



The New California Employment Laws for the Start of 2026



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By: **Imbar Sagi-Lebowitz**
Senior Counsel
Klinedinst Attorneys

In or around each October, the California legislature provides new laws for the upcoming year across all industries. Due to these changes it is important for all employers to review these rules to make sure they are compliant with the most up to date requirements. This article provides the pertinent changes to implement at the start of the year in response to the new laws.

Training Records (SB 513)

In the past, training records including those for sexual harassment training and workplace violence training, were not required to be stored in an employee's personnel file. As of January 1, 2026, all training records must be stored in an employee's file and should include: provider information, training and skills, certification, date, and duration of the training. (Labor Code section 1198.5)

Notice of Worker Rights (SB 294)

Beginning February 1, 2026, and every year thereafter, employers must provide their workers annual written notice informing them of their rights. By January 1, 2026, the Labor Commissioner will provide the new notice of employee rights. The stand alone notice can be provided as any other communication is provided to an employee.

Additionally, employers are required to give written notice of workers' compensation, 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. The records of written rights provided must be kept for three years and include the date of each notice that had been sent by the employer to the employee. The employer must also inform the employee that they can designate an emergency contact if they are arrested or detained while at work. This contact information may be updated at any time by the employee.

Pay Scale Postings (SB 642)

In any job posting or upon request, the pay transparency rules now require employers to include a good faith estimate of expected salary and hourly rate. Wages include all forms of pay including salary, insurance, bonus, stock, vacation, holiday pay, expenses, benefits and allowances. (Labor Code Section 432.3)

Bias Mitigation Training (SB 303)

Effective January 1, 2026, there is a new regulation that is not required but encourages employees to conduct bias mitigation training for its employees. Bias mitigation training is training, education, and activities provided for the purpose of educating employees on understanding associated impacts of personal biases. (Government Code Section 19240.2)

Stay or Pay Agreements (AB 692)

The Legislature expanded the prohibition against covenants not to compete by making it unlawful to enter into a "stay and pay contract" with its employees. Currently the law is that any contract restraining trade, profession or business is unlawful. (Business and Professions Code Section 16600) As of January 1, 2026, the new law applicable to contracts with employees makes it unlawful to enter into a contract as a condition of employment with the following requirements.

- Requires a worker to pay the employer for a debt if the employment terminates;
- Allows the employer to resume or initiate collection or end forbearance on a debt if the work relationship terminates;
- Imposes a penalty or fee on the worker if the relationship terminates.

However, a contract for receipt of discretionary or unearned monetary payment, including a bonus, at the outset of employment, and not tied to specific performance (like a signing bonus) is not forbidden if the contract includes the following:

- Terms of repayment are set forth in the contract;
- Employee is notified they can consult an attorney and is provided no less than five business days to obtain advice and execute the agreement;

- Repayment obligation for early separation is not subject to interest and is prorated based on remaining term of retention which shall not exceed two years from receipt of payment;
- Worker has an option to defer receipt of payment to the end of the fully served retention period without repayment obligation;
- Separation prior to the retention period was at the sole election of employee or was for misconduct. (Labor Code Section 926)

WARN Act updates (SB 617)

Existing law under the California Work Adjustment and Restraining Act ("WARN") requires employers to provide advanced notice to affected employees prior to ordering a mass layoff, relocation, termination of a covered establishment (under the law.) Effective January 1, 2026, employers must now include specific information about the local workforce development board, CalFresh and employer contact information. (Labor Code Section 1400 et seq.) California WARN covers employers with 75 or more employees, including part time employees and requires 60 days' advance notice of closures and layoffs of 50 or more employees, and relocations of at least 100 miles for those affected.

Pay Data Reporting (SB 464)

Currently for employers with 100 or more employees (or labor contractor employees), they must submit annual pay data reports to the Civil Rights Division which includes mean and medium hourly rates for employees with each combination of race, ethnicity, and sex within each job category. The new law requires the employer to collect and store any demographic information they gather separately from employees' personnel file. Currently the employees use ten job categories and the new law includes twenty three different job categories as of January 1, 2027. (Government Code Section 12999)

Paid Family Leave Expansion (SB 590)

Effective July 1, 2028, SB 590 expands the Paid Family Leave for Care of a "Designated Person" which is defined as anyone related by blood or whose relationship with the employee is equivalent to a family relationship.

AI and Automated Decision Systems (SB 53)

SB 53 imposes on developers of AI incident reporting obligations if there is a discovery of a critical safety incident such as risk of death or serious injury. They are also required to release transparency reports when introducing new systems. This new law also expands protection for employees who raise concerns about AI use without fear of retaliation. The protections for employees include anonymous reporting and ability to seek injunctive relief. Therefore, if the employer is using automated decision systems, they should consider conducting anti bias testing on AI tools; evaluate AI tools to ensure compliance with anti-discrimination laws; develop AI governance policy that includes guidelines on transparency, privacy, and fairness; test systems to ensure compliance with requests for accommodations. Employers should also implement reporting systems for the employees to express concerns about AI safety.

Expansion of Anti-Retaliation Laws (AB 406)

Under Government Code Section 12945.8, there is job protection for unpaid sick leave for various reasons. The new law now provides for job protected unpaid leave for the employee or a family member who are a victim of certain crimes, attending judicial proceedings for the related crime, or any proceeding where the right of the person is at issue.

This time off is applicable where the crime involves either a violent felony, serious felony, or theft or embezzlement felony, or where the victim has suffered direct or threatened physical, psychological, or financial harm due to the commission or attempted commission of vehicular manslaughter while intoxicated, felony child abuse, assault resulting in the death of a child under age eight, felony domestic violence, felony physical abuse of an elder or dependent adult, felony stalking, solicitation for murder, a serious felony, hit-and-run causing death or injury, felony driving under the influence causing injury, or sexual assault.

Also, California's paid sick leave law previously provided that employees could use paid sick leave for certain reasons under the crime victim leave/protections law. AB 406 updates the sick leave law to make clear that employees may use paid sick leave for additional reasons covered under the crime victim law, including for an employee to appear in court as a witness to comply with a subpoena or other court order or to serve in an inquest or trial jury. The new sick leave provisions took effect on October 1, 2025.

No Tax on Tips and Overtime

There is a new federal law on no tax on tips or overtime. However, there has been no guidance yet for how the new rule will be handled for the 2025 tax year. Therefore, employers who tip employee or have employees who work overtime should consult a tax advisor.

In addition to these new law (among others), several counties and cities have increased their minimum wages. It is important to look at your area of business to determine compliance. Additionally, it is always recommended to review and update Employee Handbooks and policies for compliance with the new laws and notices required for next year. It is often important to implement audits for payroll compliance and training to supervisors for compliance with the *Labor Code* to ensure compliance with meal and rest periods, as well as overtime laws.

Imbar Sagi-Lebowitz serves as Senior Counsel in Klinedinst's Downtown Los Angeles office. She has experience representing clients in labor and employment litigation, including discrimination, harassment, wrongful termination, retaliation, and matters involving wage and hour violations. As part of her practice, she represents employers in arbitrations, civil actions, mediations, and settlement conferences.

Ms. Sagi-Lebowitz earned her law degree from Loyola Law School, where she graduated in top 20% of her class. While attending law school, she served as Articles Editor and Staff Writer for *Loyola of Los Angeles Law Review*. She graduated *magna cum laude* with a bachelor's in science from UCLA in 2000. (klinedinstlaw.com)