talent and representatives are in a panic to adopt a fresh framework for negotiating projects in compliance with the California Legislature’s enactment of last year’s Assembly Bill 168, which is codified in Labor Code Section 432.3. As of January 1, 2018, employers may no longer request salary or compensation history information (commonly referred to as an artist’s “quote” in the entertainment industry) from a prospective candidate or rely on this information to determine whether to hire an applicant or pay that applicant a certain wage or salary.

One primary concern with a law that influences multiple industries and directly affects the way employers fundamentally determine salary is whether it provides the opportunity for litigation based on industry practices. This is particularly true in the entertainment industry, which typically relies on salary and compensation history to negotiate future compensation, primarily with talent, along with the free flow of information between studios and talent representatives. Moreover, this new statute is of concern to many entertainment executives since salary, which includes compensation and benefits, is not always easy to determine in Hollywood. Compensation in the entertainment industry commonly consists of not only an initial form of payment—e.g., fixed or up-front compensation for services rendered on a project—but also contingent future earnings—e.g., box office bonuses and “back end” participation in the form of “points” or a percentage of the gross or net profits derived from exploitation of any given project.

On its surface, the new law seems that it could be fairly disruptive, from changing the way talent deals are negotiated to affecting the way information is gathered regarding the pay scale for production workers. However, many in Hollywood have already adjusted the way they conduct business to comply with the new law, mainly in the form of talent representatives’ obtaining advance voluntary waivers from their clients to allow them to share this type of information with prospective employers. On the other hand, some talent agents have flatly refused to give a quote, citing the statute. A seemingly innocent question of “How much did you make on your last project?” or “What’s your quote?” is now prohibited. Further, even if a client voluntarily gives a quote, there is a question as to whether an advance vol-

by NESTOR BARRERO, SAYAKA KARITANI, and JADE BREWSTER

QUOTE
NO MORE

The new law outlawing past compensation queries may create more questions than answers in trying to decrease the gender pay gap for high-profile roles in Hollywood

HOLLYWOOD talent and representatives are in a panic to adopt a fresh framework for negotiating projects in compliance with the California Legislature’s enactment of last year’s Assembly Bill 168, which is codified in Labor Code Section 432.3. As of January 1, 2018, employers may no longer request salary or compensation history information (commonly referred to as an artist’s “quote” in the entertainment industry) from a prospective candidate or rely on this information to determine whether to hire an applicant or pay that applicant a certain wage or salary.

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The new law also is changing how studios and talent representatives approach the salary negotiation process. Studios requesting that talent representatives provide a client's quote and thereafter verify the quote with the previous employer is a fairly common practice in Hollywood. An artist's quote is often based on the fixed and contingent compensation received on the artist's most recent projects. This quote typically evolves and often increases over time based on the artist's success and stature (such as awards recognition) in the entertainment industry. However, the announcement of the new law initially created waves of surprise and unease throughout Hollywood, forcing the entertainment industry to quickly adjust. New York City previously enacted a similar and more complete statute prohibiting inquiries about an employee's salary history, which may provide affected Californians some insight into the application of its California counterpart.

A Budding Acceptance

Outside of the entertainment industry, companies recently have voluntarily elected not to ask for a prospective candidate's pay history, even though no legal restriction applies to them. This trend suggests a budding acceptance of the practice across the country—and possibly a broadly developing view that merely asking for salary history inherently perpetuates the gender pay gap.

Nonetheless, professionals involved in hiring talent in Hollywood—including business affairs executives and human resources recruiters—should be wary of the more seemingly innocuous provisions of the new statute, for example, what is "voluntary" and the requirement that the employer provide a "pay scale" upon "reasonable request." It is also unclear how far the new statute's provision for voluntary disclosure by the employer of prior salary history extends. While this new law may be seen as another useful tool to advance equal pay, which has historically been a problem in Hollywood, employers should also be mindful of other possible discriminatory pay practices prohibited under California and federal law.

