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UNITED STATES DISTRICT COURT

CENTRAL DISTRICT OF CALIFORNIA

CALIFORNIA HOSPITAL ASSOCIATION, a California non-profit organization,

Plaintiff,

v.

CITY OF INGLEWOOD, a charter municipality,

Defendant.

Case No. 2:23-cv-6187

COMPLAINT FOR DECLARATORY AND INJUNCTIVE RELIEF

COMPLAINT

Plaintiff California Hospital Association ("Plaintiff" or "CHA") brings this action for declaratory relief against Defendant City of Inglewood ("Defendant" or "City") that certain provisions of its Healthcare Workers Minimum Wage Ordinance (the "Ordinance") are invalid and unconstitutional, and seeks a permanent injunction prohibiting enforcement of such provisions.

INTRODUCTION

1. The National Labor Relations Act ("NLRA") reflects a comprehensive federal labor policy governing labor organizing and collective bargaining in the private sector. While the NLRA expressly regulates certain conduct of employers, employees, and labor unions, the Supreme Court has recognized that Congress also intentionally left some activities in the labor arena unregulated by the NLRA, to be controlled by the free play of economic forces. Thus, when a state or local law interferes with those zones of activity that Congress deliberately left unregulated, it is preempted by the NLRA.

2. Here, the City's Ordinance restricts the actions of healthcare employers in ways that disrupt the carefully crafted balance of power between management and labor that the NLRA prescribes. To be sure, the Ordinance does much more than just increase the minimum wage for healthcare workers. It also bars healthcare employers from reducing staffing, altering schedules, or adjusting employee compensation and benefits. The Ordinance forecloses any option by a Healthcare Worker to opt out of the Ordinance or its protections thereby necessarily interfering with the collective bargaining process. Further, the Ordinance creates a new private cause of action that displaces agreed-upon grievance procedures in collective bargaining agreements, and it prevents healthcare employers from utilizing standard economic weapons of the collective bargaining process, such as lockouts or the hiring of permanent replacements. The provisions of the Ordinance containing these restrictions are preempted by the NLRA.

3. The City's Ordinance is nothing more than a union-promoted private interest boon cloaked in public interest sentiment. Indeed, the Ordinance is not a generally applicable labor regulation for all, but rather the product of a decade-long strategy by the Service Employees International Union – United Healthcare Workers West ("SEIU-UHW" or "Union") to target hospital employers. Here, the Union is once again using the ballot initiative process to gain leverage during collective

bargaining or simply to circumvent the bargaining process altogether—to the detriment of the hospitals, their employees and the communities they serve.

JURISDICTION AND VENUE

4. The Court has subject matter jurisdiction over this matter pursuant to 28 U.S.C. § 1331 because CHA's claim arises under the National Labor Relations Act, 29 U.S.C. § 141 *et seq*., and Article VI of the United States Constitution, which designates the Constitution and Laws of the United States as the supreme law of the land.

5. Venue is proper in this Court under 28 U.S.C. § 1391(b)(2) because the events giving rise to CHA's claim occurred in this District.

THE PARTIES

6. Plaintiff California Hospital Association represents more than 400 hospitals throughout California. Established in 1935, CHA advocates on behalf of its member hospitals on important policy issues that affect 40 million Californians. CHA works to ensure that hospitals will continue to be able to provide exceptional care to patients and comprehensive health services to communities.

7. CHA brings this action on behalf of its members—including members operating within the City of Inglewood—that have suffered, and will continue to suffer, a direct and adverse impact from the application of the Ordinance and thus would have standing to pursue this claim in their own right. The policy and legal interests CHA seeks to protect are at the core of its mission, and the declaratory and injunctive relief sought does not require the participation of any individual member.

8. Defendant, City of Inglewood, is and at all relevant times has been a public entity duly organized and existing under and by virtue of the laws of the State of California as a charter municipality.

