NEWS ALERT
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California Compliance

Top State Laws, Regulations Affecting Businesses

THIS YEAR started off with a slew of new laws and regulations that affect California businesses. While most of these new laws took effect on Jan. 1, you may have missed them.

Every year, laws passed by the state Legislature and signed into law by the governor take effect, and 2025 was a busy legislative session in Sacramento. The end result is another wave of new legislation that California employers need to stay on top of. Here's what California employers should be aware of.

1. Protected leave expanded

AB 406 added new categories of protected absences. The law amended both the state's paid sick leave law — the Healthy Workplaces, Healthy Families Act — and Government Code section 12945.8, which governs unpaid job-protected leave.

The new law added two reasons for which employees can take protected time off:

- To appear in court as a witness to comply with a subpoena or court order, including if the employee is a crime victim.
- To serve on an inquest jury or trial jury.

And starting this year, the law also extended job-protected leave for employees or family members who are victims of certain serious crimes (the law identifies 14 qualifying crimes).

Covered workers may now take protected leave to attend court or administrative proceedings related to those crimes, such as arraignments, pleas, sentencing hearings, parole hearings and other proceedings where victims' rights are at issue.

2. New AI-in-hiring rules

As of Oct. 1, 2025, any California employer that uses artificial intelligence or other automated tools in recruiting, hiring, promotion and related human resources decisions must ensure that the tools don't discriminate against protected classes.

The new regulations, promulgated by California's Civil Rights Department, cover any "automated decision system," which the rules broadly define as:

- Artificial intelligence,
- Machine learning,
- Algorithms,
- Statistics, and
- Other data-processing techniques.

If your firm uses AI in hiring, you'll want to beef up record-keeping and set testing procedures to ensure compliance.

3. New notification requirements

The Workplace Know Your Rights Act added a new notification requirement for employers. The new law requires employers to annually distribute a notice covering employee rights in regards to:

- Workers' compensation,
- Immigration inspection rights,
- The right to organize/unionize, and
- Constitutional protections during law enforcement interactions at work.

The law includes a provision mandating that employers notify an employee's emergency contact if they are arrested or detained at work —but only if the employee has pre-designated an emergency contact for this purpose and if the employer has knowledge of the arrest.

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Paid Family Leave Program Expands

4. Labor board's purview expands

AB 288 is the state's response to the National Labor Relations Board's paralysis due to lack of a quorum under the Trump administration and the board's retreat from its historical duties. The law expands the jurisdiction of the California Public Employment Relations Board, which enforces labor issues for the public sector, to private sector labor relations.

The law states that employees covered by the National Labor Relations Act may petition the PERB if the NLRB has expressly or impliedly ceded jurisdiction. PERB is authorized to:

- Hear unfair practices charges,
- Conduct union elections,
- Certify bargaining representatives, and
- Order certain remedies, among other things.

The NLRB has sued to stop the law from taking effect, arguing that it is preempted by the National Labor Relations Act.

5. Employment contract repayment provisions

A new law bars employers from requiring workers to sign contracts that impose financial penalties, repayment obligations or fees if the employment ends before a specified date.

AB 692 addresses issues that arise when employers provide signing bonuses, tuition assistance and other benefits and require employees to return the funds if their employment ends prematurely.

6. Wage judgment penalties

On Jan. 1, 2026, SB 261 expanded the potential liabilities for employers that fail to pay a final wage judgment. Under the new law, if an employer fails to pay a final judgment within 180 days after the appeal period ends, a court may impose penalties up to three times the amount of the unpaid judgment.

Courts are also required to award "reasonable" attorneys' fees and costs to the plaintiffs who prevail in cases that are either brought by them, the labor commissioner or a local district attorney.

7. Minimum wage change

The state's minimum wage increased to $16.90 an hour on Jan. 1. Additionally, the minimum salary requirement for a full-time exempt employee (meaning they are exempt from overtime rules) increased to $70,304.

