2025 CALIFORNIA LEGISLATIVE SUMMARY

September 24, 2025

The 2025 Legislative Session drew to a close in mid-September with a flurry of legislative activity following the summer recess. Not surprisingly, a number of employment bills passed both Legislative chambers and have been sent to Governor Gavin Newsom for signature or veto, including bills that would:

1. Regulate the use of **automated decision-making systems** in the workplace (SB 7)
2. Provide employee protections related to **immigration and deportation proceedings** (AB 1136)
3. Require distribution of a **notice of worker rights** and impose requirements if an employee is arrested or detained (SB 294)
4. Prohibit employers from entering **"stay or pay" agreements** and impose new penalties for contracts in restraint of trade (AB 692)
5. Require retention and production of **training documentation** (SB 513)
6. Change the definition of **pay scale for purposes of posting** and make changes to pay equity litigation (SB 642)
7. Add to the information employers must include in **CalWARN Notices**. (SB 617)
8. Change the categories of workers that must be used in **pay data reporting**. (SB 464)

There were also some employment bills that stalled this session, including another bill that would have imposed strict requirements on businesses that use Artificial Intelligence in employment decision making, several bills that would have restricted the use of workplace surveillance tools, and a bill that would have imposed administrative fees on Labor Commissioner awards. However, since this is the first year of a two-year legislative cycle, some of these could resurface in the forthcoming 2026-2027 legislative session.

Looking ahead, the deadline for the Governor to sign or veto the bills is October 13, 2025. Stay tuned for our final legislative update of the year!

In the meantime, below is a brief overview of our "Top Eight" potential employment law changes and a summary of the remaining notable employment bills currently pending, organized by subject matter. Unless otherwise indicated, each of these bills has passed both houses of the legislature and is awaiting Governor Newsom's signature or veto. We have also included several references to notable new state and federal regulations and guidance.

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TOP EIGHT PROPOSED NEW CALIFORNIA EMPLOYMENT LAWS

1. Regulation of Artificial Intelligence and Automated Decision Systems in the Workplace (SB 7)

SB 7 is part of the continued trend reflecting increased concerns regarding the use of artificial intelligence (AI) and Automated Decision Systems (ADSs) in employment settings. SB 7 would create a new chapter in the Labor Code (sections 1520-1539) to regulate the use of ADSs in employment settings.

What is an Automated Decision System?

This bill defines a covered Automated Decision System (ADS) to mean a computational process derived from machine learning, statistical modeling, data analytics, or artificial intelligence that issues simplified output, including a score, classification, or recommendation, that is used to assist or replace human discretionary decision making and materially impacts natural persons. "Artificial intelligence" means an engineered or machine-based system that varies in its level of autonomy and that can, for explicit or implicit objectives, infer from the input it receives how to generate outputs that can influence physical or virtual environments. "Automated Decision System" would *not* mean a spam email filter, firewall, antivirus software, identity and access management tool, calculator, database, dataset, or other compilation of data.

"Employment-related decisions" is defined as any decisions by an employer that impact wages, benefits, compensation, work hours, work schedule, performance evaluation, discipline, promotion, termination, job tasks, skill requirements, work responsibilities, assignment of work, access to work and training opportunities, productivity requirements, workplace health and safety, and any other terms or conditions of employment.

What New Obligations Do Employers Have Under this Bill?

This bill sets strict guidelines for employers regarding the use of ADSs in employment. It prohibits employers from using ADS that violate any federal, state, or local labor, occupational health and safety, employment, or civil rights laws. Employers are prohibited from using ADS to infer a worker's protected status or to retaliate against workers for exercising their legal rights.

Furthermore, this bill states that employers cannot rely solely on ADS when making discipline, termination, or deactivation decisions. If the employer relies primarily on ADS output to make a discipline, termination, or deactivation decision, they must use a human reviewer to review the ADS output as well as compile and review other relevant information, such as peer reviews, supervisory or managerial evaluations, personnel files, witness interviews or work product.

This bill will allow workers the right to request, and an employee must provide, in a manner that anonymizes third-party personal information, a copy of the most recent 12 months of the worker's own data primarily used by an ADS to make a discipline, termination or deactivation decision. However, workers are limited to one request every 12 months. Finally, this prohibits the use of customer ratings as the input for ADS decisions, with the goal of ensuring a fairer and more transparent process for workers. Customer ratings may not be used as the sole or primary input for ADS employment-related decisions.

Notice Requirement

This bill requires employers to provide written notice to workers if and when an ADS is used for employment-related decisions. The notice must be in plain language, in the language used for routine communications, and provided via a simple method such as email or hyperlink. This ensures that workers are clearly informed about the use of ADS in decisions that affect their employment. Additionally, the notice must inform workers that employers are prohibited from retaliating against them for exercising these rights.

- *Pre-Use Notice*

Notice must be given at least 30 days before introducing the ADS, by April 1, 2026, for existing systems or within 30 days of hiring a new worker. Employers must also maintain an updated list of all ADS in use, though this list does not need to be included in the notice. The notice must describe the types of employment-related decisions the ADS may affect, the categories and sources of worker input data, and how that data will be collected. It must also disclose any key parameters that may disproportionately influence the ADS output, identify the individuals or entities that created the ADS, and, if applicable, describe any quotas set or measured by the ADS, including the number of tasks or products expected and any consequences for failing to meet those quotas. Finally, the notice must inform workers of their right to access and correct their data used by the ADS and clearly state that employers are prohibited from retaliating against workers for exercising these rights.

- *Post-Use Notice*

If an employer primarily relies on an ADS to make a discipline, termination, or deactivation decision, they must provide written notice at the time the decision is communicated to the worker. The notice must include contact details for a human representative who can answer questions and provide information about the decision and the ability to request a copy of the worker's own data relied on in the decision. It must confirm that an ADS was used in the decision-making process, inform the workers of their right to correct any errors in the data, and allow them to request a copy of the data relied upon. The notice must also clearly state that retaliation for exercising these rights is prohibited.

Enforcement and Potential Penalties/Liability

Employers will be prohibited from retaliating against workers for exercising their rights under the bill, filing complaints, cooperating in investigations, or assisting in enforcement actions. The Labor Commissioner is responsible for enforcing these protections, including investigating violations, issuing citations, and filing civil actions. If a citation is issued, the procedures for contesting and enforcing judgments are the same as those for other labor violations. Workers can also bring civil actions for damages, including punitive damages, and seek temporary or preliminary injunctive relief. Public prosecutors may enforce the bill as well. Employers who violate these provisions are subject to a civil penalty of $500.