FACTUAL BACKGROUND

The Union Has a History of Using Initiatives to Circumvent Bargaining

9. For over a decade, SEIU-UHW has used the ballot initiative process to

try to gain leverage in collective bargaining with California hospitals or to circumvent the collective bargaining process altogether. The Union has a history of filing ballot measures that target organizations whose workers it represents or wants to represent.

10. Many of the initiatives never actually make it to the ballot because the Union drops them after the initiatives serve their purpose as leverage in negotiations. In 2011, for example, the SEIU-UHW filed two statewide initiatives that would have implemented pricing caps and charity care floors, i.e., minimum amounts hospitals must spend on free or discounted medical care, for various healthcare facilities. The Union dropped the ballot initiatives after reaching an agreement with Plaintiff.

11. Likewise, in 2013, SEIU-UHW filed statewide initiatives related to pricing and executive compensation. The Union withdrew the initiatives after entering into a Code of Conduct agreement with Plaintiff. The Union further agreed not to file initiatives adverse to California hospitals during the Code of Conduct's effective term.

12. Apparently dissatisfied with the Code of Conduct, SEIU-UHW breached its terms and filed another statewide executive compensation initiative for placement on the 2016 ballot. Plaintiff enforced its agreement with the Union in arbitration, with a court ultimately forcing the Union to withdraw the initiative. *See* Order Confirming Arbitration Award, *California Hospital Association v. SEIU, United Healthcare Workers West*, No. 34-301-00189567 (Sac. Cty. Super. Ct. June 24, 2016).

13. In 2017, after Stanford Health Care refused the Union's demand for "neutrality" (which would have enabled the Union to freely recruit hospital staff and expand its membership at Stanford), the Union filed initiatives aimed at capping hospital charges in five cities (Palo Alto, Redwood City, Emeryville, Pleasanton, and Livermore) in which Stanford operates. Only the initiatives in Palo Alto and Livermore reached the ballot, and both were defeated by voters.

14. Stanford filed an unfair labor practice charge against the Union in 2019.

The NLRB referred the charge to the General Counsel, who concluded that the Union's "threat to maintain ballot initiatives made during the negotiations appears to have risen to the level of unlawful insistence," meaning the Union used "restraint, coercion or otherwise manifest bad faith" tactics to insist on a term—here, neutrality to help expand its membership at Stanford—that is not a mandatory subject of collective bargaining. The General Counsel nevertheless dismissed the charge as time-barred. Advice Memorandum, Case 32-CB-234643 (Oct. 17, 2019).

15. In 2021, the Union began its campaign for a healthcare-specific minimum wage, which led to the Ordinance at issue here. The Union filed initiatives in ten cities within Los Angeles County and also began pursuing a statewide minimum wage initiative with similar terms to the local initiatives. The initiatives succeeded in Inglewood via a ballot measure on November 8, 2022, and in Lynwood via a City Council vote in February 2023. Several other minimum wage initiatives are set to be voted on in the March 2024 primary election.

16. In May and June 2023, the Union filed healthcare minimum wage and executive compensation initiatives in three cities in San Diego County—Chula Vista, La Mesa, and San Diego. The Union also filed an executive compensation initiative in Los Angeles that is headed to the ballot in March 2024. In addition, the Union supported the presentation of an identical healthcare minimum wage ordinance in Sacramento.

17. On April 11, 2023, the Union sued CHA member Centinela Hospital in the Superior Court for the County of Los Angeles (Case No. 23STCV08047) under the Ordinance for (1) reducing the hours of work of covered employees allegedly to fund and/or offset the costs associated with the wage increases required by the Ordinance, and (2) laying off certain SEIU-UHW members in alleged retaliation for these members' participation in the public campaign to pass the Ordinance. The Union's complaint admits the Union views the Ordinance as benefiting the Union, rather than individual workers, seeking attorneys' fees on the basis that Centinela

Hospital's "disregard for the law has forced [the Union] to obtain legal counsel to secure a victory they already achieved at the ballot box in November." Compl. ¶ 50.

