conditions of employment of a workforce, even if indirectly and even if never exercised in fact. This test will create labor liability for businesses that traditionally have not had that liability.

c. *State Right-To-Work Laws*

The PRO Act overturns all state "right-to-work" laws. States would no longer be able to prohibit union security and dues check-off clauses if placed in collective bargaining agreements. Mandatory union dues deduction for virtually all employees covered by a collective bargaining agreement could provide unions with financial incentives to bolster their efforts in the 27 states currently with right-to-work laws.

d. *Employee Arbitration Agreements*

The PRO Act outlaws class, collective, and joint-action employment arbitration agreements—rending them illegal. The change would circumvent the recent U.S. Supreme Court decision, *Epic Systems Corp v. Lewis* (2018) 138 S. Ct. 1612, upholding the use of these types of agreements under the Federal Arbitration Act.

II. Employer and Union Economic Pressure Tactics

Hard bargaining is often an inescapable reality of unions relations, and one that has been finely tuned through legislation, litigation, and judicial precedent over the last 90 years. The PRO Act disrupts that balance by changing the rules of engagement for unions and employers alike—with preferential treatment of union rights. For unions, the PRO Act lifts the ban on previously prohibited tactics like recurrent and intermittent strikes, as well as secondary boycotts and related pressure tactics against neutral third parties, like the protest or picketing of an employer's clients, customers, or vendors. For employers, the PRO Act goes the other direction by imposing new bans on previously common and currently lawful tactics, such as pre-strike lockouts and the hiring of permanent replacement workers for striking employees—a significant blow to employers' bargaining leverage and ability to operate during a strike.

III. Employer, Union, and Employee Communication Rights

Communication during election campaigns and collective bargaining is integral for all sides—providing a platform to air grievances and novel perspectives on the relative pros and cons of unionization or contracted terms. The PRO Act alters these rights in several ways. For employers, the PRO Act prohibits the holding of mandatory employment meetings where they can educate employees on the employer's historic experiences and perspectives. In contrast, the bill forces employers to allow employees to use company devices and email systems for any union organizing or concerted, protected activity—even though not work-related. And in advance of the elections themselves, employers are obligated to turn over employees' personal contact information to unions.

IV. Union Election and Collective Bargaining Practices

Elections and collective bargaining lie at the heart of modern labor law. The PRO Act disrupts longstanding practices in these critical areas. On the elections side, the Act gives unions substantial control of the appropriate bargaining unit, as well as the method and location of elections, while depriving employers of standing to intervene in the decision-making process regarding those issues. When determining the results of an election, the Act imposes harsh penalties for the commission of unfair labor practices by the employer, including bargaining orders irrespective of employee votes against unionization. And once bargaining begins, in certain cases the parties are required to reach agreement within 90 days or become subject to mandatory mediation and interest arbitration—all of which stands as an overhaul to current practices.

V. Increase in Employer Exposure

Employer exposure for NLRA violations is also increased under the PRO Act. Liability would include: (a) backpay; (b) front pay; (c) consequential damages; (d) liquidated damages; (e) civil penalties; and (f) punitive damages. Depending on the violation and circumstances, civil penalties can range as high as $100,000 per violation and be imposed against employers, officers, and directors. The Act also gives employees a private right of action to pursue certain remedies in federal court—a break from the National Labor Relations Board (NLRB) prior jurisdictional exclusivity.

VI. Moving Forward

The PRO Act's passage in the Senate appears a challenge. Despite sweeping approval by the House and even modest bipartisan support, Senate passage remains a significant hurdle. Under current Senate rules, to avoid filibuster, the Act would require all 50 Democratic votes and 10 Republican votes—neither of which appears likely based on recent history. And legislative alternatives to gridlock, such as budget reconciliation or abolishing the filibuster, may also encounter significant resistance. Given President Biden's public and oft-repeated support for labor unions, it remains to be seen whether the PRO Act, and political capital necessary for its passage, ultimately become a larger priority for President Biden further into his term.

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