

# New California Employment Laws: Are You Ready?

November 24, 2025

During its 2025 legislative session, California enacted several new employment laws, most of which take effect on January 1, 2026 (unless otherwise indicated). Below is a summary of these laws.

## Changes to bonus or debt repayment obligations

AB 692 follows a recent trend in restricting so-called training repayment agreement provisions (TRAPs) or “stay or pay” provisions. Applying to contracts entered into on or after January 1, 2026, AB 692 prohibits provisions that require an employee to repay a “debt”<sup>1</sup> to their employer if their employment terminates or otherwise impose a penalty, fee or cost on a worker if the worker’s employment or work relationship terminates.

Two key exceptions to this prohibition include:

- **Transferable credential tuition costs:** Contracts to repay the cost of tuition for a transferable credential are permitted, if the contract meets all of the following conditions:
  1. The contract is separate from the employment contract.
  2. Obtaining the transferable credential is not a condition of employment.
  3. The contract specifies a repayment amount not exceeding the actual cost of the credential to the employer.
  4. The repayment amount is prorated and is not accelerated if the worker separates.
  5. No repayment is required if the worker’s employment is terminated by the employer, unless for misconduct.
- **Discretionary monetary bonuses:** Contracts for the receipt of a “discretionary or unearned monetary payment” at the outset of employment that is not tied to specific job performance (including a financial bonus, such as a sign-on or relocation bonus) are permitted, if the contract meets all of the following conditions:
  1. Repayment terms are contained in a contract separate from the employment contract.
  2. The employee is notified that they have the right to consult an attorney regarding the agreement and is given at least five business days to do so.
  3. Any repayment obligation is prorated based on the remaining term of any retention period (not to exceed two years) and is not subject to interest accrual.
  4. The worker can defer receipt of payment to the end of a fully served retention period without any repayment obligation.
  5. Separation from employment before the retention period is at the employee’s sole discretion, or at the employer’s election due to employee misconduct.

Employers that violate this new law face liability for actual damages or \$5,000 per worker, whichever is greater, plus injunctive relief and attorneys’ fees and costs. Workers may file lawsuits on behalf of themselves and other “similarly situated” workers.

## Minimum wage increase

In the new year, the statewide minimum wage will increase by 40 cents – to \$16.90 per hour – for all employers, regardless of size. The minimum annual salary for exempt employees (which must be at least twice the state minimum wage) will also increase from \$68,640 to \$70,304, regardless of whether the employee in question works a part-time or full-time schedule. Employers should note that many cities and counties have local minimum wage rates that may be higher than the state minimum.

## Expanded uses of paid sick leave

Under [AB 406](#), employees can elect to use paid sick leave for several additional existing unpaid leaves. Effective January 1, 2026, employees may use paid sick leave if they or a covered family member are victims of certain crimes and need to attend related judicial proceedings. Covered proceedings include delinquency hearings, postconviction proceedings, pleas, sentencing or any other proceeding where a victim's rights are at issue. In addition, effective October 1, 2025, employees may use paid sick leave for jury duty and to appear in court to comply with a subpoena or other court order as a witness in any judicial proceeding.

## Cal-WARN notice expansion

[SB 617](#) expands the information that must be included in the required notice under the California Worker Adjustment and Retraining Notification Act (Cal-WARN). The notice must now include the following information:

- Whether the employer plans to coordinate services, such as a rapid response orientation, through the local workforce development board, a different entity or not at all.
- A functioning email and telephone number of the local workforce development board and the following description of the rapid response activities offered by the local workforce 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."
- A description of the statewide food assistance program (CalFresh), including the CalFresh benefits helpline and a link to the CalFresh website.
- A functioning email and telephone number of the employer for contact.

## Pay transparency expansion

[SB 642](#) updates California's existing pay transparency law by amending the definition of "pay scale" to be a **good faith estimate** of the wage range an employer reasonably expects to pay for a position **upon hire**.

SB 642 also broadens the definition of "wages" under the California Equal Pay Act to 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.

The law also now prohibits employers from paying their employees at wage rates less than the rates paid to employees of "another" sex (instead of "opposite" sex) for substantially similar work, making the language more inclusive.