California has a history of enacting statutes to promote equal pay across the state. In 1949, the legislature enacted the California Equal Pay Act to target wage discrimination against women by prohibiting disparities in wages based on gender. Many decades later, in 2015, California enacted the California Fair Pay Act. Specifically, this act may be seen as an adjunct to the California Equal Pay Act, which already prohibits an employer from paying an employee wage rates less than the rates paid to employees of the opposite sex for "substantially similar work" requiring the exact same skills, effort, and type of responsibility when performed under similar working conditions.

In 2016, the California legislature enacted Senate Bill 1063, which added race and ethnicity as protected categories to Labor Code Sections 1197.5 and AB 1676, which prohibit employers from justifying sex-, race-, or ethnicity-based pay differences on the grounds of prior salary alone. Based on available legislative history, Section 432.3 was intended to flesh out the weaker AB 1676. To further foster equal pay practices across the state, the California legislature sought to pass additional laws, including Section 432.3, to narrow the disparity. A review of the legislative history of Section 432.3 demonstrates the legislature enacted this provision with the presumption that requesting a job candidate's salary perpetuates a presumed prior wage gap between men and women. Thus, Section 432.3 complements the California Equal Pay Act, by attempting to place men and women on equal footing during the recruitment and interview stages of the employment process.

While typically an employment law trendsetter, California is not the first jurisdiction to enact a statute that bans requesting prior salary information, as various municipal and state governments across the country have already passed similar statutes. In August 2016, Massachusetts became the first state to bar employers from requesting salary history from job applicants. Other state and municipal jurisdictions have since followed suit, including Delaware, Oregon, New York City, Philadelphia, San Francisco, and Puerto Rico.

The salary history law in New York City—the largest hub of entertainment industry activity in the United States outside Los Angeles—is considered by many the most significant regulatory effort thus far and one that has had the greatest impact on the hiring process in the entertainment industry to date. New York City's ban is lengthier than California's recently enacted statute and includes clarifications to the existing law for which the government has posted on its website a "Frequently Asked Questions" section. Unlike the bans implemented in other jurisdictions across the country, California's statute banning salary history inquiries by employers is short—less than 300 words—and does not include the detailed clarifications for most of the provisions in the statute, which has partly contributed to the widespread confusion and uncertainty in the entertainment industry.

Presently, California's statute does not include a clear monetary penalty for its violation. This is in contrast to New York City's ban on salary history information, which specifies a high penalty for non-compliance. The fine assessed in the New York City law may consist of a civil penalty up to $125,000 for an unintentional violation and up to $250,000 for a violation that is willful and malicious. Similarly, Delaware's ban carries a civil penalty of $1,000 to $10,000 per violation. California's new statute only makes clear that the criminal penalties under Labor Code Section 433 do not apply to violations of the ban. This does not mean, however, that the statute is completely without force. There remains a risk for civil penalties under class actions and exposure due to the California Private Attorneys General Act (PAGA), along with gender discrimination statutes.

On its face, Section 432.3 is deceptively straightforward. Unlike other Labor Code provisions, Section 432.3 is not riddled with a slew of definitions or exceptions. The statute generally prohibits employers from relying on the salary history information of an applicant as a factor in offering employment or what to offer as a salary. Additionally, an employer cannot "seek salary history information." The pertinent provisions state:

(a) An employer shall not rely on the salary history information of an applicant for employment as a factor in determining whether to offer employment to an applicant or what salary to offer an applicant.
(b) An employer shall not, orally or in writing, personally or through an agent, seek salary history information, including compensation and benefits, about an applicant for employment.
(c) An employer, upon reasonable request, shall provide the pay scale for a position to an applicant applying for employment.

Nothing in this section shall prohibit an applicant from voluntarily and without prompting disclosing salary history information to a prospective employer.

Areas of Confusion

The statute's simplicity, however, has bred confusion, particularly among employers who do not necessarily seek salary history in a linear fashion. For example, many...
1. Salary and compensation history have not historically been relied upon in negotiation of future compensation with talent in the entertainment industry.
   - True.
   - False.