However, employers should note that even without this bill becoming law, it is possible that use of AI or an ADS could lead to a discrimination claim. In May 2022, the federal Equal Employment Opportunity Commission and Department of Justice issued guidance regarding the use of algorithms and artificial intelligence to assess job applicants and employees and warned that use of AI may violate the Americans with Disabilities Act. (The Americans with Disabilities Act and the Use of Software, Algorithms, and Artificial Intelligence to Assess Job Applicants and Employees | U.S. Equal Employment Opportunity Commission (eeoc.gov) and Guidance Document: Algorithms, Artificial Intelligence, and Disability Discrimination in Hiring (ada.gov)) And California's Civil Rights Council has approved amendments to the regulations implementing the Fair Employment and Housing Act which will regulate the use of Automated Decision Systems in employment and specifically define the ways in use of such systems could constitute unlawful discrimination, effective October 1, 2025. (See discussion below re: New State Regulations.)

2. Protections Related to Immigration or Deportation Proceedings (AB 1136)

In response to recent federal immigration activities, this bill would apply to private or public employers with 26 or employees and enact various protections related to immigration or deportation proceedings.

First, it would require employers to provide, upon request, up to five unpaid working days off within a 12-month period for employees to attend appointments, interviews, adjudications, legal proceedings, detainments or any other meetings at which the employee's presence is required concerning the employee's immigration status, work authorization, visa status or any other immigration-related matter. These days off may be either consecutive or non-consecutive, and the employer may require the employee to use earned, unused vacation or paid time off prior to the employee using these additional five unpaid days off for this purpose.

Second, it would provide reinstatement rights to "post-introductory" employees (i.e., those who have successfully completed their probationary employment periods) who are terminated due to an inability to provide documentation of proper work authorization but who subsequently produce proper work authorization within 12 months of the date of termination. Such employees would be entitled to immediate reinstatement to their former classification without loss of prior seniority. However, the employee will not accrue vacation or other benefits based upon particular employment plan policies during those absences.

If there is no position available in the employee's former job classification at the time the employee produces proper work authorization, the employer shall offer the employee in writing all job positions that thereafter become available within 12 months of the date of termination for which the employee is qualified. If more than one employee is entitled to preference for a position, the employer shall offer the position to the terminated employee with the greatest length of service based on the employee's hire date. The employee shall also receive their prior pay rate and seniority. If the employee communicates to the employer that they are no longer interested in working for that employer, the employer is not obligated to offer any further job positions that may become available.

If an employee demonstrates a need for additional time to obtain this proper work authorization, they shall be entitled to an additional 12 months to obtain this authorization and upon doing so, be rehired

into the next available position in the employee's former classification as a new hire. In that instance, the employee shall be subject to an introductory period upon rehire.

Third, an employer notified that an employee has been detained or incarcerated because of pending immigration or deportation proceedings would be required to place the employee on unpaid leave for a period pending their release from detainment or incarceration and not to exceed 12 months. An employee on such a leave of absence will not accrue vacation or other benefits during the leave of absence. Upon the employee's release and their provision of appropriate work authorization within the period of the authorized leave of absence, they shall be entitled to the reinstatement rights (if a position then exists) or job notification rights (if no position is then available) discussed above.

Fourth, the bill would prevent an employer from disciplining, discharging, or discriminating against an employee because of their national origin, or solely because the employee is subject to immigration or deportation proceedings. An employee subject to immigration or deportation proceedings shall also not be discharged solely because of pending immigration or deportation proceedings so long as authorized to work in the United States.

These provisions will not invalidate a collective bargaining agreement or memorandum of understanding that contains a provision addressing rehire or reinstatement rights or leave rights regarding employees who are subject to immigration proceedings. They also will not require the employer to employe an individual if doing so would be a violation of state or federal law or regulations.

Lastly, these new provisions (contemplated as new Labor Code sections 1019.6 through 1019.10) would become inoperative as of July 1, 2029, and deemed repealed as of January 1, 2030.

3. Notice of Worker Rights and Requirements if an Employee is Arrested or Detained (SB 294)

This bill, entitled "The Workplace Know Your Rights Act" would require employers to provide a stand-alone written notice to each current employee on or before February 1, 2026, and annually thereafter. The bill specifies that the notice can be provided in a manner the employer normally uses to communicate employment-related information, which may include personal service, email, or text message, if it can reasonably be anticipated to be received by the employee within one business day of sending. Employers would also be required to provide the notice to new employees upon hire. Additionally, employers would be required to give the notice to an employee's authorized representative, if any, by electronic or regular mail. The written notice would contain a description of workers' rights in five separate areas, including 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 at the workplace. The notice would also include a description of new legal developments pertaining to laws enforced by the Labor and Workforce Development Agency that the Labor Commissioner deems material and necessary, and a list of enforcement agencies that may enforce the underlying rights in the notice.

The Labor Commissioner would be required to develop a template notice on or before January 1, 2026, and post an updated template notice annually thereafter. The Labor Commissioner would also be required

to develop videos for employees and employers advising them of rights and requirements on or before July 1, 2026. The Labor Commissioner would be required to consult with the Agricultural Labor Relations Board, the Public Employment Relations Board, and the Attorney General's Office when developing the notice and videos.

The bill would require employers to keep records of compliance with the notice requirements for three years, including the date each written notice is provided or sent.

The bill would also require that, if an employee has notified their employer that they would like their designated emergency contact to be notified in the event the employee is arrested or detained, then the employer should notify an employee's designated emergency contact in the event the employee is arrested and detained on their worksite, or if the employer has actual knowledge of an arrest or detention during the performance of the employee's job duties. Employers would also be required to offer employees the opportunity to name an emergency contact no later than March 30, 2026, for existing employees, and at the time of hire for employees hired after March 30, 2026. Employers would be required to allow employees to provide updated emergency contact information through the duration of employment. Employers would be required to allow employees to indicate whether the emergency contact should be notified if the employee is arrested or detained on their worksite, or during work hours or during the performance of the employee's job duties, if the employer has actual knowledge of the arrest or detention.

Employers would be prohibited from retaliating against employees for acting in connection with this new law.

The new requirements could be enforced by the Labor Commissioner by a public prosecutor. Any of these petitioners could seek injunctive relief, damages, punitive damages, and attorneys' fees and costs. In addition, employers who violate the new requirements could be subject to a civil penalty of up to $500 per employee for each violation. The penalty for violating the rules regarding designated emergency contacts would be up to $500 per employee for each day the violation occurs, up to a maximum of $10,000 per employee.

