

California: Payment of Final Pay

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Practices: Employment, Labor & Benefits

The United States is unique in the developed world in allowing businesses to hire workers on an at-will basis. This at-will employment environment gives both workers and employees a great deal of flexibility that often does not exist in other countries. However, employers should be wary of treating wage laws with the same flexibility.

In most countries, employees are entitled to notice prior to being terminated. Most Japanese workers are entitled to 30 days' notice, or a tender of payment covering thirty days' wages prior to being terminated. The United Kingdom's Employment Rights Act 1996 gives workers the right to up to twelve weeks of notice prior to termination, depending upon their length of employment.

An employee who works on an at-will basis can be terminated on the spot. On the other hand, the employee also has the right to quit on the spot. In California, as with all American states except Montana, an employee is presumed to be employed at-will if there is no agreement between the employee and the employer to the contrary. This arrangement is thought to give both workers and businesses in the United States more flexibility.

For employers in California, however, the issue of paying a departing worker's wages becomes an immediate concern. In many states, when a business terminates an employee, the business must pay the employee all outstanding wages by the end of the pay period or by several days after the termination. California employees must be paid within 72 hours of quitting their jobs. For an employer to terminate a California employee, the employer must also tender payment for all outstanding wages at the time of termination. Failure to pay a worker at the time of termination results in daily penalties to the employer. Some exceptions to this rule exist for certain industries. However, for most California employers, the flexibility of at-will employment ends at the moment of termination when the employee's bill for services rendered becomes immediately due. Should you have any questions concerning the wage and hour requirements for employees inside or outside of California, please consult your relationship attorney.