2. A “quote” in entertainment industry negotiations is the customary price for services for the talent rendered and is largely based on the development of the talent’s fees over time and can fluctuate depending on the talent’s success.
   - True.
   - False.

3. California was the first state to enact a legislative ban on salary inquiries of applicants for employment.
   - True.
   - False.

4. California does not have a history of enacting statutes to promote equal pay across the state.
   - True.
   - False.

5. Criminal penalties are not available under the new salary ban law, Labor Code Section 432.3, in California.
   - True.
   - False.

6. It is permissible to consider salary history for determining salary if an applicant voluntarily and without prompting discloses salary history to a prospective employer.
   - True.
   - False.

7. It is not clear whether a general inquiry by an assistant at a studio about what actors typically earn for different roles without having a particular actor in mind for an upcoming job would violate Labor Code Section 432.3.
   - True.
   - False.

8. Although determining pay scale may be difficult for entertainment industry talent roles, larger employers may already have salary scales or salary bands for more traditional nontalent roles.
   - True.
   - False.

9. An entertainment industry employer may not seek salary history information, including compensation and benefits, about an applicant for employment orally or in writing but may do so through an agent.
   - True.
   - False.

10. Similar to the jurisdictional reach of New York City’s salary history law, Section 432.3 limits its reach to an interviewer, employer, applicant, or position located in California.
    - True.
    - False.

11. Section 432.3 requires employers to disclose on applications that they are prohibited from requesting salary history.
    - True.
    - False.

12. Penalties under the California Private Attorneys General Act (PAGA) are not available to private litigants under Section 432.3.
    - True.
    - False.

13. One desired effect of Section 432.3 may be to require companies evaluating nontalent jobs to assign a value to particular jobs rather than rely on prior salary.
    - True.
    - False.

14. An unintended consequence of Section 432.3 may be that refusal of talent to provide a quote may signal a studio that the actual quote or desired compensation is low, thereby providing an advantage to more established talent and their agents.
    - True.
    - False.

15. Virtually no agents in the entertainment industry are seeking voluntary waivers to avoid ambiguity about salary information that has already been revealed.
    - True.
    - False.

16. Pay disparities among the top male and female actors in the entertainment industry continue and can probably be explained by a number of reasons.
    - True.
    - False.

17. Websites like Glassdoor, Indeed, and Salary.com provide some compensation data for nontalent jobs but they are self-reported and usually not broken down by gender.
    - True.
    - False.

18. One reading of Section 432.3 would not permit a studio to verify what was paid to talent on the talent’s last project for the same studio.
    - True.
    - False.

19. Employers are not permitted to ask applicants for a role what compensation they are seeking, even if the employers do not inquire about prior salary or reveal the assigned value of a particular job.
    - True.
    - False.

20. Employers in industries outside of entertainment have expressed the view that Section 432.3 will have little influence on their operations.
    - True.
    - False.
entertainment industry employers rely on multiple sources of information to obtain a fair assessment of talent. A producer merely looking to verify the last salary of an actress with a studio may be interpreted as “seeking” salary history under the new provision. In another example, an assistant making a few calls to work colleagues and unwittingly asking about salary information for a prospective hire may be unknowingly violating the statute, even if the assistant had no intention of gathering information for the purposes of negotiating the prospective hire’s salary.

California employers now cannot “seek salary history information, including compensation and benefits, about an applicant for employment” whether “orally or in writing” or “personally or through an agent.” Even relying on this salary history as only “a factor” in determining whether to hire the applicant or what salary to offer to pay the applicant is prohibited under the statute. As written, the statute makes it difficult to determine when the salary request begins, since a studio may not necessarily know who will be considered an applicant when considering talent for a particular project. It is also unclear under what circumstances an employee of a studio or production company may be acting as an agent of his or her employer, or whether violations by casting directors or other third parties working on a project will trigger violations by the studio. For example, an eager entry-level studio assistant or a person in a similar role in a casting department looking for an upcoming project’s actors may make a few calls off work hours to talent agents. To spark interest in the role, the assistant may ask agents how much actors are generally being paid for a role. On its face, this inquiry may seem like a violation of the statute since employers are not allowed to “seek salary history information;” however, the statute does not address the issue of generally gathering background to seek out salary data, even when there is no specific person or applicant in mind for a role.

