



Dec 02, 2025

Categories:

[Publications](#)

Authors:

[Chris Stecher](#)

[Isaura Mora](#)

California Employers Face Sweeping Employment Law Changes in 2026

Winter is upon us! As we prepare for the holidays and the start of a new year, it's the perfect time to check in on your company's employment policies and practices. As usual, California lawmakers were busy in 2025, and multiple employment-related laws are scheduled to take effect on January 1, 2026. These laws address a wide range of workplace matters, such as wages, payments, notices to employees, and leaves of absence. We review several of the most important new laws below.

Wages, Equal Pay & Judgments

2026 Minimum Wage Increase

Starting January 1, 2026, California's minimum wage for non-exempt employees will increase from \$16.50 to \$16.90 per hour. While employers with operations in California will need to ensure that non-exempt employees are paid at least \$16.90 per hour (or higher applicable industry or local rates), they must be mindful that the increase in the state minimum wage also impacts what they must pay to many exempt employees. Since the salary threshold for most overtime exemptions in California is twice the state's minimum wage for full-time work, the minimum annual salary for exempt positions will increase from \$68,640 to \$70,304. Employers should ensure compliance with the increased wage requirements to avoid risks and potential wage-and-hour claims.

AB692 – Employment Contract Repayment Prohibition

Under this new law, it will be unlawful to include terms in employment contracts that require workers to pay employers penalties or fees or repay costs incurred by the employer on the employee's behalf if the employment relationship ends. With very limited statutory exceptions, employers will not be able to recoup

sums advanced to employees or on behalf of employees in connection with training, retention bonuses, or other employment matters. AB692, which will apply to employment contracts entered into **on or after January 1, 2026**, adds sections to both the California Business and Professions Code regarding unlawful restraints on trade and the California Labor Code regarding penalties for unlawful business practices. Employers should review existing employment-related contracts and templates to remove any violating provisions and ensure compliance with the new law.

SB642 – Revisions to Equal Pay Act

For several years, California employers have been required to provide specific pay scale information to current and prospective employees. **Effective January 1, 2026**, the term “pay scale” has been redefined to expressly include “a good faith estimate of the salary or hourly wage range that the employer reasonably expects to pay for the position upon hire.” SB642 also prohibits California employers from paying employees at wage rates less than the rates paid to employees of “another sex” instead of the “opposite sex.” In addition, wages will now include all forms of compensation (i.e., salary, overtime pay, bonuses, stock, stock options, profit sharing and bonus plans, life insurance, vacation and holiday pay, and benefits). The amendments also extend the time to bring a civil action to recover wages from two to three years and provide that employees are entitled to obtain relief for the entire period during which the violation occurred, not to exceed six years. Employers should keep the new definition of “pay scale” in mind when advertising for positions and retain wage and pay data accordingly.

SB464 – Pay Data Reporting Expanded

Existing law requires private employers with 100 or more employees to submit an annual pay data report to the California Civil Rights Department (CRD) that includes a variety of employee demographic data, including employee race, ethnicity, and sex in 10 specified job categories. **Starting in 2026**, penalties for violation of this requirement in the amount of \$100 per employee (\$200 for repeat offenders) will become mandatory upon CRD request. For example,

a 500–employee company that failed to submit a report would face \$50,000 to \$100,000 in fines. Also **starting in 2026**, employers will be required to store demographic data separately from personnel records. **Effective, January 1, 2027**, SB464 will increase the number of job categories in which pay bands must be reported from 10 to 23. Employers with more than 100 employees should ensure that the way they collect and store demographic data is up to date.

SB261 – Penalties for Unpaid Wage Judgments

SB261 expands the authority of the Division of Labor Standards Enforcement in wage claim matters, including actions to recover wages, penalties, and other demands for compensation. Employers that fail to satisfy wage judgments within 180 days will be subject to new civil penalties up to three times the outstanding judgement amounts. Additionally, the new law mandates that prevailing employees recover attorney fees and costs when enforcing such judgments. This law will go **into effect on January 1, 2026**. To avoid unnecessary penalties, employers are encouraged to promptly satisfy wage judgements.

Required Notices

SB617 – Adds to the Notice Requirements Under CalWARN

Effective January 1, 2026, employers will be required to include the following information in notices for mass layoffs, relocation, or termination:

- Information on whether the employer plans to coordinate services through the local workforce development board or another entity, along with a specific statement about local workforce development boards
- Information regarding CalFresh, the statewide food assistance program
- A functioning email and telephone number of the employer for contact

To ensure compliance, California employers should update their WARN notice templates before the new year.

SB294 – Workplace “Know Your Rights” Act

Under this new law, employers will be required to provide standalone written notice to each current employee of certain workers’ rights, **on or before February 1, 2026**, and annually thereafter. The notice will need to include, among other things, information about workers’ compensation benefits, notice requirements related to inspections conducted by an immigration agency, protection against unfair immigration-related practices, the right to organize a union or engage in concerted activity in the workplace, and constitutional rights when interacting with law enforcement at the workplace. SB294 also will require employers to provide existing employees with the opportunity to name an emergency contact **by March 30, 2026**, and at the time of hiring for new employees. The California Labor Commissioner’s Office will provide, on its website, a template notice **by January 1, 2026**.

SB446 – Data Breaches: Customer Notification

Effective January 1, 2026, SB446 will require a qualifying individual or business that experiences a security breach of a system that includes personal information to disclose the breach within 30 days to California residents whose personal information was, or is reasonably believed to have been, acquired by an unauthorized person. If the breach affects more than 500 California residents, the individual or business must also provide a copy of the breach disclosure to the Attorney General’s Office within 15 calendar days of notifying affected consumers of the breach. Employers should review their privacy and data security protocols to remain proactive in case of a breach.

Leaves of Absence

AB406 – Expands Qualifying Reasons for Paid and Unpaid Leaves

AB406 expands the permitted uses of California Paid Sick Leave under the Healthy Workplaces Families Act of 2014. It also updates the state's unpaid, job-protected leave provisions to align with these expanded uses **starting January 1, 2026**. Under the new amendments, employees may now use paid sick leave and certain unpaid leave if the employee or a covered family member are victims of certain crimes and need to attend related judicial proceedings. To ensure that employees are not incorrectly denied leave, employers should familiarize themselves with the crimes and judicial proceedings included in the law.

SB590 – Extends Eligibility for State Paid Family Leave Benefits

On the horizon, SB590 will expand benefits under paid family leave to include instances when an employee needs leave to care for a seriously ill “designated person.” This designated person can be any individual who is a blood relative or whose association with the employee is the equivalent of a family relationship. This law will become **effective on July 2, 2028**.

Frost Brown Todd's Labor and Employment Practice Group is available to help companies and individuals navigate these new California employment laws and plot a course for success in 2026 and beyond. Please reach out to the authors or any member of Frost Brown Todd's [Labor and Employment Practice Group](#) for assistance.

© 2026 FBT Gibbons LLP. May be considered attorney advertising in some jurisdictions.