The Restaurant Operator's Survival Guide to California Compliance

A Comprehensive Blueprint For Navigating California Labor Laws, Mitigating Your Risk and Protecting Your Bottom-Line





Welcome To The Wild West of Labor Compliance

With some of the highest minimum wages, stringent overtime regulations, and robust worker protections, California is regarded as having some of the strictest labor laws in the US. Restaurant operators are left to navigate this complex legal landscape while managing the unrelenting demands of daily operations and facing unprecedented wage pressures.

A large 2024 survey of workers by Harvard and University of California-San Francisco researchers found that almost all employees experience labor law violations, but most aren't reported or addressed by employers or the state.



"California has some of the most progressive labor standards in the country."

Daniel Schneider, Malcolm Wiener Professor of Social Policy Harvard Kennedy School

"These standards are designed to raise the floor on job quality for some of the hardest working Californians. But violations of these standards by employers are routine," said Schneider¹.

Of 980 California workers surveyed, more than nine out of 10 of the hourly workers they surveyed experienced at least one labor violation.

Despite low reporting rates, the enforcement gap is catching up. In fiscal year 2024 alone, the Wage and Hour Division recovered over \$273 million in back wages and damages for nearly 152,000 workers nationwide².

Compliance & The Complaint Gap

- 91% of California hourly service workers experienced at least one type of labor violation in the past year, spanning paid sick leave, rest breaks, and meal breaks.
- 46% of California hourly service workers experienced at least one labor standards violation under the Fair Labor Standards Act (FLSA) in the past year.
- 41% of workers experienced at least one "serious" violation, such as working off the clock, unpaid overtime, or not receiving minimum wage.
- 58% of workers reported experiencing at least one paid rest break violation in the last year, particularly for longer shifts.
- 43% of workers experienced meal break violations, including being forced to skip breaks or continue working during them without pay.
- Less than 25% of workers who experienced labor violations filed any kind of report or complaint, with many citing fear of retaliation from employers.



The Real Cost Of Non-Compliance

In California, labor law violations can quickly escalate in cost due to the "per employee, per pay period" penalty structure, where fines are applied for each affected worker with every paycheck, meaning even minor infractions can result in significant penalties when repeated over time.

Due to the potential for rapid penalty accumulation, restaurant operators need to be vigilant when monitoring their labor practices to ensure they're not jeopardizing their profitability or their reputation. Here are 7 examples of publicly reported settlements over the last year that show how quickly violations and penalties can add up.

\$71,182 for child labor violations.

The amount paid in civil money penalties for child labor violations.

\$375,806 for wage theft violations.

The amount that eight entities were fined for wage theft violations affecting 188 workers.

\$469,000 for back wages and damages.

The amount a federal investigation recovered in back wages and damages for 114 employees across five locations in the Bay Area.

\$71,454 for unpaid wages related to overtime exemptions.

The amount a U.S. Department of Labor investigation recovered for three workers who were improperly exempted from overtime by the restaurant's owner.

\$43,874 for overtime and minimum wage violations.

The amount the U.S. Department of Labor recovered in back wages and damages for 24 workers after an investigation revealed unpaid overtime and minimum wage violations.

\$180,766 for overtime violations.

The amount the U.S. Department of Labor recovered for 22 employees after an investigation found the restaurant failed to pay overtime.

\$824,405 for back wages related to unpaid overtime.

The amount a California restaurant company operating four locations agreed to pay in back wages and damages to 102 workers after the Department of Labor found it failed to pay overtime.





The 2024 Year In Review: What Changed And Why It Matters











AB 1228

AB 1228 increased the minimum wage for fast-food employees to \$20 per hour. The bill also created the Fast-Food Council, which is authorized to set standards for wages, working hours, health and safety conditions, and employee training across the industry.

The Fast-Food Council has the authority to regulate wages and working conditions until January 1, 2029, at which point its authority would sunset unless extended by further legislation.

Minimum Wage Increase

As of January 1, 2024, the minimum wage for all California workers, except fast food employees, increased to \$16.00 per hour.

A ballot initiative in November 2024 aims to raise the minimum wage to \$18.00 per hour. Additionally, many cities and counties across the state have set their own minimum wage rates, which exceed the state's baseline. A list of these local wage rates is maintained by UC Berkeley³.

Food Handler Card Requirements

Updated regulations now require all food service employees to obtain a food handler certification within 30 days of their hire date. Employers are responsible for covering the \$15 cost of the training and examination, as well as compensating employees for the time spent obtaining the certification.

California's Workplace Violence Prevention Act

California's Workplace Violence Prevention Act (SB 553), effective July 1, 2024, requires employers to establish a Workplace Violence Prevention Plan (WVPP) and provide mandatory training for employees.

