

TheStreet

Money and More Money Will Play Out After California Ruling Against Starbucks

Money will come in two ways, as extra pay for employees and as settlements, and as expenses connected to lawsuits against non-compliant companies.

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Updated Jul 30, 2018 10:25 PM EDT

No one will get rich making coffee at a Starbucks Corp. ([SBUX](#) - *Get Report*) or selling suits at a department store.

Those who work at the companies' California stores, though, will earn a bit more money now that all time worked must be compensated, thanks to a ruling from the Supreme Court of California on Thursday, July 25. The [justices unanimously ruled](#) that a former Starbucks employee was entitled to full compensation for all hours worked. The case is Douglas Troester v. Starbucks Corp.

"Employees are going to earn higher wages," said Ron Friedman, a partner at Marcum LLP, an accounting consultancy, who noted the high cost of living in California. Californians expect to pay more for virtually everything, he said.

Another winner will be California plaintiff lawyers who will be scrutinizing companies that may be skimming off wages of employees performing tasks off the clock. San Francisco attorney Kirsten Muller, a partner at Hirschfeld Kraemer LLP, told TheStreet that each case could rack up millions of dollars in fees, court costs and judgments. In the case of Starbucks, one expert told TheStreet earlier, that the Troester case could lead to a settlement in the seven figures if it leads to a class action.

"Employers in California have to be very careful about the kind of work they ask employees to do off the clock now," said Veena Dubal, a labor law expert at the University of California, Hastings College of the Law.

The high court ruled that the small time periods worked by Troester must be compensated by Starbucks, a divergence from federal law. Troester, a former Starbucks shift supervisor, worked at a Los Angeles County store. Starbucks had argued that it was difficult to track small amounts of time worked by employees. Yet justices disagreed saying the time can be captured using technology.

"The court decision is profoundly fair, especially if these instances are frequent or even daily and add up," Matteo Tonello, a corporate governance expert at the Conference Board, told TheStreet. "But it does create a practical problem of compliance, and the risk is that the pendulum could swing far in the opposite direction, with the introduction of unwelcome additional forms of monitoring and scrutiny of employees and their use of time at work."

Dubal agreed. The implications of technological monitoring may impact a worker's privacy, in that an app on a smartphone could open up personal information to employers.

In the suit, Troester alleged that Starbucks required him to clock out before completing tasks which were mandated by the company. Those included a store closure procedure to transmit sales, profit and loss and inventory data to Starbucks headquarters. The justices decided Thursday that the federal Fair Labor Standard Act's de minimis doctrine does not apply to unpaid wages under sections of the California Labor Code. The doctrine's standards deal with whether the time is insignificant, infrequent and difficult to record.

The state of California has the world's fifth-largest economy. California's retail industry operates over 418,840 retail establishments with a gross domestic product of \$330 billion annually and employs 3,211,805 people, one fourth of California's total employment.

Starbucks plans to appeal the decision when the case heads to the U.S. Court of Appeals for the Ninth Circuit.