The bill would not preempt any local ordinance that provides equal or greater protection.

4. Prohibition on "Stay-or-Pay" Agreements (AB 692)

This bill would make it unlawful to include in any employment contract or require employees to enter "stay or pay" agreements by which employees are obligated to pay an amount of money if their employment terminates.

Existing law (Business and Professions Code section 16600, *et seq.*) already invalidates any contract by which anyone is restrained from engaging in a lawful trade, profession, or business and makes it an unlawful practice to require an employee to enter a noncompete agreement. This bill would create a new section 16608 in the Business and Professions Code. The new law would apply to contracts entered into on or after January 1, 2026, and would make it unlawful to include in any employment contract, or require

a worker to enter into a contract as a condition of employment, if the contract that does any of the following:

- Requires the worker to pay a "debt" if the worker's employment ends. "Debt" means any money or personal property due to another person including, but not limited to, for employment-related costs, education-related costs, or a consumer financial product or service.

- Authorizes the employer, training provider, or debt collector to resume or initiate collection or end forbearance on a debt if the worker's employment ends.

- Imposes any "penalty, fee, or cost" on a worker if the worker's employment ends. "Penalty, fee, or cost" includes but is not limited to a replacement hire fee, retraining fee, replacement fee, quit fee, reimbursement for immigration or visa-related costs, liquidated damages, lost goodwill, or lost profit.

For purposes of this bill, "worker" would include but not be limited to an employee or prospective employee.

The bill would exempt contracts under any loan repayment assistance program or loan forgiveness program provided by a federal, state, or local governmental agency; contracts related to approved apprenticeship programs; contracts related to the lease, financing, or purchase of residential property; and contracts related to the repayment cost of tuition for a transferable credential if certain conditions are met (including that the contract does not require repayment if the worker is terminated, except if the worker is terminated for gross misconduct). A "transferable credential" is a degree that is offered by a third-party institution that is accredited and authorized to operate in the state, is not required for a worker's current employment, and is transferable and useful for employment beyond the worker's current employer.

The bill would also exempt a contract for the receipt of discretionary or unearned monetary payment, including a financial bonus, at the outset of employment that is not tied to specific job performance (such as a signing bonus), but only if all the following conditions are met:

- The terms of the repayment obligation are set forth in a separate agreement from the primary employment contract;

- The employee is notified that they have the right to consult an attorney regarding the agreement and provided with a reasonable time of not less than five business days to obtain advice of counsel prior to executing the agreement;

- Any repayment obligation for early separation from employment is not subject to interest and is prorated based on the remaining term of the retention period, which shall not exceed two years from receipt of the payment;

- The worker has the option to defer receipt of the payment to the end of the fully served retention period without any repayment obligation; and

- Separation from employment prior to the retention period was at the sole election of the employee or was for misconduct (as defined in Section 1256 of the Unemployment Insurance Code).

The bill specifies that a contract that is unlawful under this rule is a contract restraining a person from engaging in a lawful profession, trade, or business, and is void under Section 16600 if it was entered into on or after January 1, 2026.

The bill would also add Section 926 to the Labor Code to specify that a contract that violates Business and Professions Code section 16608 is void as contrary to public policy if it was entered into on or after January 1, 2026. A worker who has been subjected to the conduct prohibited by Section 16608 or a worker representative would be authorized to bring a civil action on behalf of the worker, or persons similarly situated, or both, in any court of competent jurisdiction. Any person found liable shall be liable for actual damages sustained by the worker or workers, or $5,000 per worker, whichever is greater, in addition to injunctive relief and reasonable attorney's fees and costs.

5. Expansion of Personnel Records to include Education and Training Records (SB 513)

Under existing law, Labor Code section 1198.5 gives employees or their representatives the right to inspect and receive a copy of certain personnel records maintained by their employer or former employer. This bill would expand Section 1198.5 to provide that employees have the right to inspect education and training records *and* would specify the contents of such records. Specifically, any employer who maintains education or training records would need to ensure that the records include:

(1) The name of the employee;

(2) The name of the training provider;

(3) The duration and date of the training;

(4) The core competencies of the training, including skills in equipment or software; and

(5) The resulting certification or qualification.

Current and former employees and their representatives would then be able to inspect or obtain copies of those records pursuant to the procedure already established by Section 1198.5.

6. Additional Restrictions on Pay Scale Posting and Changes to Pay Equity Litigation (SB 642)

This bill would revise the definition of the "pay scale" that must be included in job postings, expand the statute of limitations for bringing pay equity cases, and expand the definition of "wages" that must be considered in assessing a pay equity claim.

- ***Pay Scale Posting***

In 2022, California enacted SB 1162, which (among other things) expanded Labor Code section 432.3 to require all employers to provide the pay scale for a position to an applicant, upon reasonable request; and to require employers with 15 or more employees to post the "pay scale" within any job posting and provide the "pay scale" to any third party engaged to announce, post, or publish a job posting for inclusion in any such job posting. Pay scale is currently defined as "the salary or hourly wage range that the employer reasonably expects to pay for the position."

This bill would amend Section 432.3 to impose add a "good faith" requirement in the definition of pay scale. The bill would define pay scale as "*a good faith estimate of* the salary or hourly wage range that the employer reasonably expects to pay for the position upon hire."

- ***Pay Equity Claims***

Existing law (Labor Code section 1197.5) prohibits an employer from paying employees at wage rates less than it pays those of the opposite sex for substantially similar work, except in certain narrow circumstances. This bill would revise that law to prohibit paying employees less than it pays those of *another* sex. It would also expand the statute of limitations from two to three years after the last date the cause of action occurs. And it would potentially expand the limitations period for such claims by specifying that a cause of action "occurs" when any of the following occur: (A) an alleged unlawful compensation decision or other practice is adopted; (B) an individual becomes subject to an alleged unlawful compensation decision or other practice; or (C) when an individual is affected by application of an alleged unlawful compensation decision or other practice, including each time wages, benefits, or other compensation is paid, resulting in whole or in part from the decision or other practice. Further, the bill provides that an employee is entitled to obtain relief for the entire period in which a violation occurs, *up to a maximum of* six years. The bill would also specify that nothing in the subdivision prohibits the application of the doctrine of "continuing violation" or the "discovery rule" to any appropriate claim.