Applicant Issue

The applicant issue is also difficult to determine. A studio may unilaterally determine whom it wants to pursue for a role rather than the talent requesting the role. In this scenario, the talent technically has not applied for, or sought out, the position. Is it then legal for the studio to request a quote from the talent’s representative in contemplation of consideration for the role? As written, the statute merely seems to address those persons who are affirmatively applying for a position while providing no guidance concerning those who are recruited. The distinction, however, is illusory and overlooks the balance of bargaining power between agents and studios, along with the dynamics of how hiring—at least for talent—actually occurs. It is unlikely that the California legislature intended such a distinction between individuals affirmatively applying for a position and those who are recruited. It appears that both categories may qualify as applicants, as the term is interpreted broadly across the entertainment industry.

Generally, employers have more bargaining power during wage negotiations than individuals seeking a role, since employers dictate what they want to pay and whom they want to pay. This is true for most industries—not just entertainment—since the employee typically has less information and negotiating experience than the hiring manager. The imbalance of power may not always be so clear-cut, however. For example, agents who negotiate for the benefit of high-level job candidates like actors and directors are usually very seasoned, which presumably makes the balance of power a little more equal for participants in the entertainment industry than for employees in other industries. In contrast, high-level prospective candidates at tech companies usually do not have experienced negotiators representing them when negotiating salary with hiring managers.

Another possible area for confusion in the entertainment industry relates to loan-out corporations that are often established by talent mainly for tax purposes to provide professional services to a third party, e.g., a studio. Although the talent is an employee of the loan-out corporation instead of the studio, it is likely that these loan-out corporation employees may also be subject to the new statute since there is still an employment relationship, albeit indirectly, with the studios. More importantly, the goals of the statute are not focused on the status of employees but rather applicants for employment. The legislative intent was plainly aimed at helping assure that qualified candidates for employment of different genders or backgrounds are paid fairly and equally for similar work. It is not likely that there was any intent to exempt a “loaned out” employee of a loan-out corporation from the protections of the law.

The statute provides for a single exception, which may be a source of widespread confusion for entertainment industry professionals involved in hiring. This exception involves applicants who “voluntarily and without prompting” disclose salary history. Only when the employee voluntarily provides this information is the employer permitted to rely on it to determine salary. However, the standards to establish whether information is voluntary and “without prompting” are not clear. Some applicants may feel pressure to disclose the information, which may raise questions as to the voluntary nature of a salary history disclosure, even when the disclosure may appear on its face to be voluntary. Although the statute makes clear that voluntary information given by the prospective candidate can be used when determining an applicant’s salary, it is silent as to whether voluntary information may be used to determine whether to even offer employment to an applicant.

Pay Scale and Job Location

The statute also requires employers, upon “reasonable request” to provide a “pay scale” to the prospective candidate. This is an additional area of confusion for employers since the terms “pay scale” and “reasonable request” are not defined. The statute, as written, arguably may allow an employer to provide a potential candidate a pay scale of $1 to $1 million, and this may be considered a pay scale as required under the statute. In regard to hiring talent in the entertainment industry, a pay scale may be difficult to determine, since it may be unclear what is included as “pay,” considering that talent contracts consist of different forms of fixed and contingent compensation.