The law also expands the existing statute of limitations for equal pay claims to three years from the "last date the cause of action occurs," which can include:

1. When an alleged unlawful compensation decision or other practice is adopted.
2. When an individual becomes subject to an alleged unlawful compensation decision or other practice.
3. When an individual is affected by the application of an alleged unlawful compensation decision or other practice, including each time wages, benefits or other compensation is paid. Employees can recover for the entire period the violation exists, up to a maximum of six years.

## Personnel records requirements

[SB 513](#) expands the types of personnel records employees can inspect and receive under Labor Code Section 1198.5. Employers that keep education or training records must now include the employee's name, the training provider's name, the duration and date of the training, the core competencies covered and any resulting certification or qualification.

## Workplace Know Your Rights Act

SB 294 requires employers to provide a new notice of worker rights to employees upon hire and annually thereafter beginning February 1, 2026. The labor commissioner is tasked with developing and posting this notice on its website by January 1, 2026.

The notice must cover workers' compensation benefits, the right to notice of immigration inspections, protections against unfair immigration practices, the right to organize and constitutional rights when interacting with law enforcement at work. It must also include information on "new legal developments" pertaining to laws enforced by the state's Labor and Workforce Development Agency and a list of enforcement agencies that may enforce underlying rights in the notice.

Additionally, by March 30, 2026 (or at hire for new employees after that date), employers must give employees the opportunity to name an emergency contact and to indicate whether the emergency contact should be notified when the employee is arrested or detained at work or during work hours if the employer has actual knowledge of the arrest or detention.

## NLRB 'trigger' law

AB 288 enacts the second so-called trigger law in the country (following New York's enactment of S8034A), which expands the state's Public Employment Relations Board's (PERB) jurisdiction to protect workers' rights under federal labor law when the National Labor Relations Board (NLRB) has expressly or implicitly ceded jurisdiction.

The law authorizes PERB to decide unfair labor practice cases and order relief, including civil penalties, in situations where:

- Employees were covered by the National Labor Relations Act (NLRA) as of January 1, 2025, but lost coverage due to the NLRA being repealed, narrowed or enforcement being blocked.
- Employees would have been covered by the NLRA as of January 1, 2025, but the NLRB has ceded jurisdiction.

Workers can petition PERB to process representation petitions, certify bargaining representatives and resolve unfair labor practice cases left unresolved by the NLRB.

The NLRB has challenged AB 288 in a case, *Nat'l Labor Relations Bd. v. State of Calif.*, E.D. Cal., No. 2:25-at-01400, arguing that it is preempted by the NLRA under the Supremacy Clause of the US Constitution.

## Enforcement of wage judgments

SB 261 increases civil penalties for employers who are subject to wage judgments by the Division of Labor Standards Enforcement (DLSE). If an employer does not pay a wage judgment within 180 days, the employer will be subject to a civil penalty of up to three times the unpaid amount (plus post-judgment interest), unless the employer proves good cause to reduce the penalty by clear and convincing evidence. The law also extends joint and several liability for penalties to successors to a judgment debtor. Any penalties are split equally: 50% to the employee and 50% to the DLSE for enforcement and education. A prevailing employee is also entitled to reasonable attorneys' fees and costs in actions enforcing wage judgments.

## Bias mitigation training protections

SB 303 provides that an employee's assessment, testing, admission or acknowledgment of their own personal bias, when made in good faith and solicited or required as part of a bias mitigation training, does not by itself constitute unlawful discrimination. While bias mitigation training is not required under California law, this law is intended to encourage employers to conduct such trainings. Note that California Government Code Section 12950.1 separately requires employers with five or more employees to conduct harassment prevention training at regular intervals.

## Vehicle use and related reimbursements

SB 809 clarifies that simply owning a vehicle used for work does not make that worker an independent contractor. The law also confirms that employers must reimburse employees for all necessary expenses or losses related to using their own vehicles for job duties.

