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California's 2025 Employment Law Changes

WRITTEN BY

Mark Payne | Jonevin Sabado | Kristalyn Lee | Lisa Ana Amador

Introduction

California enacted several new employment laws in 2025, including enhanced penalties for wage and hour violations, expanded pay data reporting requirements, broadened sexual harassment protections, stronger pay equity and transparency measures, measures addressing tip theft, restriction of employee loan repayment, expanded time off and use of sick pay benefits, additional personnel records requirements, and expanded whistleblower protections. These new laws take effect January 1, 2026, unless otherwise noted below. Please note that the following updates generally apply only to employers with California employees.

Wage and Hour Changes

Senate Bill 464 – Employer Pay Data

Under California Government Code Section 12999, private employers with 100 or more employees must submit annual pay data reports to the Civil Rights Department (CRD). Senate Bill 464 revises this section to require employers to collect and store all demographic information gathered for the purpose of submitting the pay data report separately from employees' personnel records. Beginning January 1, 2027, the bill increases the number of job categories that employers must report from 10 to 23. Lastly, if requested by the CRD beginning January 1, 2027, courts must impose a civil penalty for an employer's failure to file this pay data report. Under Government Section 12999(a), the deadline for filing pay data reports with CRD is the second Wednesday of May each year.

Senate Bill 642 – Payment of Wages

The newly enacted Pay Equity Enforcement Act takes effect January 1, 2026, and makes the following changes to California's Equal Pay and Pay Transparency laws:

- Redefines "pay scale" as "a *good faith estimate of* the salary or hourly range that the employer reasonably expects to pay for the position *upon hire*." As a result, employers must now provide prospective employees with a reasonable estimate of the salary they expect to pay upon hiring.
- Redefines "wages" and "wage rates" to mean "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."
- Extends the statute of limitations for pay equity claims under the California Equal Pay Act from two years after the cause of action occurs to three years after the "last date the cause of action occurs." The bill explains that a cause of action occurs either when an unlawful compensation decision or practice is adopted, an individual becomes subject to the decision or practice, or an individual is affected by the application of the decision or

practice. The bill permits recovery for a period of up to six years.

- Prohibits employers from paying employees at rates less than that of employees of *another* sex, as opposed to the *opposite* sex, to make the language more inclusive of individuals who identify as outside the gender binary. These Equal Pay and Pay Transparency laws apply to nonbinary individuals.

Senate Bill 648 – Tip Theft

Senate Bill 648 amends California Labor Code Section 351 to permit the Labor Commissioner to investigate and issue citations or file civil actions for gratuities taken or withheld by employers. Prior to this change, the only course of action for employees alleging tip theft was a civil action, but after January 1, 2026, employers may face liability through Labor Commissioner citations or civil actions. Employers with employees who earn tips should review their policies and practices to ensure compliance with the amended law by confirming that all gratuities are properly distributed to employees.

Assembly Bill 692 – Employment Contract Repayment Prohibition

Assembly Bill 692 makes it unlawful for employers to enter into contracts on or after January 1, 2026, that require a worker to pay an employer for a debt if the worker's employment or relationship terminates. Common arrangements that may now violate this new law include retention bonuses and agreements that penalize employees for separating from their employer before satisfying a certain retention period, such as requiring repayment of training fees or other costs.

Contracts that restrain a person from engaging in a lawful profession, trade, or business will generally be declared void and contrary to public policy, except for the following agreements:

- Contracts entered into under a loan repayment assistance program or loan forgiveness program provided by a federal, state, or local government agency.
- Contracts related to repayment of tuition for a transferable credential where the contract:

1. Is offered separately from any employment contract;
2. Does not require obtaining the transferable credential as a condition of employment;
3. Specifies the repayment amount before the worker agrees to the contract, and the repayment amount does not exceed the employer's cost for the transferable credential received by the worker;
4. Provides for a prorated repayment amount during any required employment period that is proportional to the total repayment amount and length of the required employment period and does not require an accelerated payment schedule upon the worker's separation from the employment; and
5. Does not require repayment to the employer by the worker if the worker is terminated, except if the worker is terminated for misconduct.