Generally, historical wage ranges even of current employees are not required. An employer may even provide a range that is considered within the industry standard and is higher or lower than what is expected of the specific applicant. Alternatively, an employer may provide a pay scale based on experience or education, which may in that particular industry include a historical gender disparity. Larger entertainment industry employers may already have salary scales or salary bands for more traditional nontalent roles that are similar to other industries, such as a salary band for persons who work in different levels in promotions, marketing, production, finance, or even legal departments. Compliance with these types of roles and requests—if they are made—will be much easier than for unique talent positions.

The guidance provided to employers under the New York City salary history law specifically limits the reach of the ban to inquiries occurring during a job interview in New York City or outside New York City when an impact will be felt in New York City. In California, however, it is unclear from the statute if the interviewer, employer, applicant, or the position must
be located in California. This can become an issue if a potential applicant who is not selected brings a claim seeking damages from a prospective employer alleging that he or she was illegally asked about prior salary and did not receive a job offer because of this violation. It is quite possible that to circumvent this statute, some employers may simply move the process out of state for selection purposes. For example, a company in Texas may search for talent in Texas, but the ultimate position may be located in California. Although unlikely, these types of scenarios highlight the statute's ambiguity. Ultimately, it is probable that the law will be focused on the place of the harm or location of the prospective role itself rather than the physical location of the applicant.

Section 432.3 places the onus on employers to inform and train their hiring teams on the impact of the ban on requesting salary history. For example, simply disseminating a memorandum to prohibit asking about salary history, setting up a reminder to human resources, and deleting the salary history questions on job applications may help to decrease exposure. There is no posting or notice requirement for this statutory change, which means that there is no obligation for employers to disclose on their applications or other job boards that they cannot ask for salary history.

Predictably, the statute potentially exposes employers to expensive litigation for broad penalties available for Labor Code violations under PAGA. Specifically, although damages to a single plaintiff may be low compared with a class action, employers still may face large exposure in regard to a single plaintiff and embarrassing publicity. For example, an actress who finds out after production has begun that she is being paid significantly less than a male counterpart may claim that her agent revealed her quote without her consent. In this scenario, both the agent and studio may arguably be liable for damages. In addition to PAGA claims, discrimination lawsuits asserting violations of the California Fair Pay Act may be included as additional claims.

**Gender Pay Gap**

The intent of the legislature when enacting this statute was largely to create a more level playing field during the negotiation process as well as correct any past inequities in pay, primarily to benefit women but also historically underpaid minorities or any other applicant. Pay disparities in Hollywood have been in the news lately, even when women and men are represented by many of the same agents. Specifically, there is a roughly $40 million difference between the highest paid actor and actress for the 2017 fiscal year. Forbes magazine reported that the highest-paid actor in Hollywood—Mark Wahlberg—received $68 million while Emma Stone—the highest-paid actress—received $26 million. Stone is only 15th on the list of the highest paid actors in Hollywood. Many reasons can be cited to explain a disparity of this magnitude, including negotiating leverage, as well as the types of roles available to women of different ages and experience.

By itself, Section 432.3 does not seem likely to significantly decrease the female pay gap for comparable male and female high-profile roles in Hollywood. However, the law may encourage better transparency and has already affected whether agents disclose a client’s quote, sometimes refusing to provide the information at all. The law is expected to have the desired effect on nontalent and support positions, e.g., sales, marketing, publicity, distribution, finance, postproduction, and editing, as well as requiring companies to develop methods within their compensation structures to assign value to jobs rather than basing compensation on what an applicant discloses as his or her prior salary and using that as a floor or benchmark.

**Salary Verification**

One of the most immediate effects of Section 432.3 on Hollywood deal-making concerns the agent salary verification process, when studios attempt to determine whether a quote by an agent or talent is accurate. Under the new law, studios can no longer simply ask talent agents for quotes on what clients made for previous projects. Similarly, under the statute, requesting the information from an outside source may also be an impermissible way to discover past compensation for an applicant. Generally, under the statute, agents must receive consent from a client to disclose such information and an expansive reading of the statute appears to permit an agent to do so, with the client’s consent, as part of a voluntary disclosure. Even though the statute prohibits employers from requesting salary information, agents may still find themselves volunteering prior salary information to a studio or production company. However, the issue of whether such a disclosure with the client’s permission is “without prompting” as required by the statute and a loophole that results in the agent’s speaking “voluntarily” for the client without having been asked or “prompted by an employer” remains.