Employers must also maintain records of incidents and report certain cases to Cal/OSHA within 24 hours. Non-compliance can result in fines.



PAGA Reform:

Your "Get-Out-Of-Jail-Free-Card"

Well, not quite free but a major shift in California's Private Attorneys General Act (PAGA) opens a new door for employers to slash their legal risks. Starting June 19, 2024, businesses can significantly reduce potential penalties by showing they're actively working to follow labor laws.

The key?

Regular audits of your payroll, timekeeping, and workplace practices. These aren't just routine checks anymore – they're your evidence of good faith compliance efforts that could qualify you for the new, lower penalty caps.

Think of it as California offering a reward for being proactive: demonstrate you're serious about compliance through regular audits, and you could face substantially lower penalties if issues arise. This new approach marks a dramatic change from the previous PAGA structure, giving businesses more control over their legal exposure.

Important timing note:

This reformed PAGA only applies to cases filed after June 19, 2024. Earlier cases will still follow the original rules.

For California employers, there's never been a better time to strengthen your compliance program. With these reforms, the investment in regular audits isn't just about prevention – it's about qualifying for significant penalty reductions if problems occur.

PAGA Penalty Reductions:

- Employers may qualify for penalty reductions of up to 85% if they demonstrate efforts to comply.
- Penalties may be reduced by up to 70% if employers take corrective measures upon receiving a notice of PAGA violations.
- The legislation also limits penalties to \$50 per pay period for isolated violations lasting fewer than 30 consecutive days or four pay periods.

PAGA Best Practices:

- Regularly monitor and update their employee handbooks
- Conduct periodic payroll audits
- Implement comprehensive compliance monitoring
- Document good faith efforts systematically





Everything To Know About Staying California Compliant



Quick Take: Employees under 18 should have a work permit from their school before their first shift-no exceptions.

Separate Property Property

Class "A" violations (Serious/Dangerous)
 Fine Range: \$5,000-\$10,000 per violation
 Example: Minor working during prohibited hours

Class "B" violations (Less Severe)
 Fine Range: \$500-\$1,000 per violation
 Example: Incomplete work permit documentation

Common Violations

- Starting work without valid permit
- Exceeding permitted work hours
- Missing permit renewals
- Scheduling during prohibited times

Compliance Checklist

- Obtain work permit before first shift
- Set up permit renewal tracking system
- Configure scheduling system with minor restrictions
- Train managers on minor work limitations

Pro Tips

- Link permit renewals to school calendars
- Use scheduling software with built-in minor alerts
- Keep digital copies of all permits in HR system
- Conduct monthly minor compliance audits

Real-World Example

"A Bay Area restaurant faced a \$5,000 fine when a 17-year-old summer hire worked three weeks without a permit. A simple permit check could have prevented this costly oversight."

X Tools & Resources

- Digital permit tracking system
- Automated schedule compliance alerts
- Manager training materials
- Minor employee onboarding checklist

FORTUNE

Fast-food chains are the worst offenders when it comes to child labor violations—and it's not even close

BY CHLOE BERGER
EPhruary 15, 2024 at 5-00 AM ES





Fast food, cheap labor: One of America's most profitable industries runs on child exploitation

2 Overtime - In CA, OT Rules Are Even Stricter Than Federal Regulations

Quick Take: California requires 1.5x pay after 8 hours/day or 40 hours/week, and double time after 12 hours/day. California also requires 7th consecutive day OT, where the first 8 hours worked are 1.5x pay, and 2x pay for all hours worked over 8.

Penalty Overview

First Violation

Fine: \$50 per employee, per pay period Plus unpaid wages and interest

• Subsequent Violations

Fine: \$100 per employee, per pay period Plus unpaid wages, interest, legal fees

Common Violations

- Missing daily overtime (over 8 hours)
- Overlooking 7th day overtime
- Incorrect overtime rate calculations
- Late overtime payments



Compliance Checklist

- Configure payroll system for CA overtime rules
- Set up daily AND weekly overtime tracking
- Implement real-time overtime alerts
- Review timecards before payroll processing
- Train managers on CA-specific requirements

Pro Tips

- Use automatic overtime calculators
- Set alerts for approaching overtime thresholds
- Review overtime reports daily
- Document all overtime authorizations

Real-World Example

"A Los Angeles restaurant missed daily overtime calculations during a busy month, resulting in back pay for 20 employees plus penalties. Modern tracking technology could have flagged these violations before payroll processing."

