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California Labor and Employment Law Updates for 2026

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As we move into 2026, California continues its trend of enacting expansive and complex new employment laws. The legislative updates for 2026 span a wide range of critical workplace issues, including pay transparency, layoffs, training repayment requirements, workplace rights notices, protected leave, minimum wage, and the increasingly regulated use of artificial intelligence in employment decisions. Employers should promptly update policies, agreements, and HR practices to align with these significant changes. Below is a summary of the most impactful new laws and what employers need to know.

Training Repayment and “Stay-or-Pay” Restrictions

AB 692 establishes one of the most consequential changes for 2026 by banning most hiring-related “stay-or-pay” repayment provisions. Employers may no longer require workers to reimburse training costs, repay signing bonuses based on early resignation, or pay “quit fees,” unless the repayment fits within narrow statutory exceptions such as certain legally required training, government-backed educational programs, or approved apprenticeships. Agreements imposing prohibited repayment obligations are void, and employees may seek statutory damages and attorneys’ fees.

Employer action: Review and revise offer letters, signing bonus agreements, training reimbursement policies, and relocation repayment provisions to ensure they do not contain repayment-for-resignation terms.

New Mandatory “Know Your Rights” Notice

Beginning February 1, 2026, SB 294 requires employers to distribute a new “Know Your Rights” notice to all current employees annually and to all new hires at the time of hire. The notice will cover workers’ compensation rights, immigration-related protections, labor-organizing rights, and rights related to interactions with law enforcement. Employers must retain proof of distribution for three years.

The law also requires employers to collect and maintain employee emergency contacts by March 30, 2026, and to notify such contacts if an employee is arrested or detained at the worksite under certain circumstances.

Employer action: Update and properly distribute the new notice forms.

Expanded CalWARN Notice Requirements

SB 617, effective January 1, 2026, substantially expands the informational

content required in California “CalWARN” notices. Employers must now include:

- Specific language describing the availability of “rapid response” services;
- Confirmation of whether the employer is coordinating such services with the regional workforce development board;
- Information on eligibility for CalFresh food assistance programs; and
- Updated employer and local workforce board contact information.

Employer action: Employers conducting layoffs or plant closures should update their CalWARN templates and factor these new requirements into RIF planning.

Equal Pay and Pay Transparency Revisions

California continues to refine pay transparency and pay equity obligations through SB 642, which takes effect January 1, 2026. Key changes include:

- Narrowing the definition of a “pay scale” to the actual range an employer reasonably expects to pay upon hire;
- Broadening the definition of “wages” to include bonuses, commissions, equity awards, and other forms of non-base compensation;
- Replacing “opposite sex” with “another sex” to reflect coverage for non-binary employees; and
- Extending the statute of limitations to three years and allowing up to six years of back-pay recovery for Equal Pay Act violations.

Employer action: Employers should ensure posted pay ranges reflect accurate hiring practices and should revisit pay equity audits in light of the expanded wage definition.

Strengthened Pay Data Reporting

Under SB 464, pay data reporting becomes more rigorous starting in 2026, including:

- Mandatory civil penalties for non-compliance;
- A requirement to maintain demographic data segregated from personnel files; and
- New expanded job categories—growing from 10 to 23—mandatory beginning in 2027.

Employer action: These changes will require alignment between HRIS systems, job architecture, and compensation teams.

Workplace Notices, Records, and Personnel File Rights

SB 513 expands an employee's right to access personnel records to

include detailed education and training records, such as:

- Training providers;
- Dates and duration of courses;
- Core competencies; and
- Certifications earned.

Failure to comply may result in misdemeanor liability, increasing the importance of disciplined, centralized training documentation practices.

Employer action: Update policies regarding employee access to personnel records.

Minimum Wage Increases

Effective January 1, 2026, the California minimum wage increases to \$16.90 per hour, raising the minimum exempt salary threshold to at least \$70,304 annually (higher for certain industries or local jurisdictions).

Employer action: Employers should prepare for adjustments to pay ranges, overtime calculations, and wage statements.

Tips and Gratuities Enforcement

SB 648, effective January 1, 2026, strengthens protections for tipped employees and authorizes new enforcement mechanisms. Employers must:

- Distribute credit-card tips no later than the next regular payday;
- Maintain detailed tip records; and
- Avoid any deductions from tips, including credit-card processing fees.

The Labor Commissioner is authorized to investigate and pursue civil actions related to withheld gratuities, making compliance essential for hospitality and service employers.

Employer action: Employers in the hospitality industry must update all payroll processes.

Expanded Crime-Victim Leave and Jury Duty Protections

Under AB 406, California expands protected leave rights for crime victims and certain family members, strengthens anti-retaliation protections, and clarifies expectations around reasonable advance notice for jury duty.

Employer action: Employers should ensure victim-related and jury-related leave policies reflect these updated protections.

Artificial Intelligence and Automated Decision-Making Systems

California continues to address workplace uses of AI through new FEHA regulations, effective October 1, 2025, with practical compliance

implications throughout 2026. Employers using algorithmic tools in hiring, promotion, testing, or performance evaluation must:

- Provide required notices to applicants and employees;
- Evaluate automated systems for discriminatory effects;
- Maintain decision-making data and vendor documentation for at least four years; and
- Ensure that third-party vendors' tools comply with FEHA, as employers may be responsible for discriminatory outcomes.

Employer action: Employers should assess all automated hiring and employment-related systems for compliance with these new requirements.

What Employers Should Do Now

California employers should prepare for 2026 by:

- **Refreshing policies and agreements** to align with new requirements on pay, leave, workplace conduct, and technology.
- **Updating required notices and templates**, including onboarding materials and layoff communications.
- **Adjusting payroll and HR systems** for new wage rates and expanded reporting obligations.
- **Training managers and HR staff** on updated rights, responsibilities, and compliance expectations.
- **Strengthening documentation and processes** to ensure accurate recordkeeping and consistent policy application.

Taking these foundational steps will help employers stay compliant and navigate the significant legal changes taking effect in 2026.

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