- Contracts related to enrollment in an apprenticeship program approved by the Division of Apprenticeship Standards.
- Contracts for the receipt of a discretionary or unearned monetary payment at the outset of employment that is not tied to specific job performance where the following is true:

1. The terms of any repayment obligation are laid out in an agreement separate from the primary employment contract;

2. The employee is notified of their right to consult an attorney regarding the agreement and provided with a reasonable time period of at least five business days to obtain advice of counsel prior to executing the agreement;
3. Any repayment obligation for early separation from employment is not subject to interest accrual and is prorated based on the remaining term of any retention period, which may not exceed two years from the receipt of payment;
4. The worker has an option to defer receipt of the payment to the end of a fully served retention period without any obligation to repay; and
5. Separation from employment prior to the retention period was at the sole election of the employee, or at the election of the employer for misconduct.

- Contracts related to the lease, financing, or purchase of residential property, including but not limited to a contract pursuant to the California Residential Mortgage Lending Act.

The bill also authorizes a private right of action and specifies that violators will be liable for the greater of the worker's actual damages or up to $5,000 in penalties per worker, injunctive relief, and attorneys' fees and costs.

Because the law is not retroactive, employers need not revise or revoke existing agreements. However, employers should assess and revise employment contracts entered on or after January 1, 2026, to ensure they adhere to the new requirements and mitigate risks of liability.

Senate Bill 617 – Expansions to the California WARN Act

Senate Bill 617 requires employers to include additional information in their 60-day advance WARN notices, including whether they plan to coordinate services for affected employees through the local workforce development board, another entity, or no entity. The WARN notices must now include the employer's email and phone number and an email and phone number of the relevant local workforce development board, and the following description of the rapid response activities offered by the local development board:

> "Local Workforce Development Boards and their partners help laid off workers find new jobs. Visit an America's Job Center of California location near you. You can get help with your resume, practice interviewing, search for jobs, and more. You can also learn about training programs to help start a new career."

If an employer chooses to coordinate services, the service must be arranged to start within 30 days of the notice. Lastly, the notice must now include a description of CalFresh, including the benefits help line and website link.

Anti-Discrimination and Harassment Changes

Assembly Bill 250 – Extended Statute of Limitations for Sexual Assault and Harassment Claims

Assembly Bill 250 creates a two-year period until December 31, 2027, for reviving claims against nonpublic entities that engaged in a cover-up or attempted to cover up a previous instance or allegation of sexual assault by an alleged perpetrator, which would otherwise be barred due to an expired statute of limitations. This bill takes effect January 1, 2026. This new law means that previously time-barred claims for sexual harassment or assault may now be filed during the two-year period from January 1, 2026, through December 31, 2027.

Senate Bill 294 – Workplace Know Your Rights Act

Senate Bill 294 establishes the "Workplace Know Your Rights Act," which requires an employer, on or before February 1, 2026, to provide a stand-alone written notice to each current employee of specified workers' rights and to provide the written notice to each new employee upon hire and annually to an employee's authorized representative. The bill requires the Labor Commissioner to create a template notice, which will be posted on the Labor Commissioner website by January 1, 2026.

The bill also creates the following obligations:

- If an employee has a designated emergency contact for this purpose, the employer must notify the designated emergency contact if the employee is arrested or detained on the worksite. If the arrest or detention occurs during work hours or during offsite performance of the employee's job duties and the employer has actual knowledge of the employee's arrest or detention, the employer must notify the designated emergency contact.
- Employers must provide an opportunity for employees to name an emergency contact on or before March 30, 2026, for an existing employee, and at the time of hiring for an employee hired after March 30, 2026. Employers must also allow the employee to provide updated emergency contact information throughout employment.
- An employer may not discharge, threaten to discharge, demote, suspend, or discriminate or retaliate against an employee for exercising their rights under this bill. The Labor Commissioner will enforce the bill or authorize enforcement by a public prosecutor.
- Lastly, an employer who violates the bill is subject to a penalty of up to $500 per employee per violation. However, penalties relating to emergency contacts are up to $500 per employee per each day of violation, up to a maximum of $10,000 per employee.