Finally, the bill would clarify that "wages" and "wage rate" 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. Thus, in assessing whether one employee has been paid at a wage rate less than other employees, courts would consider all these forms of pay. However, the bill would specify that this definition of "wages" and "wage rates" should not be construed to apply to any other section of the Labor Code.

7. California Worker Adjustment and Retraining Act (SB 617)

Existing law, the California Worker Adjustment and Retraining (WARN) Act (Labor Code § 1400, *et seq*.), requires employers to provide advance notice to affected employee prior to ordering a "mass layoff," "relocation," or "termination" at a "covered establishment" (as defined in the statute). This bill would change the contents of the notice in several ways:

- This bill would require employers to include in the notice whether: (a) the employer plans to coordinate services, such as rapid response orientation, through the local workforce development board, (b) the employer plans to coordinate services through a different entity, or (c) the employer does not plan to coordinate services with any entity.

- Regardless of whether the employer chooses to coordinate services with the local workforce development board or other entity, the employer shall include in the notice a functioning email and telephone number of the board and the following description of the rapid response activities offered by the board in accordance with 29 U.S.C. § 3102:

    - "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."

- If the employer chooses to coordinate services with the local workforce development board or another entity, it shall arrange services within 30 days after the date of notice.

- The bill would also require employers to include in the notice a description of the statewide food assistance program known as CalFresh, the CalFresh benefits helpline, and a link to the CalFresh internet website.

- The bill would require employers to include in the notice a functioning email and telephone number of the employer for contact.

8. Expansion of Employer Pay Data Reporting Requirements (SB 464)

Existing Law (Government Code section 12999), enacted in 2020 and amended in 2022, requires private employers with 100 or more employees (or 100 or more labor contractor employees) to submit annual pay data reports to the Civil Rights Division (CRD), including mean and median hourly rates for employees with each combination of race, ethnicity, and sex within each job category at each establishment. This bill would require employers to collect and store any demographic information they gather for the purpose of submitting the pay data reports separately from employees' personnel records.

In addition, while the current law requires employees to use ten job categories based on the type of work (i.e., professionals, technicians, laborers), the bill would amend the law *effective January 1, 2027*, to include the twenty-three different job categories based on the nature of the occupations (i.e., computer and mathematical occupations, sales and related occupations, etc.).

Current law allows the CRD to ask a court to impose a civil penalty up to $100 per employee upon any employer who fails to file the required report (and up to $200 for a subsequent failure to file). Under current law, the court has discretion to impose this penalty. But this bill would make the court's imposition of a penalty *mandatory* if a penalty is requested by the CRD.

ADDITIONAL NEW CALIFORNIA EMPLOYMENT LAWS

Harassment/Discrimination/Retaliation

Admissions During Bias Mitigation Efforts Do Not Constitute Discrimination (SB 303)

This bill would amend the FEHA to encourage employers to provide bias mitigation training and to encourage employees to meaningfully participate in this training. Accordingly, new Government Code section 19240.2 would provide that an employee's assessment, testing, admission, or acknowledgment of their own personal bias that is made in good faith and solicited or required as part of a bias mitigation training will not, by itself, constitute unlawful discrimination. It would also affirm that an employer's conducting of a bias mitigation training will not, by itself, constitute unlawful discrimination.

"Bias mitigation training" will be defined as training, education, and activities provided by the employer for the purpose of educating employees on understanding, recognizing, or acknowledging the influence of conscious and unconscious thought processes and their associated impacts. This bias mitigation training will also include implementing specific strategies to mitigate the impact of the employees' personal biases, including testing for personal bias, analyzing test results, conducting training and workshops, using toolkits, and tracking bias mitigation and elimination.

Expansion of Statute of Limitations for Sexual Assault Claims (AB 250)

In 2022, California enacted the Sexual Abuse and Cover Up Accountability Act (AB 2777, codified at Code of Civil Procedure section 240.16) reviving certain claims for damages suffered because of a sexual assault that one or more entities or their agents covered up. This bill would extend the eligibility period for such claims that would otherwise be time barred prior to January 1, 2026, for a sexual assault if (1) one or more entities are legally responsible for damages arising out of a perpetrator's sexual assault; and (2) the entity or entities (or their agents) engaged in a cover up (as defined). It would also revive such claims directly against the person who committed the sexual assault.

Human Resources/Workplace Policies

Rehiring and Retention of Workers Displaced by the COVID-19 Pandemic (AB 858)

California Labor Code section 2810.8, enacted in 2021 and amended in 2023, provides rehire rights for employees in the hospitality and business services industries who are laid off for reasons related to the COVID-19 pandemic. The law is set to expire on December 31, 2025. This bill would extend these protections through January 1, 2027, and specify that a violation occurring on or before December 31, 2026, will continue to be enforceable.

Designation of Diwali as a State Holiday (AB 268)

Existing law designates specific days as state holidays and designates certain holidays on which community colleges and public schools are authorized to close. Existing law entitles state employees (with some exceptions) to be given time off with pay for specified holidays. This bill would add Diwali to the list of

state holidays, authorize community colleges and public schools to close on Diwali, and authorize state employees to elect to take time off with pay in recognition of Diwali. However, Diwali would be excluded from designation as a judicial holiday (along with certain other state holidays).

Occupational Safety and Health

Face Coverings in Public Places (AB 1326)

This bill would add sections 28050-28052 to the Health and Safety Code to clarify that individuals have the right to wear a mask (as defined) on their face in public places for the purpose of protecting individual health or the public health, with regard to communicable disease, air quality or other health factors. "Public place" would be defined to include an employment setting or other workplace. The bill specifies that the right to wear a mask does not modify or limit requirements for the removal of a mask relating to various situations, including security protocols to identify an individual, performing essential functions, or emergency health care protocols.

Wage and Hour

Expanded Notice Requirement re: Wage Garnishment (AB 774)

This bill makes numerous changes to the Code of Civil Procedure concerning enforcement of judgments. Of interest to employers, it alters the requirements for employers who are required to garnish employees' wages to satisfy civil judgments.

Existing law, the Wage Garnishment Law (Code of Civil Procedure section 706.010, *et seq*.) authorizes a levy of execution on an employee's earnings by service of an earnings withholding order by the levying officer or the employer and requires the employer to provide the judgment debtor a copy of the earnings withholding order and notice of the earnings withholding order, as specified. Existing law requires the employer to complete an employer's return and return it to the levying officer. Under existing law, the employer's return and the form for its return are required to set forth specified information, including the name, address, and, if known, the judgment debtor's social security number.

