

California's Supreme Court Makes It Harder For Employees to Recover Penalties In Wage Statement Claims

Labor & Employment Law Update

By Kevin Kleine on May 10, 2024

On May 6, 2024, California's Supreme Court, in a rare and surprising "employer friendly" decision, held that an employer can avoid penalties under California's wage statement law, Cal. Lab. Code § 226, if it reasonably and in good faith believed it was providing a complete and accurate wage statement in compliance with the requirements of Cal. Lab. Code § 226(a).

Under Cal. Lab. Code § 226(e)(1), employees can recover the following penalties for an employer's "knowing and intentional" failure to provide accurate wage statements:

the greater of all actual damages or fifty dollars (\$50) for the initial pay period in which a violation occurs and one hundred dollars (\$100) per employee for each violation in a subsequent pay period, not to exceed an aggregate penalty of four thousand dollars (\$4,000), and is entitled to an award of costs and reasonable attorneys' fees.

Employee claims for unpaid wages in California almost always include a derivative claim that the employer failed to provide them with an accurate wage statement in violation of Cal. Lab. Code § 226(a). Under Cal. Lab. Code § 203, employees can recover penalties if their employer "willfully" fails to pay them wages when they are discharged or quit. But, California's lower courts, and federal courts, have been divided on the issue of whether an employer's good faith belief that it provided complete and accurate wage statements prevents employees from recovering penalties under Cal. Lab. Code § 226(e)(1) for an employer's "knowing and intentional" failure to report the same unpaid wages, or any other required information, on a wage statement.

On Monday, California's Supreme Court settled the issue once and for all in the case of *Naranjo v. Spectrum Sec. Servs., Inc.*, by holding that an employer's good faith belief that it provided complete and accurate wage statements bars employees from recovering penalties under Cal. Lab. Code § 226(e)(1).

This is **big news** for California employers because it (i) provides them with an affirmative defense they can raise against an employee's claim that they "knowingly and intentionally" failed to provide accurate wage statements; and (ii) makes it harder for employees to recover penalties on such claims which are oftentimes more than the total amount of unpaid wages claimed.

Of course, California employers must still ensure they comply with the requirements of California's wage statement law and provide accurate wage statements to their employees.

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