Employers should prepare a compliant notice and monitor the Labor Commissioner website for the template notice and ensure that this form is added to their onboarding paperwork.

Senate Bill 303 – Bias Mitigation Training

Effective January 1, 2026, Senate Bill 303 amends the Fair Employment and Housing Act (FEHA) by providing that an employee's assessment, testing, admission, or acknowledgment of their personal bias made in good faith and solicited or required as part of a bias mitigation training does not alone constitute unlawful discrimination under FEHA.

This law is intended to encourage (but not require) employers to conduct bias mitigation trainings and affirm that conducting a bias mitigation training does not alone constitute unlawful discrimination. An employer may be interested in introducing bias mitigation training for the purpose of educating employees on understanding or recognizing the influence of conscious and unconscious thought processes and their associated impacts on certain groups.

Assembly Bill 406 – Job-Protected, Paid Sick Leave Now Available for Jury Duty and Victims of Violence

Last year, California law expanded typical Domestic Violence Leave to include victims of qualifying acts of violence.

Effective January 1, 2026, Assembly Bill 406 further expands the leave to permit employees to use paid sick leave

for jury duty leave, for appearing in court under a witness under subpoena, and for employees who are victims of certain crime to attend judicial proceedings to obtain relief related to the crime. A "victim" is a (1) victim of stalking, domestic violence, or sexual assault; (2) victim of a crime that caused physical injury or that caused mental injury and a threat of physical injury; or (3) a person whose immediate family member is deceased as the direct result of a crime. Employers must provide reasonable accommodations for a victim of domestic violence, sexual assault, or stalking, who requests an accommodation for safety while at work. Of course, this provision supplements but does not replace the full range of qualifying uses under California's paid sick leave statute (Labor Code Section 246.5) and the job-protected leave provisions of Government Code Section 12945.8, which remain available).

While employees must provide reasonable notice when taking leave to serve on a jury, if advance notice is not feasible, employers cannot take action against employees who provide documentation within a reasonable time after the absence.

Employers with 25 or more employees may not discharge, discriminate, or retaliate against employees who are victims and take time to (1) seek medical attention for injuries caused by crime or abuse; (2) obtain services from a domestic violence shelter, program, rape crisis center, or victim services organization or agency as a result of the crime or abuse; (3) obtain psychological counseling or mental health services related to an experience of crime or abuse; or (4) participate in safety planning or take other actions to increase safety from future crime or abuse.

Employers must provide employees written notice of these rights. Employers should work with counsel to revise their handbook provisions on jury duty and domestic violence leave to reflect these changes and inform HR managers so they are aware of these expanded uses for sick pay.

Senate Bill 477 – California Fair Employment and Housing Act

Effective January 1, 2026, Senate Bill 477 tolls the window for a complainant to initiate a civil action if they timely appeal to the CRD's closure of their complaint until one year after the department issues a written notice that it remains closed.

The bill also expands the circumstances for tolling the CRD's time to bring a civil action against an employer alleged to have committed an employment violation where there is a failure to eliminate the unlawful practice through conference, conciliation, mediation, or persuasion, to include (1) the period of time specified in a written agreement between the CRD and a respondent executed before the expiration of the applicable deadline; (2) the period of time for which the CRD's investigation is extended due to the pendency of a petition to compel compliance with the CRD; and (3) during a timely appeal within the CRD of the closure of the complaint by the CRD.

If the department finds that a complainant's complaint relates to a complaint filed in the name of the director or a group or class complaint for purposes of investigation, conciliation, mediation, or civil action, the department must issue a right-to-sue notice after the complaint has been fully disposed of and all administrative proceedings, civil actions, appeals, or related proceedings have terminated. A "'group or class complaint' includes any complaint alleging a pattern or practice."