This bill would require the employer's return to include information setting forth the date on which the employer provided the judgment debtor with the earnings withholding order and notice of earnings withholding order, the name and title of the person who provided the order and notice, and a description of the manner in which the order and notice were provided.

***NEW LAW:* Allowing Labor Commissioner to Enforce Rule Against Taking Employee Gratuities (SB 648)**

Existing law (Labor Code section 351) prohibits employers from taking any gratuity left for an employee, or from deducting any amount from an employee's wages on account of a gratuity, or from requiring an employee to credit a gratuity against wages owed. This bill is motivated by concerns that the only way to recover stolen gratuities is through lengthy civil court actions. This new law gives the Labor Commissioner authority to investigate and issue a citation or file a civil action for gratuities taken or withheld in violation of Section 351.

Status: Signed into law July 30, 2025.

Publication and Enforcement of DLSE Orders, Decisions, and Awards (SB 261)

Current law allows the Division of Labor Standards Enforcement (DLSE), under the direction of the Labor Commissioner, to investigate employee complaints and to provide for a hearing in any action to recover wages, penalties, and other demands for compensation. Existing law (Labor Code section 98.1) allows the Labor Commissioner to file and serve a copy of an order, decision, or award after such a hearing.

The bill would create Labor Code section 238.05, which would provide that if a final judgment arising from nonpayment of wages for work performed in this state remains unsatisfied 180 days after the time to appeal has expired and no appeal is pending, the judgment debtor shall be subject to a civil penalty not to exceed three times the outstanding judgment, including post-judgment interest. There would be an exception if a judgment debtor reaches an accord with an individual holding an unsatisfied judgment pursuant to Labor Code section 238, subdivision (b) and remains in compliance with the accord until its full satisfaction.

Finally, the bill would create Labor Code section 238.10, which would allow a court to award a prevailing plaintiff all reasonable attorney's fees and costs in any action brought to enforce a final judgment arising from the nonpayment of wages, penalties, or other amounts owed arising from for work performed in the state, or to otherwise induce compliance by or impose lawful consequences on a judgment debtor for nonsatisfaction of such final judgment.

Notice of Potential Tax Fraud re: Noncompliant Judgement Debtor with Unpaid Wage Order (SB 355)

Existing law allows the Labor Commissioner to issue orders, decisions, awards, and judgment against an employer related to specified violations of labor law. This bill would create Section 96.9 in the Labor Code, which would require an employer subject to a final judgment requiring payment to an employee or the state pursuant to Sectio 98.2 to provide documentation to the Labor Commissioner within 60 days that the judgment has been fully satisfied, or a bond has been issue (as specified), or the judgment debtor has entered into an agreement for the judgment to be paid in installments. If a judgment debtor failed to comply with that filing requirement, it would be liable for an additional civil penalty of $2,500 in a citation issued by the Labor Commissioner. In addition, if a judgment debtor does not comply with the filing requirement, the Labor Commissioner would submit the unsatisfied judgment to the Tax Support Division of the Employment Development Department as a notice of potential tax fraud and notify the judgment debtor that the civil penalty is due within 90 days.

Suspension of Contractor's License, Civil Action for Failure to Pay Wages (AB 1002)

This bill would add section 7036 to the Business and Professions code and would allow the Attorney General to bring a civil action to impose discipline upon, to deny an application for, or to deny continued maintenance of, a contractor's license. The action could be brought on the grounds that a person has failed to pay their workers' wages, has not fulfilled a wage judgment or is in violation of a court order regarding payment of wages to their workers. The AG would be required to notify the registrar of

contractors at least 30 days prior to filing a civil complaint, and the Contractors State License Board would be able to intervene in any court proceedings brought pursuant to this rule. The AG could seek an order directing the registrar to suspend or revoke, or deny an application for, or deny the continued maintenance of, a contractor's license. Any order for suspension, revocation, or application denial would be considered disciplinary action within the meaning of Section 7071.8 and legal action within the meaning of Section 7124.6.

The bill would specify that a good faith mistake regarding which wage rate applies to a particular category of work, including for uprose of payment of prevailing wages, would not constitute a violation under this section.

Direct Contractor and Subcontractor Liability for Wage Claims (SB 597)

Current Law (Labor Code section 218.8) applies to direct contractors making or taking a contract for the erection, construction, alteration or repair of a building or other private work. Those Direct Contractors are liable for any debt incurred by a subcontractor and owed to a *wage claimant* for the wage claimant's performance of labor. A "direct contractor" is a contractor that has a direct contractual relationship with an owner.

This bill would add an expiration date to Section 218.8, stating that it would only apply to contracts entered into before January 1, 2026. For contracts entered after that date, it would add a new Section 218.9, which would make director contractors liable for "*indebtedness for the performance of labor, including that* described in subdivision (b) of Section 8024 of the Civil Code, incurred by a subcontractor. A "direct contractor" would be a contractor that has a direct contractual relationship with an owner *or* any other person or entity engaging contractors or subcontractors on behalf of an owner. The bill would prohibit a direct contractor from being held liable for indebtedness with respect to fringe or other benefit contributions if they make contribution payments by joint check, as specified.

Existing law also provides for a streamlined, ministerial approval process for certain housing developments that meet specified requirements. Existing law requires these developments to meet specified labor standards, including making health care expenditures for each employee. Joint labor-management cooperation committees currently have standing to sue a construction contractor for failure to make these health care expenditures. This bill would grant a joint labor-management cooperation committee standing to sue pursuant to the new liability provision in the new Section 218.9.

***NEW LAW:* Meal Period Exception for Employees of Water Corporation (SB 693)**

Current law (Labor Code section 512) sets out the rules requiring employers to provide non-exempt employees with meal periods. Under existing law, employees in certain occupations are exempted from the meal period rules if they are covered by a valid collective bargaining agreement and that agreement expressly provides for various items, including meal periods for the employees. This new law extends that exception to cover employees employed by a water corporation (and subject to the requisite collective bargaining agreement).

Status: Signed into law on July 20, 2025

NEW LAW: **Rest Period Exemption for Employees who Hold Safety-Sensitive Positions at a Petroleum Facility (AB 751)**

Existing law (Labor Code Section 226.75) provides a temporary exemption from California's rest period requirements for specified employees who hold a safety-sensitive position at a petroleum facility, to the extent that the employee is required to carry and monitor a communication device and to respond to emergencies or is required to remain on employer premises to monitor the premises and respond to emergencies. Existing law requires another rest period to be authorized in the case of an interrupted rest period, and, if circumstances do not allow for the employee to take a rest period, requires the employer to pay the employee one hour of pay at the employee's regular rate of pay for the rest period that was not provided. This exemption is set to expire January 1, 2026.