The Ordinance Extends Far Beyond a Minimum Wage

18. The Ordinance codified in Chapter 8-150 of the Inglewood Municipal Code is attached hereto as **Exhibit A.**

19. The Ordinance states its "purpose is to establish a minimum wage for covered healthcare workers within the City of Inglewood," which "will help address retention challenges and workforce shortages affecting healthcare facilities in Inglewood" and "fairly compensate healthcare workers for their contributions and sacrifices." Section 8-150. The Ordinance explains that healthcare workers across the board are experiencing stress and burnout, exacerbated by rising housing costs that require workers to live further from their places of work. Section 8-150.

20. The Ordinance applies to "Healthcare Worker[s]" whose primary work assignment is to "provide patient care, healthcare services, or services supporting the provision of healthcare" at a Covered Healthcare Facility. Section 8-151(f). This broad definition includes "a clinician, professional, non-professional, nurse, certified nursing assistant, aide, technician, maintenance worker, janitorial or housekeeping staffperson, groundskeeper, guard, food service worker, laundry worker, pharmacist, nonmanagerial administrative worker and business office clerical worker." Section 8-151(f). The definition "does not include a manager or supervisor." Section 8-151(f).

21. A "Covered Healthcare Facility" means a "licensed general acute care hospital," a "licensed acute psychiatric hospital," a "clinic . . . that is conducted, operated, or maintained as an outpatient department of a general acute care hospital or acute psychiatric hospital," a "licensed chronic dialysis clinic," a "licensed psychiatric health facility," and "[a]ll facilities that are part of an Integrated Healthcare Delivery System." Section 8-151(b).

22. An "Integrated Healthcare Delivery System" is a system that includes

"(1) one or more hospitals *and* (2) Covered Physician Groups, health care service plans, medical foundation clinics, or other facilities or entities, where the hospital or hospitals and other entities are related" through contract or shared ownership.

23. The definition of Covered Healthcare Facility notably excludes many other healthcare facilities, such as community clinics and skilled nursing facilities, that are substantially similar to the covered facilities in every material way relevant to the Ordinance, which also employ healthcare workers experiencing increased stress, burnout, and increased housing costs.

24. The Ordinance entitles covered Healthcare Workers to a minimum wage of $25 per hour, a 60% increase over the current state minimum wage of $15.50. Section 8-152(a)-(b). Notably, a statewide bill—SB 525—providing for a $25 minimum wage for healthcare workers by June 1, 2025, recently passed the California Senate and has moved to the State Assembly.[1] The Union takes credit for advancing SB 525. See https://www.seiu-uhw.org/fair-wages-for-healthcare-workers/ ("If we wait for our employers alone to take action to solve the staffing crisis, nothing will change. We have to use every tool at our disposal — including political action — to tackle this crisis.").

25. The Inglewood Ordinance not only establishes a minimum wage, however, but also forbids Covered Healthcare Facilities from using various lawful bargaining tools when engaged in collective bargaining with unions.

26. The Ordinance provides that an "Employer may not fund the Minimum Wage increases required by this Article in any of the following ways: (1) Reducing Healthcare Workers' premium pay rates or shift differentials; (2) Reducing vacation, healthcare, or other non-wage benefits of any Healthcare Worker; (3) Reducing Healthcare Workers' hours of work; (4) Laying off Healthcare Workers; or (5) Increasing charges to any Healthcare Worker for parking, work-related materials

[1] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202320240SB525

or equipment." Section 8-152(c).

27. Employers violate the Ordinance "if the Minimum Wage requirements of this Article are *a motivating factor* in the Employer's decision to take any of the actions described in [the previous paragraph]." Section 8-152(d). The Ordinance shifts the burden to the Employer to "prove[] that it would have taken the same action at the time that it did irrespective of the operation of this Article." Section 8-152(d).

28. The Ordinance also creates a cause of action for retaliation: "No Employer shall discharge, terminate a contract with, reduce compensation to, or otherwise discriminate against or take adverse action against any Healthcare Worker for opposing any practice proscribed by this Article, for participating in proceedings related to this Article, for seeking to enforce rights under this Article by any lawful means, or for otherwise asserting rights under this Article." Section 8-153.

