2026 California Employment Law Update & Compliance Recommendations

Hello! We wish you a successful and prosperous new year. Below is a brief overview of new California labor laws, updates to existing requirements, and other key developments as we enter the new year. We have also included compliance recommendations for your consideration.

Please note that this summary focuses on laws applicable to most employers and does not address changes specific to certain industries, such as retail or agriculture. If you have questions about how these updates may affect a particular sector—or if you need guidance on any labor or employment issue—please do not hesitate to reach out.

Cheers to a prosperous 2026!

Samantha K. Feld, Partner

---

1. SB 294: "Workplace Know Your Rights Act" Notices

Effective 2/1/26, and each year thereafter, employers must provide all current and new employees with a written "Workplace Know Your Rights Act" Notice. A template notice will be released by the Labor Commissioner by 1/1/26 with educational videos published by 7/1/26. This Notice will explain workers' rights related to workers' compensation benefits; immigration inspection notices and protections; union organizing / concerted activity; and constitutional rights during interactions with law enforcement. In addition, by no later than 3/30/26, employers must allow employees to designate an emergency contact, or collect this information from new hires going forward. If an employee is arrested or detained during work, the employer must notify the designated emergency contact, if requested. This new labor law will be enforced by the California Labor Commissioner, and violations may include penalties up to $500 per employee for Notice violations, and up to $10,000 per employee for emergency contact violations.

Recommended next steps: Employers should monitor the Labor Commissioner's website for the template notice that will be released on 1/1/26 and ensure distribution to all new-hires and

current employees by no later than 2/1/26. Employers should develop a process for distribution of the Notice on an ongoing annual basis, and ensure that all employees have been presented with an opportunity to designate an emergency contact.

2. SB 617: Cal-WARN Expanded Notice Requirement

California's Worker Adjustment and Retraining Act ("Cal-WARN") requires employers to provide employees, the California Employment Development Department, and local agencies with 60-days' prior notice of mass layoffs, relocations, or terminations at covered establishments. Effective 1/1/26, employers conducting mass layoffs, relocations or terminations will be required to provide the following additional information in their Cal-WARN notice:

- An employer statement regarding plans to coordinate services through the local workforce development board, a different entity, or no plans to coordinate services with any entity.
- A functioning email and telephone number of the local workforce development board with the following description: "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."
- A description of CalFresh, the CalFresh benefits helpline, and a link to the CalFresh internet website.
- A functioning email and telephone number of the employer for contact.
- A description of rapid response activities offered by the local workforce development board.

Recommended next steps: If Cal-WARN applies to your business and you are considering a mass layoff, relocation or termination, it is important to ensure that the Cal-WARN notice includes all of the mandated information above. In addition, if you choose to coordinate services with the local workforce development board or another entity, you must arrange services within 30 days from the date of the written notice.

3. SB 648 – Expansion of Tip Protections for Workers

SB 648 significantly strengthens tip protections for workers, giving the Labor Commissioner power to investigate tip theft, issue citations, and sue employers for misusing tips. In general, tips are the sole property of the employee and it is unlawful to take employee tips or run an unfair tip pool. SB 648 amends Labor Code Section 351 to grant new authority to the Labor Commissioner to investigate employee complaints about tips, including the power to cite and take civil action against employers for unlawful tip withholding or taking. In addition, Employees can now file complaints with the Labor Commissioner for withheld or unpaid tips. Lastly, this new labor law mandates distribution of credit card tips to employees by the next regular payday, and requires employers to keep detailed records of all gratuities.

Recommended next steps: Covered employers, such as restaurants, hotels, salons, and other tipped industries should review their current tip policies and practices (including any tip pooling arrangements) to ensure compliance.

4. AB 692 – "Stay or Pay" Reform

Effective 1/1/26, AB 692 prohibits "stay or pay" agreements as part of the state's continued efforts to protect employee mobility and build on the state's longstanding policy against noncompete and restraint of trade provisions. This new labor law bars common arrangements that would require an employee to reimburse the employer for costs like relocation expenses or work-related training programs if the employment relationship ends before an agreed upon time. Under this new law, employers cannot require an employee to execute any agreement that:

- requires the employee to repay a debt to the employer, a training provider, or a debt collector upon termination;
- authorizes debt collection to begin or resume upon termination; or
- imposes any penalty, fee, or cost for leaving a job.

Tuition costs, sign-on bonuses, or other "discretionary or unearned monetary payments" that are made at the outset of employment and not tied to specific job performance are excluded from AB 692's prohibition as long as certain conditions are met. For example, repayment terms must be memorialized in a separate written agreement, and employees must be given 5 business days to review the terms with an attorney. In addition, employees must be entitled to a prorated repayment period, not to extend beyond 2 years.

