



LEGAL UPDATES

Meal Periods and Rest Breaks: Understanding California Employers' Expanding Obligations and Exposure

The recent *Naranjo v. Spectrum Security Services, Inc.* ruling creates new employer obligations and additional potential exposure for non-compliance with respect to meal periods and rest breaks in two key respects.

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On May 23, 2022, in *Naranjo v. Spectrum Security Services, Inc.*, the California Supreme Court ruled that violations related to meal periods and rest breaks can form the basis for claims for waiting time penalties *and* wage statement penalties under California law. The *Naranjo* ruling creates new employer obligations and additional potential exposure for non-compliance with respect to meal periods and rest breaks in *two* key respects.

First, under California Labor Code 226.7, if an employer fails to provide an employee with a compliant meal period or rest break, the employer must pay the employee one additional hour of pay at the employee's regular rate of compensation^[1] for each workday that the meal or rest period was not provided. In *Naranjo*, the California Supreme Court held that employers must record such premium payments (related to missed, late or short meal or break times) on non-exempt employees' wage statements corresponding with the pay period(s) in which such premium payments are triggered. In reversing a prior Court of Appeal decision, the Supreme Court held that the premiums are not only meant to provide compensation for missed meal periods or rest breaks, but are also intended to provide compensation for work the employees perform during a meal period or rest break. The California Supreme Court affirmed the Court of Appeal's holding that unpaid meal period and rest break premium payments accrue pre-judgment interest at the rate of seven percent per year.

Second, the *Naranjo* decision held that employers must pay meal period and rest break premium payments within the statutory deadline for all wages due to employees upon separation of employment. This means California employers will now be liable for waiting time penalties under Labor Code Section 203 if they do not pay the required premium payments in the employees' final wages, which are due at the time of termination, or within 72 hours of a resignation.^[2]

Naranjo increases potential liability for meal period and rest break violations. The greatest exposure for employers is likely to be in cases where employees bring Private Attorneys' General Act (PAGA) claims. This is because PAGA allows plaintiffs to "stack" penalties under various Labor Code provisions. On the class action front, employers can still rely on prior case law, such as the *Brinker Restaurant Corp. v. Superior Court*^[3] decision, to argue that employers are only

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required to provide non-exempt employees with an opportunity to take meal periods (and are *not* required to ensure that employees actually stop work and take a meal period). However, given that *Naranjo* opens up additional avenues for potential liability, arguments traditionally used in class action defense may carry less weight in the future.

What Should Employers Do Now?

- Since *Naranjo* held that violations related to meal periods and rest breaks can form the basis for wage statement penalty claims, the decision provides a strong incentive for employers to re-examine wage statements and work with counsel to fix wage statement related inaccuracies.
- Employers are also advised to consult employment counsel to identify appropriate training and compliance measures to limit meal and rest break related liability. Such measures include periodic training managers and non-exempt employees regarding meal period and rest break policies, streamlined systems to track the timing and duration of employees' meal periods and rest breaks, systems that identify missed, short or late meal periods and rest breaks, and measures for payment of meal and/or rest premiums.
- Since *Naranjo* implicates premium payments for meal periods and rest breaks, employers are also encouraged to re-assess the impact of bonuses on meal period and rest break premium payments.^[4]
- Finally, although *Naranjo* deals with premium payments associated with non-compliance meal periods and rest breaks, it calls into focus related issues, such as whether non-exempt employees are rounding meal period time entries, which is not permissible under existing California law. California employers should therefore consult with counsel to review and refine such policies and practices.^[5]

If you have questions regarding meal periods, rest breaks, or any other issue related to employment law, please contact one of our attorneys.

[1] For more information regarding interpretation of the "regular rate of pay," see the Hopkins & Carley Advisory, "There's Nothing Regular About the Regular Rate of Pay," available [here](#).

[2] Waiting time penalties are equal to a day's wages for each day the final pay is not provided to the employee, up to a maximum of 30 days.

[3] See *Brinker Restaurant Corp. v. Superior Court*, 54 Cal. 4th 1004 (2012).

[4] For further information on these issues, please see the Hopkins & Carley Advisories, "There's Nothing Regular About the Regular Rate of Pay," available [here](#), and, "Give Me A Break! California Employers Must Pay Meal Break, Rest Break, and Recovery Period Premiums at the Regular Rate of Pay," available [here](#).

[5] For more information, please see the advisory entitled "*Donohue* Decision Changes the Rules Regarding Rounding of Time Records for Meal Periods," available [here](#).