Keep in mind that many local jurisdictions — counties and cities — may have higher minimum wages than the state. Also, fast food employees have their own minimum wage of $20 an hour. Additionally, for fast food workers to qualify as exempt, they must earn twice the fast-food minimum wage.

8. Personnel record retainment

Effective Jan. 1, SB 513 amended Labor Code section 1198.5 by expanding what documents qualify as a "personnel record" to which current and former employees have the right to inspect and copy.

The new law adds education and training records to the definition of personnel records if the employer maintains them.

For HR, the new category may include:

- Training certificates
- Internal or external course completion records
- Vendor-provided training documentation
- Skill or competency tracking records
- Certifications related to job duties

9. Paid Family Leave program expands

California's Paid Family Leave program provides up to eight weeks of partial wage replacement for employees who are caring for ill family members, bonding with a new child or handling a military-related exigency.

Starting in July 2028, the new law, SB 590, expands these benefits to cover employees who care for a "designated person," who may be related by blood or with whom the employee has a relationship that is equivalent to a family relationship.

To qualify, the employee, when requesting benefits, must:

- Identify the designated person, and
- Attest under penalty of perjury either how they are related by blood to the designated person or how their relationship is equivalent to a family relationship.

10. Pay transparency and equal pay

SB 642 expanded the statute of limitations to bring a civil action for violations of California's Equal Pay Act to three years after the last date the cause of action occurs from the prior two years. It also requires that an employee is entitled to seek and obtain relief for the entire time during which the violation took place, up to six years.

The legislation also amended the law, which had prohibited employers from paying employees of the "opposite sex" differently for the same job and with the same experience. To account for non-binary genders, the law changed "opposite sex" to "another sex."

As Wildfire Risk Grows, Protect Workers from Smoke

AS WILDFIRES become increasingly common across the U.S., companies whose employees are exposed to wildfire smoke must be mindful of the dangers and take steps to protect them.

While a handful of states have laws or regulations requiring employers to protect workers from wildfire smoke hazards, Fed-OSHA has no such rules. However, companies not in those states are still subject to the Occupational Safety and Health Act's general duty clause, which requires employers to provide a workplace free from recognized hazards that can cause death or serious physical harm.

Outdoor workers face the most immediate danger from wildfire smoke, but it can also affect indoor staff if the ventilation system is poor or when they walk from the parking lot to the office.

Besides the regulatory threat, there is also a human risk. Wildfire smoke may cause health emergencies for people with:

- **Respiratory issues** – Asthma, chronic obstructive pulmonary disease and bronchitis.
- **Cardiovascular conditions** – Hypertension and coronary artery disease.
- **Other conditions** – Migraines, diabetes and severe seasonal allergies. It also may present additional health risks for pregnant women and anyone at higher risk of heart attack or stroke.

What employers can do

Absent Fed-OSHA regulations, employers may consider looking to the laws and regulations in California, Nevada and Washington for guidance. They all use an unhealthy air quality index as the barometer for when employers should take action to protect workers.

In locations with an unhealthy AQI, employers may consider adjusting work schedules, reducing the physical demands of work, providing respiratory devices or moving work indoors if possible.

To protect your workers if wildfire smoke is in your area, California's regulations can provide a framework (see box on right).

Model protection measures

AQI action triggers

Several websites track AQI, including AirNow and PurpleAir, in addition to thousands of local air quality websites nationwide.

When the AQI reaches 150 or higher for particulate matter known as PM2.5, employers have three options for protecting their workers:

- Move the worksite to a location where the air is not unhealthy,
- Alter work duties or schedules to reduce time in unhealthy air, or
- Provide respirators like N95 masks and encourage their use.

If the AQI exceeds 500, employees are required to wear respirators.

Action during wildfires

During wildfires, monitor the AQI in your area. Alert your workers when it is at harmful levels and tell them what protective measures are available.