Tools & Resources

- Automated time-tracking system
- Real-time overtime alerts
- Manager overtime dashboard
- Payroll audit reports

Compliance Checklist



3 Fair Workweek - Your Schedule Is Your First Line of Defense

Quick Take: Different California cities require advance scheduling notice (typically 14 days), predictability pay for changes, and offer of additional hours to part-time staff prior to hiring externally.

Penalty Overview

- Schedule Change Violations
 - Predictability pay required
 - · Varies by city and change timing
- Rest Period Violations
 - Premium pay required for insufficient rest
 - Typically 11 hours between shifts

Pro Tips

- Use scheduling software with Fair Workweek features
- Set automatic alerts for scheduling deadlines

Implement 14-day advance scheduling

Configure predictability pay tracking

Set up part-time hours prioritization

Monitor rest periods between shifts

Track schedule change reasons

- Track all schedule changes with reasons
- Document part-time employee offers

City-Specific Requirements

San Francisco

- 2-week advance schedules
- · Predictability pay for changes
- Applies to retail/restaurant chains

Emeryville

- Predictability pay
- On-call compensation
- Last-minute change premiums

Los Angeles

- 14-day notice (retail)
- Right to decline late additions
- Change compensation required

Berkeley

- 14-day advance notice
- 11-hour rest period
- Change premiums required

Real-World Example

"A San Francisco restaurant chain faced significant penalties after failing to track predictability pay for last-minute schedule changes. Automated Fair Workweek compliance tools could have prevented these violations."

X Tools & Resources

- Automated scheduling system
- Schedule change tracking
- Part-time hours management
- Rest period monitoring





Meal and Break Laws - Potential Penalties are Expanding, Enforcement is Increasing and Employee Awareness is High

Quick Take: CA requires 30-minute meal breaks for 5+ hour shifts and 10-minute rest breaks every 4 hours, with premium pay for violations.

Penalty Overview

- Per Violation
 - One hour premium pay per missed break (max of 2 premiums per shift)
 - · Applies to both meal and rest breaks

6 Break Requirements

Meal Breaks

- First break: 30 minutes unpaid for 5+ hours
- Second break: Required for 10+ hours
- Waivers allowed:
 - First break: shifts ≤ 6 hours
 - Second break: shifts < 12 hours if first taken compliantly

Rest Breaks

- 10 minutes paid every 4 hours
- Must be in middle of work period
- Cannot be combined with meal breaks

☑ Compliance Checklist

- Schedule automated meal breaks
- Track rest break compliance
- Document break waivers
- Configure premium pay tracking
- Monitor break patterns

Pro Tips

- Use break scheduling automation
- Set real-time violation alerts
- Keep signed waiver records
- Track premium payments separately

Real-World Example

"A busy quick-service restaurant faced \$50,000 in premium pay after staff consistently missed breaks during lunch rush. Automated break tracking and staggered scheduling could have prevented these violations."

% Tools & Resources

- Break tracking system
- Automatic alerts dashboard
- Waiver documentation forms
- Premium pay calculator



Are you California Compliance Ready?

California's labor laws are the nation's most demanding, with complex overtime rules, strict break requirements and a \$20 minimum wage. We created this diagnostic to help test your readiness. Answer the questions and use the scoring scale to see how you did.

Question			No			
Overtime and Break Compliance						
1.	Are all overtime hours for employees working over 8 hours per day or 40 hours per week automatically calculated at 1.5x pay?					
2.	Does your system automatically track and notify managers of double-time requirements when an employee exceeds 12 hours in a workday?					
Meal & Rest Breaks						
3.	Are missed meal or rest breaks automatically flagged, and is a premium pay added for each missed or non-compliant break?					
4.	Are you using digital tools to capture waivers for meal breaks when applicable?					
Fair Workweek Compliance						
5.	Is your scheduling tool equipped to handle Fair Workweek requirements such as posting schedules 14 days in advance?					
6.	Does it notify you of any schedule changes that require predictability pay?					
Minors Rules						
7.	Have you configured your system to prevent minors from being scheduled without a work permit?					
8.	Are the system's scheduling restrictions for minors automatically triggered based on school hours and age-specific rules?					
Documentation & Recordkeeping						
9.	Do you regularly audit payroll records to check for discrepancies and ensure compliance with all applicable California labor laws?					
10.	Are payroll submissions for break premiums, overtime, and fair workweek premiums automatically integrated with your system?					

How does your California compliance stack up?						
	8-10 questions	5-7 questions	0-4 questions			
If you answered YES to:	Low Risk	Moderate Risk	Immediate Action Recommended			



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comprehensive approach to workforce compliance that includes proactive monitoring, embedded workflows and intelligent automation. It's just one of the reasons the biggest brands in the world trust Harri to power their workforce.

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