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## **California Supreme Court Rules Meal and Rest Period Premiums Are “Wages” for Purposes of Labor Code Sections 226 and 203.**

This morning the California Supreme Court issued a lengthy Opinion in the *Naranjo v. Spectrum Security Services, Inc.*, matter which will significantly affect wage and hour litigation in California. Plaintiff Naranjo was employed as a non-exempt security guard for Defendant Spectrum Security Services, Inc. (“Spectrum”). Naranjo filed a class action complaint in the Los Angeles County Superior Court alleging violations of state meal break requirements and rest break requirements. Non-exempt employees are entitled to meal and rest breaks under California law. The failure to provide these breaks in compliance with California law entitles an employee to a premium payment of an additional hour of pay at the employee’s regular rate of compensation for the meal or rest period violation. (Lab. Code, § 226.7, subd. (c).) Naranjo sought an additional hour of pay (premium pay) for each day Spectrum failed to provide legally compliant breaks. Additionally, Naranjo alleged two derivative Labor Code violations for failure to report the premium pay separately on employee wage statements and failure to pay the premium pay upon separation of employment. In addition to damages and penalties, Naranjo sought prejudgment interest on the premium pay which he alleged constituted withheld wages. The California Supreme Court took up two questions; whether “this extra pay for missed breaks constitutes “wages” that must be reported on statutorily required wage statements during employment (Lab. Code, § 226) and paid within statutory deadlines when an employee leaves the job (Lab. Code, § 203).” The Court’s Opinion published this morning is a resounding, **yes**, “[t]he extra pay [ ] constitutes wages subject to the same timing and reporting rules as other forms of compensation for work.”

In discussing the wage statement requirements relating to premium pay for meal or rest period violations, the Court ruled that “both the additional credited hour of work and the corresponding premium pay owed must be reported on the wage statement.”

As an ancillary matter, the Court also ruled on a dispute over the rate of prejudgment interest that applies to amounts due for failure to provide meal and rest breaks. The Court approved the 7% default interest rate set by the state Constitution while limiting its holdings to Labor Code sections 203 and 226 violations.

### **What This Means for Employers:**

Nearly every wage and hour class action filed in California contains a claim for failure to provide meal periods, failure to provide rest periods, and derivative claims of Labor Code section 226 wage statement violations and Labor Code section 203 waiting time penalties based on the alleged meal and rest period violations. **It has always been the position of defense counsel in California that meal and rest period violations cannot be the basis of these Labor Code section 226 and 203 derivative claims. Thus, employers could previously argue that liability was limited. The Court’s**

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**decision here now affirmatively disapproves that position. The result is that an alleged denial of a single meal period could lead to liability for premium pay under Labor Code section 226.7, plus waiting time penalties under Labor Code section 203, plus actual damages or statutory penalties under Labor Code section 226, plus 7% interest on the unpaid premium pay, plus a civil penalty under the Labor Code's Private Attorneys General Act of 2004 (Lab. Code, § 2698 et seq.). The liability on these claims can reach astronomical values, exclusive of employee attorney fee awards.**

Employers should ensure that they are auditing time and pay records to ensure compliance with meal and rest period requirements, and pay the applicable one-hour premium pay if short, late or missed meal and/or rest periods are discovered. Furthermore, employers should ensure their wage statements properly report premium pay for missed breaks including an accurate itemized statement reflecting an employee's gross wages earned, net wages earned, and credited hours worked.

*The goal of this article is to provide employers with current labor and employment law information. The contents should neither be interpreted as, nor construed as legal advice or opinion. The reader should consult with Barsamian & Moody at (559) 248-2360 for individual responses to questions or concerns regarding any given situation.*