## Gig workers' unionization

Following Massachusetts' footsteps, AB 1340 creates the Transportation Network Company Drivers Labor Relations Act, allowing transportation network company (TNC) drivers to form, join and participate in driver organizations, bargain collectively and engage in concerted activities for mutual aid – all without being classified as employees. A TNC is defined as a company operating in California that provides prearranged transportation services for compensation, using an online-enabled application or platform to connect passengers with drivers using a personal vehicle. TNCs must submit quarterly information to the PERB to identify “active” drivers eligible to unionize. A driver organization can start the unionization process by showing PERB that at least 10% of active drivers are interested. The law outlines specific notice, process and timeline requirements for driver representation.

## Transparency in Frontier Artificial Intelligence Act

SB 53 creates the Transparency in Frontier Artificial Intelligence Act (TGAIA), imposing new transparency and reporting requirements on developers of advanced “frontier” AI models. Covered employees responsible for assessing, managing or addressing risk of critical safety incidents are protected against retaliation for raising concerns about catastrophic risks or violations of the TGAIA. Frontier developers must also provide covered employees notices outlining their rights under the law, either by posting in the workplace or through annual written notices.

## FEHA group or class complaints and tolling provisions

SB 477 amends the Fair Employment and Housing Act (FEHA) by defining a “group or class complaint” as any complaint alleging a pattern or practice of unlawful conduct. The law clarifies that an aggrieved person or the department may file such a complaint on behalf of a group or class affected in a similar way. SB 477 also expands the circumstances under which the one-year deadline to file a civil action after the Civil Rights Department (CRD) closes its investigation is tolled. The deadline is paused pursuant to any written agreement between the complainant and the CRD while a petition to compel is pending, and during any appeal to the department regarding the closure of a complaint.

## Pay data reporting expansion

SB 464 expands California's pay data reporting requirements. Effective January 1, 2027, private employers with 100 or more employees must report demographic data by race, ethnicity and sex across 23 job categories – up from the previous 10 – now aligned with the federal Standard Occupational Classification (SOC) system. New categories include “business and financial operations occupations” and “computer and mathematical occupations.”

If an employer fails to file the required report, the CRD can seek a court order to compel compliance. Courts must impose a penalty of up to \$100 per employee for a first violation and up to \$200 per employee for subsequent violations. Employers and labor contractors also must collect and store demographic data for pay data reports separately from employees' personnel records.

## Sexual assault statute of limitations

AB 250 extends the statute of limitations for sexual assault claims by adult survivors that would otherwise be time-barred before January 1, 2026. The law also covers related claims, such as wrongful termination or sexual harassment arising from the same sexual assault.

Claims may be brought against an entity if the entity is legally responsible for damages arising out of sexual

assault and the entity (including but not limited to its officers, directors, representatives, employees or agents) engaged in a “cover up,” defined as a “concerted effort to hide evidence relating to a sexual assault that incentivizes individuals to remain silent or prevents information relating to a sexual assault from becoming public or being disclosed to the plaintiff, including, but not limited to, the use of nondisclosure agreements or confidentiality agreements.” This reiterates the importance of complying with other laws, such as California Government Code Section 12964.5 and California Code of Civil Procedure Section 1001, when entering into nondisclosure, confidentiality and nondisparagement agreements with employees.

Claims already pending as of the law’s effective date may proceed, and new claims can be filed between January 1, 2026, and December 31, 2027.

## Designated persons for paid family leave

Effective July 1, 2028, [SB 590](#) expands California’s paid family leave (PFL) program to provide benefits to employees who take time off to care for a seriously ill “designated person” – “a care recipient related by blood or whose association with the individual is the equivalent of a family relationship.” To qualify, employees must state under penalty of perjury how they are related to the designated person, either by blood or through a family-like relationship.

## Next steps

California’s new employment laws touch nearly every aspect of the workplace – from AI and pay transparency to leave entitlements, wage enforcement, personnel files, unionization rights and more. Given the broad scope of California’s new employment laws, employers should take immediate action to ensure compliance.

