

CEO Personally Liable For Company's Wage And Hour Violations

December 30, 2015 | | [Fair Labor Standards Act](#), [Labor And Employment](#)

As most companies are aware, running afoul of the Fair Labor Standards Act (FLSA) can prove extremely costly. What is likely less well-known, however, is that the company itself may not be the only one required to pay up. As demonstrated by a recent case out of Pennsylvania, C-level executives may also be on the hook *personally* for a company's FLSA violations. In *Perez v. American Future Systems, Inc.*, a federal district court granted the U.S. Department of Labor's motion for summary judgment on its claim that a company failed to pay its employees for breaks lasting less than 20 minutes. *Perez* is interesting not only because the court granted summary judgment for the DOL, but also because it found the company's CEO to be personally liable for the FLSA violations. In its opinion, the court reasoned that the CEO was a joint-employer under the statute because not only did he own 98 percent of the company, but also because he had "final authority" over the company's compensation and break policies. Though *Perez* presents a relatively extreme set of facts, the case does demonstrate that C-level executives (as well as company owners) need to be aware that in certain circumstances, they can face personal liability for the wage and hour violations of their companies. The more control an executive exercises over a company's employment practices, the more likely that he or she will be required to personally account if those practices violate the FLSA.

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