

# The New Year's Guide to New California Employment Laws

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December 17, 2025

Get ready to pop champagne, set resolutions, and revisit legal compliance! The new year is nearly here, and as the calendar turns to January 1, California will implement several new and significant legal changes which employers must navigate. We highlight several of these laws for you below to keep you well-informed in the year ahead.

## **Stay or Pay Clauses (AB 692)**

As of January 1, 2026, employers will be prohibited from contractually requiring workers to assume debt that becomes due at separation from employment. Relevant contracts cannot contain terms that, for example, require the worker to pay an employer, training provider, or debt collector for a debt when their employment ends. The law lists several prohibited provisions, which, if included, will render the contract void and against public policy. Violations can result in the greater of actual damages or \$5,000 per worker, in addition to injunctive relief, and reasonable attorneys' fees and costs.

## **Pay Equity Enforcement Act (SB 642)**

SB 642 will increase transparency in job postings and strengthen remedies for pay discrimination based on sex, race, or ethnicity. Under the new law:

- "Pay scale" will mean "a *good faith estimate* of the salary or hourly wage range that the employer reasonably expects to pay for the position *upon hire*." Covered employers should update their job postings to include a clear pay scale for wages they intend to pay an employee upon hire and avoid overly broad scales that encompass an employee's earning potential over the course of their employment.
- Wage comparisons will be broadened to "another sex" rather than "the opposite sex," making the law more inclusive.
- Equal pay in all forms of pay will be required, including 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.

## **California WARN Act (SB 617)**

SB 617 expands the information that an employer must include in their written notice required under the California Worker Adjustment and Retraining Notification Act ("Cal WARN Act") sixty days before a mass layoff, relocation, or termination at a covered establishment. Among other requirements, the Cal WARN Act notice must state whether the employer will coordinate rapid response services through the local workforce development board ("LWDB"), another entity, or not at all; provide updated contact information for the employer and LWDB; and provide information about and contact for California's food assistance program.

### **Tip and Gratuity Enforcement (SB 648)**

SB 648 prohibits employers and agents from collecting, taking, or receiving an employee's gratuity, deducting any wages due to gratuities, or requiring gratuities to be credited against employee wages. Under the new law, the Labor Commissioner is authorized to investigate and enforce violations.

### **Employer Pay-Data Reporting (SB 464)**

SB 464 refines California employers' existing obligations to collect and report pay data. Covered employers will be required to, among other things:

- Collect and store certain demographic information separately from employee personnel records.
- Classify employees, beginning on January 1, 2027, using 23 job categories (instead of 10) from the Standard Occupational Classification system.

### **Enforcement of Unpaid DLSE Awards (SB 261)**

This new law will provide enhanced mechanisms for the enforcement and collection of wage judgments to ensure timely payments to victims of wage theft. For example, if a final judgment arising from the nonpayment of wages remains unsatisfied for 180 days after the time to appeal has expired and no appeal is pending, the Labor Commissioner must impose a civil penalty up to three times the outstanding judgment amount, including post-judgment interest then due. Successor entities may also be held jointly and severally liable for penalties for unpaid judgments.

### **Victims of Violence (AB 406)**

AB 406 builds on AB 2499, which is prior legislation aimed at ensuring crime victim survivors and their family members can take sick leave to obtain victim services. Among other changes, California's AB 406 will restore Labor Code provisions governing employees' rights to use time off for jury duty, judicial proceedings, to serve as a witness, to answer subpoenas, or to obtain relief related to being a crime victim.

### **Expanding Paid Family Leave (SB 590)**

California's Paid Family Leave provides up to eight weeks of wage replacement benefits to employees who take time off to care for qualifying family members who are seriously ill. Beginning July 1, 2027, Paid Family Leave will be available to care for a seriously ill "designated person," i.e., any individual related by blood whose association with the employee is the equivalent of a family relationship.

### **Workplace Know Your Rights Act (SB 294)**

SB 294 will require employers to provide annual, standalone written notice of certain employee rights to all employees on or before February 1, 2026, including, but not limited to, employee protection against unfair immigration-related practices, and constitutional rights when interacting with law enforcement at the workplace.

By March 30, 2026, employers will need to provide employees with the opportunity to name an emergency contact if the employee is arrested or detained in the workplace, or during work hours, while performing job duties away from the worksite.

### **Maintaining Personnel Records (SB 513)**

California requires employers to allow current and former employees, or their representative, to inspect and receive a copy of their personnel records relating to the employee's performance or to any grievance concerning the employee. B 513 expands those requirements by mandating that employers must also maintain and make available certain education and training records in response to a request.

### **Bias Mitigation Training (SB 303)**

SB 303 amends California's Fair Employment and Housing Act, which requires employers to prevent workplace discrimination and provide specified harassment prevention training. Under this new law, an employee's assessment, testing, admission, or acknowledgement of their own personal bias made in good faith and solicited or required as part of a bias mitigation training does not, alone, constitute unlawful discrimination.

## Conclusion

That's a wrap on the new employment laws coming into effect in California in 2026. One of every employer's New Year's resolutions should be to make policy adjustments to comply with these new laws. If you need any help sticking with that resolution, please contact Michael A. Wahlander at [mwahlander@vedderprice.com](mailto:mwahlander@vedderprice.com), Gymmel M. Trembly at [gtrembly@vedderprice.com](mailto:gtrembly@vedderprice.com) or any Vedder Price attorney with whom you have worked.