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Naranjo v. Spectrum Security Services Denies Derivative Waiting Time Penalties and Wage Statement Penalties in Meal and Rest Break Actions.

It's no secret that California is typically viewed as the most employee-friendly state in the country. New employee-favored laws are passed so quickly that employee handbooks can be rendered outdated before they go to print. Employers who have found themselves on the wrong end of a wage and hour case can attest to the fact that one alleged error, when applied to each employee, can be devastating. On top of that, one Labor Code violation often leads to another violation, and so on and so on.

At issue in *Naranjo v. Spectrum Security Services, Inc.*, a decision issued on September 26, 2019, was the question of whether employees who are entitled to a meal or rest break premium (after denial of a meal or rest period in violation of Labor Code § 226.7) may also recover derivative penalties under Labor Code § 203 (waiting time penalties) and § 226 (inaccurate wage statements).

In *Naranjo*, Spectrum paid employees for their on-duty meal break but did not pay the one-hour premium for a noncompliant meal break policy which did not include a revocation clause. The court explained that § 203 “penalizes an employer that willfully fails ‘to pay... any wages’ owed to a fired or voluntarily separating employee.” The penalty is paid for the employer’s recalcitrance, not for labor, work, or service performed by the employee. Thus, the employer’s failure to pay the penalty, no matter how willful, does not trigger section 203’s derivative penalty provisions for untimely wage payments.

The court held the same concerning § 226, which entitles an employee to minimum fixed penalties or actual damages not to exceed \$4,000 if a wage statement omits “wages earned.” The court reasoned that § “226.7’s premium wage is a statutory remedy for an employer’s conduct, not an amount ‘earned’ for ‘labor, work, or service ... performed by the [employee].” Thus, “section 226.7 actions do not entitle employees to pursue the derivative penalties in section 203 and 226.” This significant win for employers means the penalties available via these derivative claims (which also allow for the recovery of attorney fees) will no longer be available in section 226.7 actions.

Questions? Contact Stokes Wagner.