29. The Ordinance further establishes a rebuttable presumption that "any adverse action against a Healthcare Worker within 90 days of the Healthcare Worker's exercise of rights protected under this Article" was taken "in retaliation for the exercise of such rights." Section 8-153.

30. The Ordinance creates a private right of action for Healthcare Workers, "a representative of a Healthcare Worker" (i.e., the Union), and the City Attorney to sue an employer for alleged violations of the Ordinance. Section 8-155(d). For claims of retaliation, the Ordinance entitles prevailing parties to treble damages. Section 8-155(d). The Ordinance further entitles "the City, a Healthcare Worker, or a representative of a Healthcare Worker" who prevails in the action to recover attorneys' fees and costs, but does not provide the same for a prevailing defendant. Section 8-155(d).

31. The Ordinance makes any attempt by a Healthcare Worker to waive the "rights or protections afforded under the authority of this Article" void and unenforceable as "contrary to public policy." Section 8-156.

32. The Ordinance has no expiration date. It is a permanent, not temporary,

enactment.

The Ordinance Interferes With The Collective Bargaining Process

33. Collective bargaining is the process through which an employer and a union negotiate to reach an agreement—the collective bargaining agreement (CBA)—that will govern salaries and wages, hours, working conditions, and benefits. The NLRA requires an employer and a union that represents its employees to meet at reasonable times to confer in good faith concerning these matters. The parties are entitled to resort to certain economic tools, like a strike or lockout, to apply pressure on the opposing party to agree to certain demands. Resort to economic weapons during collective bargaining is the right of the employer as well as the employee.

34. The Ordinance prohibits employers from using such bargaining tools as laying off workers, reducing hours of work, reducing premium pay rates or shift differentials, reducing non-wage benefits like vacation or healthcare, or increasing charges to any healthcare worker for parking or work-related materials or equipment if the wage increases are "a motivating factor" for that action.

35. As a practical matter, a plaintiff will always be able to allege that the minimum wage requirements are a motivating factor for these decisions. Requiring an employer to spend more money on wages necessarily means the employer has less money to spend in other areas of compensation. And the increase in wages is not limited to the difference between an employee's current hourly rate and $25. Employers will face pressure to adjust the hourly rate of more senior or skilled employees even higher to account for wage scales and to avoid wage compression.

36. For example, Centinela Hospital Medical Center—one of Plaintiff's member hospitals operating in Inglewood—has a CBA with the Union that places "[a]ll new hires … on the wage scale based on years of experience and or license." Additionally, this CBA also provides for the payment of shift differentials at Centinela Hospital ($2.22 per hour for evening shifts and $1.24 per hour for weekend

shifts).

37. Layoffs, reductions in premium pay rates, reductions in non-wage benefits, reductions in hours, and increased charges are consequences of an employer having less money to spend—which will necessarily be the case given the significant increase in spending on wages due to the minimum wage. By explicitly forbidding employers from using money spent on other areas of compensation to pay for wages, the ordinance effectively forbids reducing any aspect of compensation for any covered employees.

38. This effective prohibition of changes to covered employee compensation interferes with collective bargaining.

39. The Ordinance handcuffs management in their negotiations of any aspect of compensation. For example, if a union bargains for above-minimum wage pay, an employer could not negotiate lower hours, reduced non-wage benefits, or increased charges to employees in exchange without risking a lawsuit alleging that the minimum wage floor is a motivating factor for its positions. The Ordinance removes most, if not all, aspects of compensation from the bargaining process. Indeed, the Ordinance handcuffs unions, too, as Section 8-156 would prevent a union that preferred reduced hours from exempting such a reduction from the Ordinance.

40. The Ordinance thus disrupts matters that are routinely subject to negotiation. Centinela Hospital's CBA with the Union, for example, reflects management's rights to "create, change, combine or abolish jobs in departments and facilities in whole or in part," "increase or decrease the work force," "determine working hours, shift assignments, and days off," and "specify or assign work requirements and overtime." The parties to the CBA "acknowledge the common goal of providing employment and security to employees," while recognizing "there are circumstances where avoiding displacement cannot be achieved." The CBA explicitly contemplates the possibility for a reduction in force, setting forth detailed "steps" to be "followed in order to determine placement of the affected

Employee(s)." Again, the City's Ordinance interferes with all of these negotiated provisions.