If you plan to encourage the use of N95 masks, it's best to provide them. They are widely available and inexpensive. Inform your staff that surgical masks or items worn over the nose and mouth, such as scarves, T-shirts and bandannas, do not provide protection against wildfire smoke.

Training

Employers with outdoor workers in areas susceptible to wildfire smoke should train staff on:

- How to properly use N95 masks,
- The health dangers of wildfire smoke, and
- What to do when wildfire smoke interferes with their work.

Source: Title 8, Section 5141.1 of the California Code of Regulations

Insurance Commissioner Approves Rate Hike

CALIFORNIA INSURANCE Commissioner Ricardo Lara has ordered an average 6.6% increase in the advisory workers' compensation benchmark rate for policies incepting on or after Sept. 1, 2026, marking the second consecutive increase after more than a decade of declining rates.

The rate follows two years of increasing claim and claims adjustment costs, a substantial uptick in cumulative trauma claims and rising medical and administrative costs. The Workers' Compensation Insurance Rating Bureau (WCRIB) had recommended a 10.4% increase in the average "pure premium" rate.

The pure premium rate is a benchmark insurers use to price policies. It accounts only for the cost of claims and adjusting them, not expenses such as office operations, personnel costs unrelated to claims, marketing or other overhead. Insurers are free to price their policies as they see fit and workers' compensation rates are still at their lowest level in decades.

The rate increase will bring the average pure premium to $1.65 per $100 of payroll across all class codes.

Still, the workers' comp market is competitive. In 2025, insurers charged an average of $1.56 per $100 of payroll, down slightly from $1.58 in 2024. These rates are the lowest in decades and despite Lara approving an 8.7% rate hike in 2025..

The Rating Bureau cited the following to support its rate increase recommendation:

Cumulative trauma claims

The WCRIB estimates that 26.4% of all workers' comp claims filed in the state in 2025 involved cumulative trauma injuries, compared with 15% in 2021. CT claims are not for sudden injuries but rather those that develop over time through repetitive motion.

About three in five CT claims are filed after an employee is terminated, according to WCIRB. A cottage industry of lawyers seeks out recently laid-off workers and persuades them to file these claims. Adding to the cost, nearly all CT claims are litigated, in most cases from the first notice.

What are repetive motion injuries?

Chronic back and neck injuries – Caused by years of lifting, bending, twisting or maintaining poor posture.

Shoulder injuries – Tears to the rotator cuff or bursitis from repetitive overhead lifting.

Carpal tunnel syndrome – Often claimed by office workers, data entry personnel and assembly line workers due to repetitive hand and wrist movements.

Tendonitis and tendon disorders – Inflammation from repetitive shoulder or arm movements, common in construction, warehouse and food service jobs.

Knee problems – Develops from repetitive kneeling, squatting or climbing stairs, frequently seen in plumbers or floor layers.

Medical costs

One anomaly in CT claims is that they usually incur few medical costs in the first year, which masks the growing issue of rising medical costs. According to WCIRB, average medical costs per claim increased 1.7% between 2021 and 2023, but the increase was 3% when CT claims were excluded.

Associated medical-legal costs per claim rose 14% in 2025, while costs for medical equipment and other medical services increased 7% in the same period.

Claims adjusting costs

The high litigation rates for CT claims are seeping into the cost of adjusting claims, according to WCIRB. It projects that insurers' loss adjustment expense ratio (the cost of adjusting claims) will increase to 37.7% of claims costs from 35.7% in the Sept. 1, 2025, filing.

Claims adjusting costs are expected to rise 5.5% annually between 2026 and 2028.

The takeaway

While the pure premium rate is rising, employers may see increases or reductions of varying degrees based on several factors, including:

- The employer's individual claims history,
- The employer's industry,
- The mix of employees and operations, and
- The employer's location.

If you have questions about your workers' comp coverage, please give us a call.