Senate Bill 513 – Personnel Records

Effective January 1, 2026, Senate Bill 513 will increase employers' obligations for personnel file recordkeeping. Labor Code Section 1198.5 currently gives employees the right to inspect and receive their personnel records related to performance or grievances. Beginning in January, the bill redefines personnel records related to performance to include education and training records.

Additionally, the bill requires that employers include in an employee's education or training records the following information:

(1) The employee's name,
(2) The training provider's name,
(3) The duration and date of the training,
(4) The core competencies of a training, including skills in equipment or software, and
(5) Resulting certification or qualification.

Employers should ensure that all active employee files incorporate this new required information.

Senate Bill 590 – Paid Family Leave – Care for Designated Person

Starting July 1, 2028, Senate Bill 590 broadens the scope of the Paid Family Leave program to cover individuals who take leave to care for a seriously ill "designated person," defined as "any care recipient related by blood or whose association with the individual is the equivalent of a family relationship." Employees must identify the designated person when first filing a claim for family temporary disability insurance benefits and, under penalty of perjury, state how they are associated or how their relationship is equivalent to a family relationship. Employees are eligible for up to eight weeks of paid family temporary disability insurance benefits, paid by the state, within any 12-month period.

Senate Bill 693 – Water Corporation Exemption From Meal Period Requirements

Effective January 1, 2026, Senate Bill 693 creates a new category of employees exempt from California's meal period requirement — employees of a water corporation covered by a valid collective bargaining agreement that expressly provides meal period provisions among other wage requirements. The bill defines water corporation as "every corporation or person owning, controlling, operating, or managing any water system for compensation" in California. Employers that may be deemed a "water corporation" should determine whether this meal period exemption applies to its employees.

Senate Bill 53 – Artificial Intelligence Models and New Whistleblower Protections

Senate Bill 53 is the nation's first law focused on regulating frontier AI models, including new protections for whistleblowers. Notable features include:

- Effective January 1, 2026, Senate Bill 53 creates enhanced whistleblower protections for employees reporting AI safety violations. It prohibits employers who qualify as "frontier developers" from preventing or retaliating against employees responsible for assessing, managing, or addressing risk of critical safety incidents from disclosing their reasonable belief that the frontier developer's activities pose substantial danger to the public health or safety or violate the law. A "frontier developer" is "a foundation model that was trained using a

quantity of computing power great than 10^26 integer or floating-point operations." These developers must provide clear written notice of this right to all employees annually.

- Large frontier developers must also establish a reasonable internal process through which a whistleblower may anonymously submit good faith information on any risks to notify the large frontier developer's officers and directors, who are to review it at least once per quarter. A "large frontier developer" is "a frontier developer that together with its affiliates collectively had annual gross revenues in excess of five hundred million dollars ($500,000,000) in the preceding calendar year." A whistleblower may bring a civil case under the law against a frontier developer for injunctive relief, and, in a successful case, even recover attorneys' fees.

- In addition, developers must publish a frontier AI framework that explains their risk management practices. The law also imposes incident reporting obligations. Developers must report a critical safety incident within 15 days of discovering it. The report must be submitted within 24 hours if the incident poses an imminent risk of death or serious injury.

Violations of this bill may result in civil penalties of up to $1 million per violation, enforced by the attorney general.

For more information on the impact of Senate Bill 53, please see the article published by our Privacy + Cyber + AI group: California Transparency in Frontier AI Act Signed Into Law | Privacy + Cyber + AI.

Conclusion

California's newest employment laws introduce stricter penalties and expand protections for employee rights. Employers must adapt by reviewing and revising policies to ensure compliance with these new requirements. Troutman Pepper Locke's Labor + Employment attorneys are available to assist with maneuvering California's new laws, updating existing policies, and ensuring timely compliance.

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