Arguably, once the agent has given this information, the studio is merely verifying volunteered information and may therefore be within the exception in the statute. Salary information voluntarily given to a studio is permissible under the new law. If a past quote is particularly favorable for a client, agents may find it in their best interest to provide the quote. However, in many instances, the quote may be lower than the amount that talent wants to earn on a new production, and the agent may seek to withhold this information. An unintended consequence of Section 432.3 in the entertainment industry may be that refusing to provide a quote signals to the studio that the quote will be low. As may be the case already, established talent may more freely volunteer compensation information through their agents leaving those with less renown to fall back on withholding quotes, citing the statute as a prohibition. How this will shake out and impact long-standing industry practices is unknown, but it may be that, at least at the talent level, pressure exists to sign waivers to allow agents to disclose and studios to receive prior salary history in order to increase the possibility at arriving at a number that makes sense for a particular project.

Another unknown aspect of the new law is whether Section 432.3 will have the effect of studios modifying how they obtain and receive compensation information, even from their own records. For example, studios now can view publicly available data about talent compensation, to the extent they believe it is accurate and relevant. This information is widely available on the Internet and on services like IMDb, Studio System, and Variety Insight, which in some cases provide salaries for artists on prior projects. For a specific artist, this will most likely be a violation as looking at these sites may be challenged as “seeking” salary history information. Further, for nontalent roles, websites like Glassdoor, Indeed and Salary.com provide some compensation data, although, again, reliability of self-reported wage information may be suspect.

The statute also may be read to prohibit a studio from even verifying what was paid to talent on the last project at that studio, since to do so may be an example of seeking salary history information “personally or through an agent.” Contracts with talent who already worked for a studio may not be revivable for purposes of seeing whether it is relevant to the proposed compensation on his or her next film or series.

**What Employers May Ask**

Employers—including entertainment companies—are not completely adrift in devel-
oping an informed opinion about what a position should pay and what an applicant should receive. It is certainly permissible to ask an applicant what compensation range they are looking for without further asking if that is what was earned at the last job. Employers who make the effort to assign a value to a role in terms of a range may also freely provide that information to the applicant. Additionally, hiring personnel should be clear on what they can afford to pay a candidate as well as the market rate for the position. Many employers in other industries have expressed the view that this new statute may have little influence on their operations.

As with any new law, the devil is in the details and that is true with Section 432.3. Its application to long-standing practices in Hollywood will not be known until there is sufficient time and experience and perhaps even litigation and appellate interpretation of the intent behind the law and its application to unique industries, for example, entertainment. Initially, some predict an impact on the way salary or wage information is exchanged by talent representatives who are sophisticated in negotiations, and the entertainment industry has already observed some of these changes taking effect. The impact on the myriad of other nonunion jobs in Hollywood will not be insignificant and will promote transparency, hopefully helping to create a level playing field for women and other groups who historically lag behind in starting wages, which may carry with them throughout their careers.

1 LAB. CODE §432.3.


3 Id.

4 Id.


8 LAB. CODE §432.3

9 LAB. CODE §1197.5.


11 LAB. CODE §1197.5, as amended by SB 358.

12 LAB. CODE §1197.5.


16 Tit. 8, supra note 14.

17 In addition, Oregon’s ban permits employees to sue for unpaid wages starting in January 2024, and San Francisco’s ordinance comes with a $100 to $500 fine per violation after an initial warning and notice to correct for the first violation.

18 LAB. CODE §432.3.

19 LAB. CODE §§2698 et seq.

20 LAB. CODE §432.3.

21 Id.

22 Id.

23 Id.

24 Id.

25 Salary History Law, supra note 15.