41. The Ordinance also prevents employers from taking lawful self-help actions during collective bargaining. One of an employer's most powerful bargaining tools is a lockout. In a lockout, an employer temporarily withholds available work and access to facilities from its regular employees to apply economic pressure on employees and their unions to accept the employer's proposals in collective bargaining, deprive employees and unions of exclusive control over the timing and duration of work stoppages, and anticipate threatened or imminent strike activity. The City's Ordinance prevents employers from engaging in lockouts motivated in any way by the minimum wage because they necessarily involve reducing employees' "hours of work." Section 8-152(c).

42. The City's Ordinance also interferes with an employer's right to hire permanent replacements, another economic weapon available to employers in bargaining. Any hiring of permanent replacements would simply lead to a still larger workforce, with each employee receiving at least the minimum wage, while the employer would be prohibited by the Ordinance from laying off any workers on account of the increased costs attributable to that minimum wage.

43. Moreover, collective bargaining agreements routinely contain agreed-upon grievance procedures for resolving disputes out of court. But again, the City's Ordinance creates economic protections and enforcement provisions that favor the Union. Thus, the Ordinance displaces the parties' agreed-upon dispute resolution procedures, including mandatory arbitration, in favor of litigation.

44. For example, Centinela Hospital's CBA includes detailed, step-by-step procedures for resolving "staffing" disputes or any "dispute as to the interpretation, meaning or application of a specific provision of this Agreement." The grievance procedures include informal verbal efforts at resolution, reducing complaints to writing, and ultimately arbitration if informal efforts are unsuccessful. As described

above, the CBA covers issues relating to reductions in force, benefits, premium pay and shift differentials, and charges to employees. Disputes regarding the CBA's application to any of those matters should be resolved via the parties' informal grievance procedures and, if unsuccessful, mandatory arbitration.

45. Yet the City's Ordinance creates a new cause of action to be filed in court for complaints involving the very matters covered by this CBA—e.g., hours, benefits, and termination. The Ordinance also effectively places the burden of proof on an employer to demonstrate a lack of a violation. And the Ordinance introduces treble damages, attorneys' fees, and other remedies for the benefit of the Union that are unavailable under the parties' CBA.

46. The City's Ordinance contains no mechanism to avoid the applicability of its terms and permit the collective bargaining process to play out. While the Ordinance provides a "One-Year Court-Granted Waiver" from its requirements if compliance would risk bankrupting an employer and its parent company, it does not include an opt-out for CBAs and prohibits waivers.

47. Moreover, the City's Ordinance targets certain employers to the exclusion of others, despite purporting to help ***all*** healthcare workers. Again, the Ordinance purports to advance broad public interest, but reveals itself as nothing more than a Union-promoted private interest. The Union's concerted campaign to pursue initiatives in cities where it represents bargaining units evidences this fact. The Union gerrymandered the definition of "Covered Healthcare Facilities" to target employers with which the Union wanted increased leverage and exclude those other healthcare employers that the Union is uninterested in disrupting. In Inglewood, for example, the definition excludes community clinics and skilled nursing facilities, although employees at those facilities have no less "stress," "burnout," and "rising housing costs" than employees of the covered entities. Section 8-150. The only difference is the relative benefit *to the Union*.

48. Indeed, the challenged provisions of the Ordinance promote employees'

collective, not *individual*, interests. While the minimum wage provision protects individual workers by ensuring that each employee receives a minimum wage, the challenged provisions here seek only to promote employees' interests collectively by prohibiting employers from reducing *any* employee's premium pay rates, shift differentials, benefits, or hours of work, laying off *any* employee, or increasing charges to *any* employee to offset the costs of complying with the minimum wage.

