

6 Laws For Calif. Employers To Know In 2026

By **Alexa Foley** (December 11, 2025)

California's 2025 legislative session produced a wide range of employment laws that will significantly reshape compliance obligations for employers beginning Jan. 1.

Collectively, these bills expand pay data reporting, strengthen equal pay and pay transparency obligations, create new state-level enforcement mechanisms for gratuity violations, clarify protections related to bias mitigation training, broaden record access rights, and preview the next generation of regulatory oversight concerning workplace artificial intelligence tools.



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As the new year approaches, employers should proactively evaluate their compliance, modernize internal systems and update policies to avoid heightened exposure under these evolving legal standards.

Expanded Pay Data Reporting

S.B. 464 amends California Government Code Section 12999, which requires annual pay data reporting for private employers and labor contractors with 100 or more employees.

Beginning Jan. 1, 2026, employers must maintain all demographic information that is collected for pay data reporting separately from personnel files, ensuring that such information is distinctly segregated and properly secured.

S.B. 464 also mandates civil penalties for noncompliance, which eliminates prior judicial discretion and increases the consequences of even a single inaccurate or incomplete submission.

More substantial requirements will begin in the 2027 reporting cycle, when employers must classify employees using the 23 federal standard occupational classification categories, replacing the long-standing 10-category system.

This transition will require more detailed analysis of job duties and may necessitate updating job descriptions, reevaluating job classifications and training human resources teams on the new classification framework.

In anticipation of the new changes, employers should review their data collection and reporting systems now to ensure that demographic information is segregated appropriately and that workforce classifications align with the new standard occupational classification structure.

They should also verify that job descriptions accurately reflect essential duties, implement consistent classification standards across departments and maintain documentation supporting all classification decisions.

Equal Pay Act

S.B. 642 significantly expands California's Equal Pay Act and pay transparency statutes.

Effective Jan. 1, 2026, employers must evaluate wages or wage rates as total compensation, rather than limiting pay equity assessments to base salary or hourly pay.

Total compensation now expressly includes bonuses, equity awards, profit-sharing plans, lodging or housing benefits, cleaning or gasoline allowances, paid time off, reimbursement for travel expenses, and insurance benefits.

The bill also updates the definition of "pay scale" for employers with 15 or more employees, requiring job postings to reflect a good faith estimate of the compensation that the employer reasonably expects to pay upon hire, rather than broader bands that are intended to capture long-term career progression.

S.B. 642 also extends the statute of limitations for pay equity claims and codifies a broader continuing violation doctrine, greatly increasing litigation exposure.

Recordkeeping expectations are likewise expanded by requiring employers to retain detailed documentation of compensation decisions for longer periods.

To prepare, employers should conduct a comprehensive total compensation pay equity audit, ensure that job posting templates accurately reflect realistic compensation upon hire, and extend record retention protocols to align with the statute's expanded limitations period and enforcement risk.

Tip Enforcement Authority

Under California Labor Code Section 351, tips are the sole property of employees and may not be taken, retained, deducted or used by employers — including owners, managers and supervisors — to offset wages.

Historically, however, the state lacked a meaningful enforcement mechanism, which required employees to file private civil actions to recover misappropriated or mishandled gratuities.

Beginning Jan. 1, 2026, S.B. 648 closes that gap by authorizing the Division of Labor Standards Enforcement to investigate gratuity-related complaints, review records, issue administrative citations, and pursue civil actions against employers that unlawfully take, delay or improperly distribute tips.

Given the substantial increase in enforcement authority, employers should review all tipping practices, including tip-pooling arrangements, tip-out procedures, credit card tip handling and distribution timelines, to ensure full compliance.

Employers should also implement a clear internal complaint procedure for employees to report concerns about tip distribution or handling.

Proactive review and documentation will help mitigate risk and ensure that practices remain compliant under the heightened scrutiny created by S.B. 648.

Bias Training Protections

Effective Jan. 1, 2026, S.B. 303 adds California Government Code Section 12940.2 to the Fair Employment and Housing Act to clarify that an employee's good faith acknowledgment or assessment of personal bias during an employer-required or employer-solicited bias

mitigation training does not, on its own, constitute unlawful discrimination.

The statute defines "bias mitigation training" broadly, encompassing any employer-provided education, assessments, workshops or activities that are designed to help employees understand, recognize, or acknowledge conscious or unconscious bias, and to implement identifiable strategies to reduce such bias.

These protections apply only within the confines of the training environment, and do not excuse discriminatory conduct or shield an employer from liability for actual discriminatory acts.

To avail themselves of the law's protections, employers should review their training programs to ensure that they qualify as bias mitigation training under the statute, incorporate specific bias reduction strategies, and maintain documentation that reflects the structure, content and administration of the program.

Employers must also continue to follow all existing procedures for investigating and responding to complaints, as S.B. 303 does not diminish those obligations.

Expanded Record Access

S.B. 513 expands California Labor Code Section 1198.5 by expressly including education and training records within the definition of personnel records.

If the employer maintains such records, the documentation must include the employee's name, the training provider, the date and duration of the training, the core competencies or skills covered, and any resulting certification, qualification or credential.

Beginning Jan. 1, 2026, current and former employees may request copies of these records, and employers must produce them in accordance with existing statutory timelines.

Employers should review their training documentation practices now to ensure that all required information is consistently captured and retained.

No Robo Bosses Act

Although S.B. 7 was not passed, the bill is a clear indicator of where California policymakers intend to move next regarding AI and automated decision-making in the workplace.

S.B. 7 proposed a detailed regulatory framework for automated decision systems that are used in hiring, screening, promotions, scheduling, performance evaluations, discipline and termination.

Its goals aligned with the Civil Rights Council's automated decision systems regulations, which took effect on Oct. 1, requiring increased transparency, testing, oversight and bias prevention measures for AI-driven tools.

Employers should not disregard S.B. 7 simply because it failed this session. The bill reflects California's regulatory trajectory, and future legislation is likely to incorporate many of its concepts.

Early alignment with these principles will help employers mitigate risk under the Fair Employment and Housing Act, avoid privacy violations and prepare for more stringent AI

governance requirements that are expected in the coming years.

Conclusion

California's 2026 legislative changes impose sweeping new obligations. Employers that act now — by updating human resources systems, refining job classifications, reviewing compensation structures, strengthening recordkeeping processes and revising training programs — will be better positioned to minimize exposure to penalties and litigation.

Proactive compliance not only reduces legal risk, but also demonstrates a commitment to transparency, fairness and responsible workforce governance, all of which are increasingly central to California's evolving regulatory landscape.

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