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California Supreme Court Adds New Employer Obligations For Meal And Rest Breaks

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A unanimous California Supreme Court decision in *Naranjo v. Spectrum Security Services* held that premium wages for rest and meal periods – known as “rest and meal break violations” – are considered “wages” under California law. Employees are now able to recover additional monies if employers fail to include any unpaid premiums on their employee paystubs or payment of final wages.

Now that meal and rest premiums are being considered “wages” instead of penalties by the court, employers are subject to compounding violations when they fail to report those very meal and rest premiums on employee’s paystubs or final payment of wages. Employers already are held accountable when they fail to provide meal and rest premiums.

The case was brought before the court on appeal as a putative class action where a class of security guards claimed alleged meal and rest break violations under Labor Code 226.7. The California Court of Appeal for the Second District ruled that meal and rest break premiums do not result in additional penalties if paystubs do not accurately reflect their unpaid premium wages. In its analysis, the Court of Appeal did not consider unpaid premiums as wages and therefore did not require unpaid premiums on paystubs even though earned meal and rest breaks are required to be on employee pay statements.

The high court disagreed, finding that under Labor Code 226.7, employers are subject to penalties if they fail to include rest and meal period violations on paystubs and final wages and that the applicable pre-interest rate for unpaid premium wages is 7 percent as set by California law.

Employers will feel the effects of this ruling, which adds additional pitfalls and exposure for businesses in California to an already complex set of laws

regarding meal and rest breaks. Mainly, employers will need to reevaluate their meal and rest break policies, train staff and human resources to be aware of the new requirements, confirm compliance of employee wage statements, and consider the level of exposure this court decision creates for them.

Given the expansive effect of this ruling and the clear issues that employers will face, it is important to recognize how this will affect your individual business and work with your legal team to understand what your business needs to do to avoid additional penalties and exposure in the workplace.