

# Now & Next

## Labor & Employment Alert

December 15, 2025

### California employment laws — are you ready for 2026?

By David Prager and Seth Neulight<sup>i</sup>

This alert discusses recently enacted laws that impose new workplace compliance obligations on California employers in 2026.



#### What's the impact?

- Large employers have expanded obligations for annual reporting of pay and demographics data.
- Employers should review their agreements with employees that provide for repayment of certain debts to ensure they comply with new statutory limitations.
- Employers must issue a new workplace rights notice to new and current employees.

Governor Gavin Newsom signed a series of bills this legislative session that create new compliance obligations for California employers in 2026. These laws cover expanded pay data reporting (SB 464), a new workplace rights notice (SB 294), expanded leave for crime victims (AB 406), and limits on employee debt repayment contracts (AB 692), among others. Employers

should review and update their existing workplace policies and practices to ensure compliance with these statutory mandates.

## **Summary of new California employment laws effective January 1, 2026**

### **UNLAWFUL DISCRIMINATION: VICTIMS OF VIOLENCE (ASSEMBLY BILL 406)**

AB 406 amends the California Fair Employment and Housing Act (FEHA) and the Healthy Workplaces Healthy Families Act to further expand the reasons employees may use paid sick leave or take unpaid time off if they or a family member are victims of certain felony crimes and suffer harm or need to attend judicial proceedings related to those crimes. The law clarifies that claims based upon alleged violations of the statute's crime victim protections, which previously were enforced by the California Division of Labor Standards Enforcement, will now be enforced by the California Civil Rights Department (CRD).

### **FEHA ENFORCEMENT PROCEDURES (SENATE BILL 477)**

SB 477 revises FEHA enforcement procedures. Key changes include a new definition of a "group or class complaint," expressly covering pattern-or-practice allegations. SB 477 codifies mandatory Civil Rights Department (CRD) dispute resolution before CRD files a civil action and expands tolling of limitations periods. For right-to-sue notices, when an individual claim relates to a CRD director-filed or group/class complaint, CRD issues the notice only after all related proceedings are fully and finally resolved.

### **EMPLOYER PAY DATA REPORTING (SENATE BILL 464)**

Current law requires large employers with 100 or more employees to submit an annual report to the CRD, by the second Wednesday in May, containing specific data on the pay, hours worked, and demographic information of their California employees within 10 job categories. SB 464 increases the number of job categories for whom the reporting obligations apply from 10 to 23, starting January 1, 2027. Employers must collect and store demographic data separate from personnel records. The law requires courts to impose against an employer, upon request by the CRD, a civil penalty of up to \$100 per employee for a first offense, and up to \$200 per employee for subsequent offenses, if the employer fails to file a compliant pay data report.

### **BIAS MITIGATION TRAINING (SENATE BILL 303)**

SB 303 adds Government Code section 12940.2 to clarify that an employee's good faith assessment, testing, admission, or acknowledgment of their own personal bias—when solicited or required as part of an employer's bias mitigation training—does not, by itself, constitute unlawful discrimination. The law defines "bias mitigation training" to include education and

activities designed to help employees understand, recognize, or acknowledge the influence of conscious and unconscious thought processes and their impacts, and contemplates implementation of “specific strategies,” such as assessing or testing for personal bias, analyzing assessment results, conducting trainings and workshops, using toolkits, and tracking bias mitigation and elimination efforts.

### **UNPAID WAGE JUDGMENTS (SENATE BILL 261)**

SB 261 strengthens enforcement of unpaid wage judgments obtained by the California Division of Labor Standards Enforcement (DLSE) or public prosecutors against employers through mandatory fee-shifting and penalties for nonpayment. Courts must award prevailing judgment creditors reasonable attorneys’ fees and costs incurred in the enforcement of unpaid wage judgments arising from work in California. If a final judgment remains unpaid 180 days after the appeal period ends, courts may impose a civil penalty of up to three times the outstanding balance (including interest), to be awarded equally between the impacted employees and the DLSE. The law also holds any successor to a judgment debtor, including a successor employer under Labor Code 200.3, jointly and severally liable for penalties assessed on an unpaid wage judgment.

### **PAY SCALE DISCLOSURE AND EQUAL PAY LAWS (SENATE BILL 642)**

Under the current California pay transparency law, California employers must disclose a position’s pay scale to an applicant or employee upon request and include the pay scale in any job posting. SB 642 amends this law to clarify that “pay scale” means “a good faith estimate of the salary or hourly wage range that the employer reasonably expects to pay for the position *upon hire*.” (Emphasis added)

SB 642 also amends the California equal pay law, Labor Code section 1197.5, to expand its definitions of “wages” and “wage rates” to broadly include “all forms of pay, including, but not limited to, salary, overtime pay, bonuses, stock, stock options, profit sharing and bonus plans, life insurance, vacation and holiday pay, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses, and benefits.” Thus, all these forms of pay are now subject to the statutory equal pay requirements. SB 642 also amends this law to replace its binary gender references with broader terms such that employers are now prohibited from paying any employee less wages than an employee of “another sex,” instead of “opposite sex,” for substantially similar work. The bill increases the limitations period on equal pay claims from two to three years from the last date on which the claim occurs and provides that employees may obtain relief on continuing violations for up to six years.

