Wage and Hour Action Not Barred by Union Contract

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The 3rd U.S. Circuit Court of Appeals rejected an employer's argument that Fair Labor Standards Act (FLSA) claims by union-represented employees should be resolved through the grievance and arbitration process of their collective bargaining agreements. Because the claims did not depend on disputed provisions of those agreements, the federal appeals court returned them to the district court for adjudication.

The plaintiffs are current and former transit employees of the Southeastern Pennsylvania Transit Authority (SEPTA), who worked under three separate collective bargaining agreements. They sued under the FLSA to recover unpaid wages and overtime compensation for certain pretrip inspections and other work they performed before departing the depots in their buses or trolleys. Their respective collective bargaining agreements provided, depending on the agreement, pay for such pretrip work for up to 10 or 15 minutes. The agreements also specified that the time spent performing such work would not count as time worked for purposes of overtime compensation. The plaintiffs claimed that the time they spent on pretrip tasks was 25 minutes—10-15 more than they were paid for—and that they were entitled to have all of those minutes treated as time worked for purposes of overtime.

The employer argued that the claims should have been pursued under the dispute-resolution provisions of the union-negotiated collective bargaining agreements because the manner of payment for such pretrip time was a term of those agreements. Rejecting the lower court's agreement with that argument and subsequent dismissal of the lawsuit, the appellate court acknowledged that when an FLSA claim was entwined with the interpretation of a contract, the court should defer in the first instance to the negotiated dispute-resolution process. Doing so would be consistent with a national policy in favor of arbitration to resolve contract-provision disputes between employers and unions. In this instance, however, the court found that because there was no dispute over whether the employer was compensating employees as required by the contract, the court should not defer to the arbitration process. Instead, the employees had a right to proceed directly to court in an effort to vindicate their statutory rights.

Bell v. Southeastern Penn. Trans. Auth., 3rd Circ., No. 12-4031 (Aug. 19, 2013).

Professional Pointer: Although the U.S. Supreme Court and other courts have recently dismissed wage and hour and other cases, including class and collective actions, in favor of arbitration agreements, there are limits on a unionized employer's ability to avoid court resolution of employee claims. Here, if there had been arbitration agreements with the workers, the employer might have had more success in having the claims resolved outside of the court system.

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