This new law extends the exemption indefinitely and extends the exemption to "other refineries," which means establishments that produce fuel through the processing of alternative feedstock as described in Labor Code section 7853, subdivision (c).

Status: Signed into law on July 14, 2025.

Independent Contractor Classifications

Employer Indemnification Obligations Expanded to Personal and Commercial Vehicles Owned by Employees (SB 809)

Labor Code section 2802 requires employers to indemnify employees for all necessary expenditures or losses incurred by the employee in director consequence of the discharge of their duties. This bill would add new Labor Code section 2802.2 to state that the employer's indemnification obligations apply to the use of a vehicle, including a personal or a commercial vehicle, owned by an employee and used by that employee in the discharge of their duties. With respect to construction trucking, it commercial motor vehicle driver who owns the truck, trailer or other commercial vehicle (whether owned by the driver as an individual or through a corporate entity) that they use in the discharge of their duties as an employee working for an employer would be entitled to reimbursement for the use, upkeep and depreciation of that truck, trailer or other commercial vehicle (as specified). SB 809 would state that these reimbursement provisions are declarative or existing law, and proposed new Labor Code section 2802.2 further provides guidance on how these reimbursement programs can be negotiated, structured and any payments paid.

Next, with the 5-year exemption for the construction industry to comply with the so-called ABC Test having expired in 2024, SB 809 would also take additional steps to ensure and potentially incentivize construction industry employers to comply as it relates to truck owners that they use.

First, it would add new Labor Code section 2775.5 to clarify that the mere ownership of a vehicle, including a personal vehicle or a commercial vehicle, used by a person in the providing labor or services for remuneration does not make that person an independent contractor. Rather, that individual's status as an employee or an independent contractor would still be determined by Labor Code section 2775,

including the so-called "ABC Test." SB 809 would further state that this provision is declarative of existing law.

Second, under the Motor Carrier Employer Amnesty Program administered by the Labor Commissioner and the Employment Development Department, motor carriers performing drayage service were able to be relieved of misclassification liability by entering into a settlement agreement prior to 2017 and reclassifying all their commercial drivers as employees. This bill would establish a similar program (i.e., the Construction Trucking Employer Amnesty) whereby construction contractors could also be relieved of certain misclassification liability by agreeing to properly classify all drivers performing construction work as employees and entering into a settlement agreement with provisions identified in new Labor Code section 2750.9 by January 2029. If a construction driver declines to accept the settlement agreement terms, an eligible construction contractor must reclassify the construction driver as an employee, and the driver would be precluded from pursuing certain penalties for a claim arising during the period covered by the settlement agreement. (SB 809 contains a lengthy discussion of various other provisions that may or should be included in such settlement agreements).

Third, it would incentivize employers to adopt the two-check system whereby the trucking companies would pay truck-owner drivers with two separate checks: one for their labor and one check for use of their commercial vehicles. Accordingly, SB 809 would require construction trucking companies to indemnify a commercial motor vehicle driver who owns the commercial vehicle they use in discharge of their duties for the "use, upkeep and depreciation" of that commercial vehicle. It would also specify how the amount of that reimbursement may be determined and how it may be paid.

In this regard, SB 809 seeks to incentivize construction employers via the amnesty program to reclassify their independent contractors to employers and seeks to provide clarity to these employers that they can meet their indemnification obligations by adopting this two-check system.

Additional Proposed Changes to the Exemptions from the ABC Test for Worker Classification Purposes (AB 1514)

In 2020, California enacted Labor Code section 2775 codifying the so-called "ABC Test" enunciated by the California Supreme Court in *Dynamex Operations W. v. Superior Court* (2018) 4 Cal.5th 903, for determining whether an individual is an employee or an independent contractor. The Legislature has also subsequently specified various occupations and business relationships that are exempt from the ABC Test and that instead would be governed by the so-called *Borello* "multi-factor" test for classification purposes. (Labor Code section 2776 *et seq.*).

On an annual basis thereafter, the Legislature has considered additional bills to expand or modify these exemptions, and this bill would do so for two industries. First, for licensed manicurists, it would extend the exemption past the current exemption deadline of January 1, 2025, until January 1, 2029. Second, it would similarly extend the exemption for commercial fishers until January 1, 2031.

It would also require the EDD and the DLSE to annually report (beginning June 1, 2026) the number of allegations or other specified violations involving licensed manicurists since January 1, 2020.

Public Sector/Labor Relations

Expanded PERB Jurisdiction to Handle NLRA Issues (AB 288)

Citing concerns that the National Labor Relations Board (NRLB) may cease to exist or otherwise be unable to adjudicate private sector union employees complaints under the Trump Administration's National Labor Relations Act (NLRA), this broad bill would codify a number of state law protections related to collective bargaining.

First, it adds new Labor Code section 923.1 to expressly recognize California's public policy that employees have a right to collective bargaining (as defined). It also expressly prohibits the state and any political subdivision from directly or indirectly denying, burdening, or abridging those rights except as necessary to serve a compelling state interest achieved by the least restrictive means.

Second, it authorizes NLRA-covered workers to petition California's Public Employment Relations Board (PERB) to protect and enforce rights provided under Labor Code section 923.1 Quickly summarized, workers would be entitled to petition the PERB if either: (1) the worker is employed in a position that would have been subject to the NLRA as of January 1, 2025, but loses NLRA coverage because it is repealed, narrowed or its enforcement enjoined in a case involving that worker; or (2) the worker is employed in a position that would have been subject to the NLRA as of January 1, 2025 but the NLRB has expressly or impliedly "ceded jurisdiction" to the states. AB 288 also identifies a number of instances in which the NLRB will be deemed to have ceded jurisdiction to the states, including the NLRB is no longer an "effective and functioning" board due to lack of quorum or staffing; or the NLRB failed to address the employee's CBA rights within six months of a petition. In those instances, the PERB would retain jurisdiction over the matter until the NLRB seeks to enjoin PERB"s continued action and PERB is ordered to return the matter to the NLRB.