### **CONTRACTS FOR DEBT REPAYMENTS (ASSEMBLY BILL 692)**

AB 692 amends the California restrictive covenants law by adding Business and Professions Code section 16608. This law makes it unlawful, for contracts entered into on or after January 1, 2026, to

include in any employment contract, or to require a worker to execute a contract as a condition of employment or a work relationship, a term that requires the employee or worker to re-pay a debt if their employment or work relationship ends. The statute defines "debt" to include money for employment-related costs, education-related costs, or a consumer financial product or service, regardless of whether the debt is certain, contingent, or incurred voluntarily." The statute includes several limited exceptions for certain discretionary upfront payments, e.g., "sign on" bonuses, apprenticeship programs, and government loan assistance/forgiveness programs. The law authorizes employees to file civil enforcement actions under the Labor Code and to recover the greater of actual damages or \$5,000 per employee, plus injunctive relief and reasonable attorneys' fees and costs.

#### **EMPLOYMENT: GRATUITIES: ENFORCEMENT (SENATE BILL 648)**

Under existing California law, Labor Code section 351, employers and their agents are prohibited from collecting, withholding, or deducting any portion of gratuities left for employees, or crediting such gratuities against their earned wages. SB 648 authorizes the Labor Commissioner to investigate violations of Labor Code section 351 and issue citations or file civil actions against offending employers.

#### **UNFAIR LABOR PRACTICE CHARGES (ASSEMBLY BILL 288)**

AB 288 expands the State of California's capacity to enforce organizing and bargaining obligations against private sector employers subject to the National Labor Relations Act (NLRA) its protections are unavailable or delayed. Specifically, the bill authorizes employees in NLRA-covered positions to petition the California Public Employment Relations Board (PERB) to hear an unfair labor practice case if the National Labor Relations Board (NLRB) has expressly or implicitly ceded jurisdiction under defined circumstances. PERB may conduct representation elections, certify bargaining representatives, order employers to bargain, impose civil penalties, and order binding arbitration if parties fail to reach agreement on a contract within six months post-certification.

#### **WORKPLACE KNOW YOUR RIGHTS ACT (SENATE BILL 294)**

SB 294 establishes the Workplace Know Your Rights Act. This law mandates annual and upon-hire written notices to employees outlining certain categories of workplace rights and constitutional rights when they interact with law enforcement at work. The law requires employers, by February 1, 2026 and annually thereafter, to provide a stand-alone written notice to each current employee, and to new employees upon hire, describing rights related to: workers' compensation, notice of immigration agency inspections, protection from unfair immigration-related practices, the right to organize or engage in concerted activity, and constitutional rights when interacting with law enforcement at the workplace. Additionally, by March 30, 2026, for current employees, and for all new hires, employers must allow employees the opportunity to designate an emergency contact to be notified if the employee is arrested or detained at the

worksite or away from the worksite during work hours if the employer has knowledge of the arrest or detention.

The law authorizes the Labor Commissioner to publish template notices by January 1, 2026, and videos presenting employee rights by July 1, 2026. The law imposes a penalty of up to \$500 per employee for each violation of the notice requirement and another penalty of \$500 per employee for each day an employer fails to allow an employee to designate an emergency contract, up to a maximum of \$10,000 per employee.

#### **PAID FAMILY LEAVE: CARE FOR DESIGNATED PERSONS (SENATE BILL 590)**

SB 590 expands California's paid family leave program to allow employees to receive up to eight weeks of wage replacement benefits to care for a seriously ill "designated person," in addition to existing covered family members, beginning July 1, 2028.

A "designated person" is defined as "any care recipient related by blood or whose association with the employee is the equivalent of a family relationship." For a first time claim to care for a designated person, the employee must identify the person and attest under penalty of perjury to the blood relationship or family equivalent association. Benefit amounts and claim procedures remain governed by existing rules, and the change does not alter rights under the California Family Rights Act or the California pregnancy disability leave law.

#### **PERSONNEL RECORDS (SENATE BILL 513)**

SB 513 amends Labor Code Section 1198.5 to clarify that personnel records relating to performance include education and training records and requires that employers who maintain such records capture specified details (employee name, training provider, duration/date, core competencies including equipment or software skills, and resulting certification or qualification). Employers must make personnel records available for inspection and provide copies within 30 days of a written request (or up to 35 days by written agreement), retain records for at least three years after termination, and facilitate inspection locations for current and former employees with special options for former employees terminated for harassment or workplace violence. Employers may verify the requester's identity, redact names of nonsupervisory employees, and are not required to comply with more than 50 representative-filed requests in a calendar month. Noncompliance may result in a \$750 penalty, injunctive relief, costs, and reasonable attorneys' fees.

For assistance with complying with these new laws, please contact your Nixon Peabody attorney or:

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