

California Supreme Court Rules Meal and Rest Break Premiums Constitute “Wages” Potentially Triggering Penalties for Violations

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In a much anticipated ruling, on May 23, 2022, the California Supreme Court issued its decision in [Naranjo et al. v. Spectrum Security Services, Inc.](#) Previously, the Court of Appeal held that unpaid premium payments for meal period violations did not entitle employees to additional penalties for either inaccurate wage statements or failure to timely pay wages upon separation of employment. The Court of Appeal also held that unpaid premium wages for meal break violations accrued prejudgment interest at the rate of seven percent.

In reviewing the Court of Appeal’s decision, the following issues were before the Supreme Court:

- (1) Does a failure to pay premium payments for meal and rest period violations give rise to derivative penalties for inaccurate wage statements (Labor Code sections 226) and failure to timely pay wages upon separation of employment (Labor Code section 203)?; and
- (2) What is the appropriate prejudgment interest rate for unpaid meal and rest period premium payments owed under Labor Code section 226.7?

On the first issue, the Supreme Court reversed the Court of Appeal’s decision and ruled that premium payments owed under Labor Code section 226.7 constitute “wages.” Thus, employers must report these premium payments on employee wage statements and must timely pay employees for these premium payments upon separation of employment or risk incurring penalties under Labor Code sections 203 and 226.

The Supreme Court reasoned that “[a]lthough the extra pay is designed to compensate for the unlawful deprivation of a guaranteed break, it also compensates for the work the employee performed during the break period...The extra pay thus constitutes wages subject to the same timing and reporting rules as other forms of compensation for work.”

On the second issue, the Supreme Court agreed with the Court of Appeal and held that unpaid premium wages for meal break violations accrued prejudgment interest at the rate of seven percent.

Following this decision, in an effort to avoid Labor Code penalties, employers should double check employee wage statements to ensure meal and rest period premium payments are accounted for and ensure that final wage payments include any meal and rest period premium payments.

We will continue to monitor the *Naranjo* decision and provide any relevant updates.

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