Such workers would be able to petition the PERB to do the following: (1) to petition the PERB to process any representation petition previously filed with the NLRB; (2) to certify the worker's union as the exclusive bargaining representative for any group of similarly situated workers who have designated the union by majority vote; or (3) decide unfair labor charges if the NLRB has excessively delayed processing of the charge or the NLRB is unable to effectively execute its statutory duties. For purposes of deciding unfair labor charges, different criteria and timelines will apply to the PERB depending on whether the charge involves so-called Category One Cases (i.e., obstruction cases), Category 2 Cases (i.e., good faith bargaining violation cases, or Category Three Cases (i.e., ; cases not in Categories One or Two).

AB 288 also specifies the contents of any worker filing with the PERB to obtain relief but also states this documentation and evidence shall not be filed on the respondent, and that the PERB shall maintain confidentiality of this information, including from requests under the California Public Records Act.

AB 288 also authorizes the PERB with the following papers pursuant to its own procedures: (1) to conduct union elections; (2) to promptly certify a union and order that an employer bargain with the union; (3) order that an employer bargain with a certified union and otherwise decide unfair labor practices and order all appropriate action and remedies; (4) order an employer submit to binding arbitration to assist

the parties in finalizing their negotiations for a collective bargaining agreement if six months have passed since the NLRB or PERB certified the union; or (5) order any appropriate remedy, including injunctive relief, necessary to effectuate this act.

Notably, the PERB would be entitled to rely on its own decisions and precedent under the NLRA, and to do so in a manner that most expansively effectuates the rights guaranteed under AB 288 and Labor Code section 923.1. It also authorizes California state courts to review any action taken by the PERB under these expanded powers, with the court's decision being final.

Opponents argue that AB 288 is preempted by federal law, so a legal challenge is expected even if AB 288 is enacted.

Labor Relations Protections for Transportation Network Drivers (AB 1340)

This bill represents the latest salvo in the ongoing battle regarding the proper classification of so-called Transportation Network Company (TNC) Drivers, and such drivers' ability to organize. Quickly summarized, in 2019, the California Legislature enacted AB 5, codifying the 3-part test (aka the "ABC Test") for employment status announced in the California Supreme Court's *Dynamex* decision. In 2020, California voters passed Proposition 22 exempting TNC Drivers from the ABC Test, essentially making them independent contractors and, thus, unable to unionize under the National Labor Relations Act (NLRA). Arguing that federal labor law does not apply to independent contractors or preempt state law regulating independent contractors, this bill would create labor protections for TNC Drivers under California law, rather than federal law, and provide a mechanism for rideshare drivers to organize.

Accordingly, it would establish the Transportation Network Company Drivers Labor Relations Act (the TNCDLRA) to provide TNC Drivers with the opportunity to self-organize and designate representatives of their own choosing. It would also authorize and require the Public Employment Relations Board (PERB) to protect TNC Drivers collective bargaining rights under the TNCDLRA. (AB 1340 provides detailed definitions of "Active TNC Driver," "Covered TNC" and "TNC driver organizations)

Broadly speaking, the TNCDLRA would authorize TNC Drivers to form, join and participate in so-called TNC driver organizations of their own choosing to engage in concerted activities, including collective bargaining. It would also enact detailed rules regarding certification and decertification procedures, including pre-certification election procedures, which are similar to but not entirely duplicative with those existing under the NLRA.

It would also require TNC's to submit to PERB every quarter the names, contact information and ride history for all TNC Drivers who have provided at least 20 rides with the state of California within the prior six months.

It would also enumerate a number of items that would constitute an unfair labor practice by the TNC, including failing to provide the PERB the list discussed above, failing to negotiate in good faith with a certified union, failing to provide information needed by a certified union to discharge its representational duties and dominating or interfering in the formation of a driver union.

Notice Requirements Before Issuing Request for Proposals for Work Within Scope of Recognized Employee Organizations (AB 339)

This bill would require the governing board of a local agency to provide at least 45 days' written notice to a recognized employee organization before issuing a request for proposal, request for quotes or renewing or extending an existing contract to perform services within the scope of work of the job classifications represented by the employee organization, subject to certain exceptions. This notice must include specific information, including the anticipated duration of the organization.

State Provided Benefits

Paid Family Leave for Care of "Designated Person" (SB 590)

This bill aims to expand the scope of California's paid family leave program. Currently, the program provides wage replacement benefits for up to 8 weeks to workers who take time off to care for seriously ill family members. This bill, effective July 1, 2028, will extend eligibility to individuals caring for a "designated person," defined as anyone related by blood or whose relationship with the employee is equivalent to a family relationship. Employees will be required to identify this designated person and, under penalty of perjury, attest to how the care recipient is related by blood or how their relationship qualifies as equivalent to a family relationship, when filing a claim for benefits.

Tightened Regulations for Workers' Compensation Insurance for Contractors (SB 291)

Existing law exempts an applicant or licensee who has no employees from the requirement to have on file with the Contractors State License Board ("CSLB") a current and valid Certificate of Workers' Compensation Insurance or Certification of Self-Insurance, provided that they file a statement with the CSLB certifying that they do not employ any person (as specified), and who does not hold a specified license issued by the board (as defined). This bill proposes to repeal the current exemption by January 1, 2027, instead of the previously set date of January 1, 2028. This change will affect both applicants or licensees organized as joint ventures, and applicants and licensees who have no employees, have no disciplinary actions, and do not undertake projects over $2,000. The $2,000 valuation applies to a single work or operation and cannot be circumvented by dividing the contracts to evade this requirement.

This bill also introduces stricter penalties related to false filings of exemption certificates for workers' compensation insurance. It mandates a minimum civil penalty of $10,000 per violation for sole owner licensees, or $20,000 for any partnership, corporation, limited liability company or tribal business licensee, found employing workers without maintaining the required workers' compensation coverage. Additionally, CSLB is prohibited from renewing or reinstating licenses for those under disciplinary action until they provide valid proof of workers' compensation insurance.

To further ensure compliance, this bill requires the CSLB to develop an open book examination by January 1, 2027. This examination will be included in the license renewal process, requiring licensees to certify under penalty of perjury that they do not have employees and understand the penalties for non-compliance. This is to ensure that the financial thresholds for exemptions remain relevant and fair over

time. However, this bill specifies that the exemptions do not apply to any applicant or licensee with an active C-39 classification, which pertains to roofing contractors, due to the higher risks associated with this type of work.

