

LEGAL UPDATES

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Weak Demand Leads to Layoffs Among California Wineries: Navigating the Legal Risks of Cost- Cutting

Recent studies indicate a steady decline in alcohol consumption in the United States over the past several years, following a global trend that has seen decreases in alcohol consumption from Ireland to India. Several factors are thought to contribute to this downward trend. Notably, individuals aged 35 and under are reducing their alcohol intake more significantly than any other age group. A 2023 Gallup survey revealed a significant decline in alcohol consumption—dropping from 72% in 2001 to 62% in 2023—among this key demographic. Changing social norms—with this generation interacting more frequently in virtual environments—make alcohol, traditionally considered a “social drug,” less appealing, and across all age groups, there is a noticeable shift towards healthier lifestyle choices, leading people to opt for nonalcoholic alternatives or to reduce their alcohol consumption.

California’s wine industry is currently grappling with the consequences of this weaker demand for alcohol, which has struck the industry as it struggles with overproduction and market saturation. To remain competitive and operational, vintners across the state are exploring various adaptive strategies. These include not only innovative approaches to broadening their market appeal but also cost-cutting measures such as workforce reductions, both temporary and permanent. For instance, Vintage Wine Estates announced the mass layoff of all 377 of its employees last year as it filed for bankruptcy. Bronco Wine Co.—the winery behind Trader Joe’s “Two Buck Chuck” Charles Shaw wine in Stanislaus County—has laid off over 200 employees since the beginning of 2025.

While workforce reductions can bring immediate relief to beleaguered producers who are challenged by financial distress, there are important legal issues that must be considered. Employers in the wine industry contemplating substantial employee terminations are strongly advised to consult with labor and employment law counsel to ensure compliance with federal and state laws, safeguarding against potential legal repercussions.

Furloughs

Furloughing employees involves the temporary suspension or discharge of workers due to economic conditions or a shortage of work. During this period, employees are not paid, but they retain their employment status. Employers are obligated to continue providing fringe benefits and handle the employee's share of benefit costs. In California, if a furlough exceeds 10 days or extends beyond the end of the employee's pay period, whichever is shorter, it may be deemed a termination, thereby triggering the requirement for the employer to issue a final paycheck, inclusive of any accrued but unused vacation time.

Federal WARN

The Federal Worker Adjustment and Retraining Notification (WARN) Act requires employers to give at least 60 days' advance notice of mass layoffs or business closures. This law applies to companies with 100 or more full-time employees and is activated by either business closures or mass layoffs. A business closure refers to the shutdown of a site or facility that results in the loss of employment for 50 or more employees within a 30-day period. A mass layoff, which does not involve a complete closure, results in the reduction of workforce at a site by (1) 33% of full-time employees and at least 50 employees, or (2) 500 or more full-time employees, within a 30-day window. This provision accounts for cumulative job losses within a 90-day timeframe, unless the employer can demonstrate that the losses stemmed from separate, distinct causes and were not intended to circumvent the statute's requirements.

Employers should be aware of certain exceptions to the WARN Act. Under the faltering company exception, an employer may provide less than 60 days' notice if they are taking specific actions to obtain financing or business that would allow them to avoid or delay the shutdown, relocation, or termination, with a good faith belief that providing notice would prevent them from securing the necessary capital or business. Nonetheless, notice must be given as soon as it becomes practical. Additionally, exceptions exist for unforeseen business circumstances, natural disasters, and relocations or consolidations of part or all of the employer's business.

CalWARN

California WARN (CalWARN) is a comprehensive adaptation of the Federal Worker Adjustment and Retraining Notification (WARN) Act. It mandates that employers with 75 or more employees, inclusive of part-time workers within the preceding 12 months, adhere to specific protocols in the event of significant workforce changes.

The triggers for CalWARN encompass mass layoffs involving 50 or more employees within a 30-day period, relocations exceeding 100 miles, or substantial business terminations. Unlike the Federal WARN Act, CalWARN does not explicitly address the aggregation of job losses within a defined timeframe. Consequently, employers are advised to consult with employment attorneys to evaluate each situation individually.

CalWARN offers fewer exceptions compared to its federal counterpart. The notable exceptions include the faltering company exception, which requires additional documentation to be submitted to the Department of Industrial Relations, and the natural disaster exception. The same standards as the Federal WARN Act apply to these exceptions.

Noncompliance with federal and state regulations when executing these workforce adjustments may result in expensive litigation. Class-action lawsuits initiated by current or former employees can rapidly escalate legal costs and potentially lead to liabilities for civil penalties, back pay, benefits, and attorneys' fees. Under CalWARN, individual officers and directors may also face personal liability.

Most employers recognize that adaptability is paramount to navigating any shifting global trend. In the pursuit of maintaining competitiveness within the market, employers must meticulously consider the legal implications associated with their actions. If cost-cutting measures involve the temporary or permanent termination of employment, it is imperative for employers to consult with their employment attorney before proceeding.

Contact us

If you have any questions about layoffs in California, please contact Henry Aho or your Husch Blackwell attorney.