

California Governor Signs Law Prohibiting Explicit Mutual Wage Agreements

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On Sept. 30, 2012, California Governor Jerry Brown signed into law dozens of bills, including AB 2103, which prohibits previously permitted agreements between non-exempt employees and their employers by which the employee could agree to a fixed salary covering all hours worked, including overtime. The purpose of these “mutual wage agreements” is generally to simplify payment to employees that work irregular hours.

The bill amends California Labor Code section 515 to read, “that payment of a fixed salary to a nonexempt employee shall be deemed to provide compensation only for the employee’s regular, nonovertime hours, notwithstanding any private agreement to the contrary.” Thus, any such agreement could no longer cover overtime hours worked.

The law goes into effect on Jan. 1, 2012.

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