Finally, this bill amends Section 7099.2 of the Business and Professions Code, which governs how the Contractors State License Board assesses civil penalties. The updated language sets minimum and maximum penalty amounts for violations, including a range of $500 to $8,000 for general violations and $1,500 to $30,000 for serious violations such as fraud or working without insurance. The bill also authorizes the Board to adjust minimum penalties every five years based on inflation, using the Consumer Price Index. These amendments to Section 7099.2 will only become operative if Senate Bill 779 is also enacted and becomes law on or before January 1, 2026, and if this bill is enacted after SB 779.

Real Property Transfers by Uninsured Employers (SB 847)

Under existing law, employers must secure workers' compensation for their employees, and if the employer has not secured the payment of compensation or is illegally uninsured, a lien can be filed against their property or the property of substantial shareholders. This bill addresses situations where uninsured employers, or substantial shareholders, attempt to evade financial responsibilities by transferring ownership of real property after an employee' s injury but before a lien is recorded.

This bill authorizes the Administrative Director of the Division of Workers' Compensation ("Director") to determine whether such property transfers were intended to retain a beneficial interest for the uninsured employer or substantial shareholder, effectively creating a resulting trust for their benefit. This bill would allow the Director to make a *prima facie* finding that the transaction resulted in a beneficial trust for the uninsured employer when specified circumstances are present, such as the deed indicates that the transfer was made as a gift or that no transfer tax to the county was paid, among others. If the Director determines that a resulting trust exists, a certificate of lien shall be attached to the resulting trust and would require the Director to mail written notices of that determination to the transferor and transferee (as prescribed).

Farmworker Workers' Compensation Payments for Heat-Related Injuries (AB 1336)

This bill would, until January 1, 2031, create a disputable presumption that where an employer failed to comply with heat illness prevention standards (as defined) and there is a heat-related injury to the farmworker, it arose out of and in the course of employment. This bill will require the Workers Compensation Appeals board to find in favor of the farmworker if the employer fails to rebut the presumption. This bill also specifies compensation awarded for heat-related injury to farm workers is to include, among other things, medical treatment, and disability. The bill would prohibit a determination by the appeals board from having any effect on certain investigations and would prohibit that determination from being admissible in proceedings before the Occupational Safety and Health Appeals Board.

Additionally, this bill would establish the Farmworker Climate Change Heat Injury and Death Fund that would consist of a one-time transfer of $5,000,000 derived from non-general funds of the Workers'

Compensation Administration Revolving Fund for the purpose of administrative costs associated with this presumption.

This bill is identical to SB 1299 (introduced in 2024) which Governor Newsom vetoed last year.

Artificial Intelligence

Ensured Accountability for AI-Related Harm (AB 316)

This bill seeks to enhance accountability for the use of AI by prohibiting developers and users from claiming that an AI system autonomously caused harm to a plaintiff. Under existing law, individuals are responsible for injuries caused by their lack of ordinary care or skill in managing their property or person. Additionally, developers of generative AI systems released after January 1, 2022, must provide documentation on their websites about the data used to train these systems. This bill builds on these requirements by ensuring that developers and users cannot evade responsibility by arguing that the AI acted independently.

Miscellaneous

The California "Opt Me Out" Act (AB 566)

This bill amends the California Consumer Privacy Act of 2018 (CCPA) to enhance consumer privacy protections. Specifically, beginning January 1, 2027, it would prohibit businesses from developing or maintaining a browser that lacks a consumer-configurable setting to send an opt-out preference signal, (as defined). This signal allows consumers to communicate their decision to opt out of the sale or sharing of personal information when interacting with businesses online. The bill also requires businesses that develop or maintain browsers to clearly disclose how the opt-out preference signal functions and its intended effect. Importantly, it provides immunity from liability to browser developers for violations committed by businesses that receive the signal. Additionally, this bill authorizes the California Privacy Protection Agency to adopt regulations necessary to implement and administer these provisions.

NEW FEDERAL LAWS

No Tax on Tips/No Tax on Overtime

The federal government recently passed enacted several changes to the tax code that will allow employees to deduct specified amounts for "qualified tips" and "qualified overtime compensation" on their federal income taxes, up to certain amounts, and subject to specified caps on adjusted gross income. Employers should know that the new law imposes new requirements for tracking and reporting "qualified tips" and "qualified overtime compensation." Specifically, employers need to include in employees' W-2 forms:

(1) The total amount of cash tips reported by the employee (paid in cash or charged, and including tips received under a tip-sharing arrangement) and the occupation in which the employee works that is covered by the "no tax on tips" rule; and

(2) The total amount of qualified overtime compensation. Notably, qualified overtime compensation means *just the overtime premium* (i.e., ½ the regular rate of pay for each overtime hour, not including the underlying hourly rate) and only with respect to overtime that qualifies under federal law – that is, overtime for hours worked in excess of 40 hours per week, *not* California overtime for hours worked in excess of 8 hours per day.

These new rules are in effect for the 2025 through 2028 tax years, but the Treasury Department has not yet issued guidance for how employers should handle these new rules for the 2025 tax year.

California employers who have tipped employees or any non-exempt employees who work overtime should consult with their tax advisors and payroll providers to ensure they can accurately track and separately report tips and overtime pay in accordance with the new requirements. In addition, employers should look for new regulations or guidance from the Treasury Department, which may provide additional information in advance of the 2025 tax season.

NEW STATE REGULATIONS AND GUIDANCE

New re: AI and Automated-Decision Systems Go into Effect October 1, 2025

The Civil Rights Council of the California Civil Rights Department has amended its regulations concerning the Fair Employment and Housing Act ("FEHA") to address automated-decision systems in the workplace. These regulations aim to protect against employment discrimination given the growing concerns over employers' increasing use of artificial intelligence (AI) and automated-decision systems to make or facilitate employment decisions resulting in "algorithmic discrimination." **These regulations will go into effect on October 1, 2025**. All employers should note that the amended regulations extend the required retention period for certain employment-related records. In addition, all employers or other entities using automated-decision systems to facilitate human decision-making regarding employment benefits should carefully review the regulations and consult counsel if necessary. The regulations clarify how existing anti-discrimination laws apply to the use of AI and ADSs in employment decisions such as hiring, promotion, and compensation. Please see our Special Alert for more information.

If you have questions about how these new laws and regulations may affect your business, please contact us.

- Michael Kalt (mkalt@wilsonturnerkosmo.com)
- Katie M. McCray (kmccray@wilsonturnerkosmo.com)
- Patricia Clark (pclark@wilsonturnerkosmo.com)

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