Key action items include:

- Review and update all policies, handbooks and employment agreements to reflect changes in minimum wage, pay transparency, leave entitlements and personnel recordkeeping.
- Assess and revise any training repayment, bonus or retention agreements (including offer letters and any programs or policies governing employee retention and incentive benefits programs, tuition assistance and employee relocation programs) to ensure compliance with new restrictions and requirements.
- Review hiring practices to ensure job postings comply with the updated pay scale definition and pay practices comply with the revised definitions under the California Equal Pay Act.
- Update Cal-WARN notices to incorporate new notice content.
- Begin preparing for new reporting and recordkeeping requirements for pay data reporting, including evaluating job titles and their categorization into the 23 SOC job categories and ensuring demographic data is separate from personnel records.
- Prepare to implement new employee notices, including those required by the Workplace Know Your Rights Act. Be on the lookout for the state’s form notice to be published prior to January 1, 2026.
- Establish (or confirm) processes for collecting and maintaining emergency contact information.
- Ensure compliance with new requirements for personnel records, including education and training documentation.
- Educate managers and HR staff on all new legal obligations, including bias mitigation training protections and expanded leave rights.
- Track litigation challenging various NLRB trigger bills, including in New York. Multijurisdictional employers should also note that other states, [such as Massachusetts](#), are considering similar bills.

### Notes

1. “Debt” is broadly defined as “money, personal property, or their equivalent that is due or owing or alleged to be due or owing from a natural person to another person, including, but not limited to, 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.”

This content is provided for general informational purposes only, and your access or use of the content does not create an attorney-client relationship between you or your organization and Cooley LLP, Cooley (UK) LLP, or any other affiliated practice or entity (collectively referred to as “Cooley”). By accessing this content, you agree

that the information provided does not constitute legal or other professional advice. This content is not a substitute for obtaining legal advice from a qualified attorney licensed in your jurisdiction, and you should not act or refrain from acting based on this content. This content may be changed without notice. It is not guaranteed to be complete, correct or up to date, and it may not reflect the most current legal developments. Prior results do not guarantee a similar outcome. Do not send any confidential information to Cooley, as we do not have any duty to keep any information you provide to us confidential. When advising companies, our attorney-client relationship is with the company, not with any individual. This content may have been generated with the assistance of artificial intelligence (AI) in accordance with our AI Principles, may be considered Attorney Advertising and is subject to our [legal notices](#).

## Key Contacts

Anna Matsuo New York	amatsuo@cooley.com +1 212 479 6827
Wendy Brenner Palo Alto	brennerwj@cooley.com +1 650 843 5371
Michelle Doolin San Diego	mdoolin@cooley.com +1 858 550 6043
Ross Eberly Santa Monica	reberly@cooley.com +1 310 883 6415
Joshua Mates San Francisco	jmates@cooley.com +1 415 693 2084
Alexandra Rex Mayhugh Los Angeles	amayhugh@cooley.com +1 213 561 3219
Summer Wynn San Diego	swynn@cooley.com +1 858 550 6030
Leslie Cancel San Francisco	lcancel@cooley.com +1 415 693 2175
Laura Terlouw San Francisco	lterlouw@cooley.com +1 415 693 2069
Selin Akkan Palo Alto	sakkan@cooley.com +1 650 843 5076

Kamya Arora Palo Alto	karora@cooley.com +1 650 843 5325
Joshua Elefant Palo Alto	jelefant@cooley.com +1 650 843 5572
Jacob R. Lahana Santa Monica	jlahana@cooley.com +1 310 883 6532
Eileen Leman Los Angeles	eleman@cooley.com +1 213 561 3216
Helen Luu Palo Alto	hluu@cooley.com +1 650 843 5789
Claire Norman Palo Alto	cnorman@cooley.com +1 650 843 5364
Amis Pan Palo Alto	apan@cooley.com +1 650 843 5024
Andy Zachrich San Francisco	azachrich@cooley.com +1 415 693 2072

This information is a general description of the law; it is not intended to provide specific legal advice nor is it intended to create an attorney-client relationship with Cooley LLP. Before taking any action on this information you should seek professional counsel.

Copyright © 2023 Cooley LLP, 3175 Hanover Street, Palo Alto, CA 94304; Cooley (UK) LLP, 22 Bishopsgate, London, UK EC2N 4BQ. Permission is granted to make and redistribute, without charge, copies of this entire document provided that such copies are complete and unaltered and identify Cooley LLP as the author. All other rights reserved.