

## **Alert** | Labor & Employment



May 2022

### **Meal Period Violations Trigger Slew of Additional Penalties, California High Court Says**

Consistent with its previous rulings on the Labor Code, on May 23 the California Supreme Court held, in *Naranjo v. Spectrum Security Services, Inc.*, that an employee who successfully sues to recover unpaid meal premiums under Labor Code § 226.7 will also be entitled to derivative wage statement and waiting time penalties under Labor Code sections 226 and 203, respectively. When it comes to meal breaks – and potentially rest breaks too, although the court did not say so explicitly – the rule in California is now three penalties for the price of one substantive violation.

The *Naranjo* plaintiffs alleged a series of meal period violations, premised on the employer’s failure to maintain a compliant on-duty meal period policy. The case proceeded to a bench trial, where the court concluded that the class members were entitled to a one-hour premium for each workday the noncompliant meal break policy was in effect, as required by Labor Code § 226.7. The trial court also concluded that because those payments were not reflected in the employees’ wage statements, and that because this failure was “knowing and intentional,” the meal period violation triggered a derivative wage statement penalty under Labor Code § 226(e), as well as an award of attorneys’ fees to the plaintiffs’ counsel. Despite the plaintiffs’ request, however, the trial court declined to award waiting time penalties for failure to pay all wages due upon termination under Labor Code § 203, reasoning that the failure to pay meal premiums was not “willful” as required by that statute.

The Court of Appeal sided with the employer, reversing the award of wage statement penalties under Section 226 and affirming the denial of waiting time penalties under Section 203. The Court of Appeal's analysis turned on the definition of the word "wage," defined to mean "labor performed by employees." Cal. Lab. Code § 200. Analyzing the relevant statute and prior caselaw, the Court of Appeal concluded that "an employee's lawsuit for meal and rest break violations is not an action brought for the nonpayment of wages," and that accordingly meal period penalties are owed due to "the employer's recalcitrance," not for any work performed by the employee. As such, the remedies for meal period violations are properly characterized as penalties rather than wages, and do not trigger any derivative penalties for wage statement or waiting time violations.

In a unanimous opinion, the California Supreme Court disagreed. Turning first to the question of waiting time penalties under Labor Code § 203, the court characterized the wage vs. penalty dispute as a "false dichotomy," explaining that meal period premiums are simultaneously "a remedy for a legal violation" and "compensat[ion] for labor performed under conditions of hardship." Meal period premiums under Section 226.7, it concluded, are both. The court was similarly unpersuaded by the employer's concerns about the potentially duplicative nature of recovery, explaining that meal period premiums and waiting time penalties are aimed at deterring two separate practices: "One is a remedy for the deprivation of required rest or meal breaks; the other is a remedy for the failure to make prompt payment of unpaid wages when the employee leaves the job." Viewed in that light, *Naranjo* found nothing untoward about awarding both penalties for the same violation.

The court's conclusion was the same for wage statements. It rejected the employer's argument that no wage statement violation occurred because the wage statements were an accurate reflection of the hours worked and wages paid during the subject pay period. The court pointed to the language of the statute, which requires wage statements to include wages earned: "in other words, all amounts earned and now owing, not just those amounts actually paid." Because the underlying meal period violation caused the employer to underpay its employees, and because that underpayment was reflected in the wage statements, the court permitted the employee to recover wage statement penalties as well.

*Naranjo* provides no guidance on what (if anything) an employer can do to avoid these knock-on penalties for wage statement and waiting violations, apart from paying studious attention to the manner in which meal and rest breaks are provided. The court makes clear that even wage statements that perfectly reflect all amounts actually paid to employees will not pass muster if meal period violations are subsequently uncovered.

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