49. These provisions do not establish mandatory minimum standards that benefit individuals. For example, the City's Ordinance does not establish a minimum number of hours a worker must receive each month, a minimum threshold of non-wage benefits, or a maximum amount of employee charges. These provisions instead promote employees' collective interests, disrupting the collective bargaining process.

50. Similarly, the City's Ordinance promotes collective interests by creating private rights of action for worker representatives. And SEIU-UHW has already taken advantage of these provisions to sue a hospital operating in Inglewood for decisions affecting the broader workforce on the theory that this type of operational decision-making is motivated by the City's Ordinance.

51. As a whole, the City's Ordinance is an extreme regulation that is so operationally invasive and detailed so as to alter the balance of power between management and labor and dictate the results of the bargaining process.

CAUSE OF ACTION

NLRA Preemption

(29 U.S.C. § 151, *et seq*.)

52. Plaintiff incorporates by reference all preceding paragraphs as though fully set forth therein.

53. Enacted in 1935, the NLRA, as amended, 29 U.S.C. § 151, *et seq*., creates a uniform federal body of law governing union organizing, collective bargaining, and labor-management relations for employers engaged in interstate commerce.

54. The NLRA strikes a deliberate balance of protection, prohibition, and laissez-faire with respect to union organization, collective bargaining, and labor disputes. It thus preempts any and all state and local enactments that, by design or consequence, regulate or interfere with those zones of activity that, under federal labor law, are intended to be left to the free play of economic forces.

55. For example, the NLRA intentionally leaves unregulated economic tools available to labor or management during the course of collective bargaining, including the ability to engage in lockouts. The NLRA also reserves for employers the ability to hire and fire employees. The parties' agreed-upon grievance procedures are also protected from interference. The NLRA intended to allow the parties to resolve these matters without the unsettling effect of state regulation.

56. Sections 8-152(c)–(d) of the Ordinance intrude upon zones of activity reserved under the NLRA to the free play of economic forces by prohibiting employers from reducing any employee's premium pay rates, shift differentials, benefits, or hours of work, laying off any employees, or increasing charges to any employees to offset the costs of complying with the minimum wage. This conduct is often central to CBA negotiations and the NLRA intended to allow the parties to resolve these matters without the unsettling effect of local regulation.

57. Sections 8-153 and 8-155(d) of the Ordinance provide unions with new causes of action and evidentiary presumptions that interfere with the grievance procedures governed by CBAs. In doing so, these provisions regulate the mechanics of labor dispute resolution. By displacing CBAs' substantive grievance procedures with economic protections and enforcement provisions favoring the Union in disputes involving hours, benefits, and termination, the Ordinance interferes with the objectives of the NLRA.

58. Section 8-156 enshrines the interference with the collective bargaining process by preventing any Healthcare Worker—and, by extension, any union—from opting out of, or waiving, application of the Ordinance.

59. Sections 8-152(c)–(d), 8-153, 8-155(d), and 8-156 of the Ordinance are extreme regulations benefiting workers as members of a collective organization that are so invasive and detailed as to alter the balance of power between management and labor and dictate the results of the bargaining process contrary to the NLRA.

60. CHA is entitled to judgment declaring Section 8-152(c)–(d), Section 8-153, Section 8-155(d), and Section 8-156 of the Ordinance to be void and unenforceable and injunctive relief to prevent enforcement of these provisions.

PRAYER FOR RELIEF

WHEREFORE, Plaintiff prays for the following relief:

1. A judgment declaring that Section 8-152(c)–(d), Section 8-153, Section 8-155(d), and Section 8-156 of the Ordinance, as well as any act taken in furtherance of these provisions by any person, are void and unenforceable because they are preempted by the National Labor Relations Act and its implementing regulations and guidance;

2. A permanent injunction enjoining the City from enforcing or taking any action under the Ordinance;

3. Attorneys' fees, costs, and interest; and

4. Such other and further relief as the Court may deem just and proper.

Dated: July 31, 2023

JONES DAY

By: */s/ Matthew J. Silveira*
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CALIFORNIA HOSPITAL ASSOCIATION