

# Meal and Rest Break Premium Payments can Trigger Additional Concerns

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May 26, 2022

On May 22, 2022, in a closely watched case, *Naranjo v. Spectrum Security Services, Inc.*, Cal.5th, S258966 (2022), the California Supreme Court held that premium payments owed for noncompliant meal breaks are wages which can subject employers to additional penalties for inaccurate wage statements and late payment of final wages. *Naranjo* also held that the California Constitution's default prejudgment interest rate of 7 percent applies to calculating the prejudgment interest on claims for meal and rest break premiums.

Gustavo Naranjo, a former Spectrum employee, brought a class action alleging meal break violations from June 2004 through September 2007. Naranjo alleged that Spectrum failed to have valid on-duty meal break agreements and thus failed to provide daily meal breaks to a class of nonexempt employees. Naranjo sought not only meal break premiums, but he alleged that the failure to list meal break premiums on employee wage statements gave rise to wage statement penalties under Labor Code section 226, and waiting time penalties under Labor Code section 203. The trial court agreed and awarded the class meal break premiums for each day Spectrum failed to provide employees with a compliant meal break. The court found that Spectrum's failure to include premium payments on the wage statements was a "knowing and intentional" violation but rejected the request for waiting time penalties, holding that the failure to pay premium pay as final wages was not "willful."

Affirming the judgment, in part, the Court of Appeal agreed that Spectrum owed meal break premiums, but reversed the award of penalties for inaccurate wage statements and also declined to award waiting time penalties. Labor Code section 203 imposes penalties for the willful failure to pay "wages" for "labor performed by employees..." The Court of Appeal found that the premium pay provision under Labor Code section 226.7 to be a sanction on "the employer's recalcitrance"—not payment for work actually performed by employees. The court reasoned that the one hour of premium pay for a noncompliant 30-minute meal period appears to be a legal remedy—not payment for actual work performed. The court concluded meal break premiums were thus not "wages."

Reversing the Court of Appeal's decision, the California Supreme Court held that meal break premium payments constitute "wages," that could trigger additional wage statement and waiting time penalties. The Court found a premium payment was both a legal remedy and a wage. The Court reasoned that the legislature designed premium pay not only to compensate employees for the hardships they are to suffer, but also to pay for work they performed when they should have been provided a meal period. Given this interpretation, the Court analogized premium pay to other forms of payment that are performed under hardship, such as overtime, reporting-time pay or split-shift pay work performed when an employee should have been provided a meal period.

## Take-away

*Naranjo* establishes that premium payments are wages which can give rise to additional penalties. Accordingly, employers should expect meal and rest break complaints to include additional claims for waiting time penalties and inaccurate wage statement penalties, either individually or in class actions or cases under the Private Attorneys General Act. Employers must therefore be even more vigilant in ensuring that they schedule employees for compliant meal and rest periods, and that meal periods are properly documented, and should review their written policies and practices regarding the payment of meal and rest period premiums and report the payment of these premiums on wage statements.

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