Recommended next steps: AB 692 is not retroactive and applies only to agreements with an effective date on or after January 1, 2026. On a go-forward basis, any arrangement that could be perceived as "stay or pay" should be reviewed to determine whether it is prohibited by AB 692.

5. SB 513 – Personnel File Requests Expanded to Include Training Records

Under current law, California employers must allow current and former employees to inspect and receive copies of their personnel records. "Personnel records" are documents used to determine an employee's qualifications, compensation, or disciplinary actions, including applications, performance reviews, attendance, commendations, and termination notices. Effective 1/1/26, SB 513 expands the definition of "personnel records" to include an employee's education and training records which now must be produced with the personnel file pursuant to a request under Labor Code Section 1198.5.

Recommended Next Steps: Employers that implement training programs must ensure that training records are maintained and complete, and should include the following information:

- Employee's name
- Name of trainer
- Date and duration of training

- Core competencies addressed
- Resulting certification

Upon request for a copy of the employee's personnel file, employers must now ensure to include copies of all education and training records, inclusive of the detailed information above. Be mindful that the Labor Code requires copies of personnel records to be produced within 30 days of the request being made (21 days for payroll records.)

6. SB 642 – Amendments to CA's Equal Pay Laws

Current California law requires employers to provide employees with pay scale information, and requires employers with 15 or more employees to include pay scale information in job postings. Effective 1/1/26, SB 642 amends this obligation by broadening key definitions, extending the statute of limitations, and specifying categories of unlawful practices under the act. More specifically:

- SB 642 amends the definition of "pay scale" to require employers to provide a "good faith estimate of the salary or wage range upon hire."
- SB 642 further amends the law to prohibit a pay disparity between an employee of "another sex" as opposed to "opposite sex" - now encompassing non-binary genders.
- SB 642 broadens the definition of "wages" to include all forms of pay including bonuses, stock options, gas allowances, hotel accommodations and reimbursement for travel expenses.

Recommended next steps: For all job postings on or after 1/1/26, employers must now disclose what they reasonably expect to pay a new hire on day one, rather than offering an estimate for the position as a whole. Employers must now ensure that any form of compensation, not just a salary or hourly rate, is paid equally across genders unless there is a business necessity or other meritorious reason for the disparity. Employers should review pay policies and practices to ensure there are no pay inequities amongst employees based upon any gender or sex.

7. SB 464 – Employer Pay Data Reporting Expansions

California law currently requires a private employer with 100 or more employees to submit pay data to the Civil Rights Department on an annual basis. Among other things, pay data must be submitted by number of employees by race, ethnicity, and sex in 10 specified EEO-1 job categories. Effective 1/1/26, demographic data (race, ethnicity, sex) used for reporting must be kept separate from employee personnel files. In addition, and starting with the 2026 reporting cycle due May 2027, employers will be required to use 23 detailed Standard Occupational Classification (SOC) categories instead of the current 10 categories, requiring more granular detail and classification.

Recommended next steps: Effective 1/1/26, employers should ensure that all demographic information gathered for the purpose of submitting pay data reports—such as race, ethnicity, and

sex—is stored separately from personnel records. In addition, employers should familiarize themselves and align their workforce data with the new SOC job categories.

8. AB 406 – Workplace Protections for Victims of Violence

California has long protected time off for employees to obtain crime-related relief and has required reasonable safety accommodations for victims of domestic violence, sexual assault, and stalking. Effective 1/1/26, AB 406 expands crime victim accommodation and time off protections, prohibiting employers from discharging or in any manner discriminating or retaliating against an employee who is a victim (or a family member of a victim) for taking time off in order to attend judicial proceedings related to a qualifying act of violence.

Recommended Next Steps: Employers should always engage in a robust interactive process any time a safety-related accommodation or time off is requested for purposes relating to a crime or crime-relief. This includes assessing whether the employee is entitled to use paid sick leave for such time off. Employers should review policies, forms, and training to ensure compliance with workplace protections for victims of violence.

9. Additional Key Developments

- Effective 1/1/26, the statewide hourly minimum wage increases to $16.90 for all employers, and the salaried-exempt threshold rises to $70,304 annually. Be mindful of local minimum wage ordinances (like West Hollywood and Emeryville) that have their own local, higher minimum wage rates, along with industry specific wage rates that are also higher (healthcare; fast-food).

- Effective 1/1/26, California will require businesses to make a data breach disclosure to consumers within 30 calendar days of discovery or notification of the data breach, and will further require businesses to disclose to the California Attorney General within 15 days of notifying affected consumers of the data breach. Job applicants, employees, emergency contacts, and designated beneficiaries are considered "consumers" under California's privacy statutes. HR-related privacy policies should be updated to reflect this change in the notification requirement.