

e-Alert

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CA Wage Statement Updates for Meal and Rest Break Premiums

Background

[Section 203](#) of California's Labor Code awards employees with compensatory penalties when an employer fails to pay final wages to a separating employee promptly. [Section 226](#) mandates that an employee's wage statement (or "pay stub") is populated with specific payment information. In addition, [Section 226.7](#) of California's Labor Code requires that non-exempt employees are provided with meal and rest breaks from their regular work duties, or the employee is entitled to premium pay. This trifecta of labor law was the basis of the recent California Supreme Court decision of [Naranjo v. Spectrum Security Services, Inc.](#) in which Spectrum Security Services, Inc. was found to violate all three of the Labor Code sections.

Summary

Case Overview

Gustavo Naranjo was terminated from his position as a guard with Spectrum Security Services, Inc. after abandoning his assignment to take a meal break, which was a

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violation of Spectrum's policy requiring on-duty meal breaks. Naranjo filed suit against Spectrum for failure to pay meal and rest break premiums. He also alleged that Spectrum not only failed to include these payments on the wage statement under Labor Code Section 226 but failed to pay promptly upon termination under Labor Code Section 203. The key question for the court was whether the meal break premium payments are considered a "wage" or "penalty" and subsequently whether they should be reported as wages under Section 226 and paid upon termination under Section 203. Before this case, wage statement penalties were generally considered a legal remedy to discourage employer non-compliance and provide retribution to the employee.

After an opposing ruling from the District of the California Court of Appeals, the California Supreme Court concluded that meal and rest break premium payments serve a dual role as legal retribution and wage compensation. As a result, the premium payment is considered a wage and must be reported on wage statements and paid timely upon separation.

These rulings serve as a harsh reminder for California employers that failure to provide compliant, accurate wage statements to employees is no trivial matter. Wage statements that are knowingly out of compliance and provided to employees may be subject to numerous penalties and/or punitive damages. The value of these penalties and damages may be compounded with a 10% judgment interest rate depending on the nature of the claim.

Key Takeaways

According to Section 226, the state's labor code mandates the following elements must be included on an employee's wage statement semimonthly or every time they are paid wages, whether by check, direct deposit, or otherwise:

- Gross wages earned
- Total hours worked for non-exempt (hourly) employees
- All deductions
 - **Note:** All deductions made on written orders of the employee may be aggregated and shown as one item
- Net wages earned
- The inclusive dates of the period for which the employee is paid
- The name of the employee and the last four digits of his or her social security number or an employee identification number
- The name and address of the legal entity that is or serves as the employer
- All applicable hourly rates in effect during the pay period, and the corresponding number of hours worked at each hourly rate by the employee.

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- **Note:** Meal and rest break premiums should be its own line item
- If applicable, the number of piece-rate units earned

In addition, this case serves as a critical reminder for California employers to remain vigilant in providing meal and rest breaks to employees. Noncompliance may inadvertently lead to a costly ripple effect of additional wage and hour violations.

Employer Next Steps

- California employers should ensure their wage statements encompass all the requirements provided in Section 226 of the labor code, including a separate line item for meal and rest break premiums.
- Employers should review their meal and rest break policies and provide training on the policies to their supervisors/managers.
- If you are a Full-Service or Virtual HR client and would like our assistance reviewing your wage statements or Meal & Rest Break Policy, please [email us](#).

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