

Closing the Gap: California Expands Equal Pay and Transparency Requirements

Related Professionals

Jocelyn M. Hoffman

Taline N. Ratanjee

Related Services

Employment Counseling

Labor and Employment

CLIENT ALERT | 4.23.2026

On October 8, 2025, Governor Newsom signed SB 642 into law, further expanding California's pay equity and pay transparency requirements, which we previously reported on [here](#). The new law amends both the California Equal Pay Act (Labor Code section 1197.5) and the California Pay Transparency Act (Labor Code section 432.3), with a particular focus on addressing pay disparities affecting women, nonbinary employees, and transgender employees. These amendments take effect January 1, 2026.

Collectively, these changes heighten employers' compliance obligations and increase the risk of liability where pay disparities are not supported by job-related reasons.

At-a-Glance: Key Changes Under SB 642

Key Provision

Previous Law

New Law (SB 642)

Definition of "Opposite Sex"

Binary (male/female)

"Another sex" (inclusive of all gender identities and expressions)

Definition of "Wages"

Not clearly defined

All forms of pay and benefits included (salary, bonuses, stock, insurance, allowances, etc.)

Statute of Limitations

2 years (3 for willful violations)

3 years for all claims, up to 6 years of recovery under continuing violation framework

Pay Scale Disclosure

Broad range for position

Range expected at time of hire

Expanded Equal Pay Protections

Inclusive Language

The Equal Pay Act prohibits employers from paying employees less for performing substantially similar work based on sex. Previously, the Act referred to employees of the “opposite sex.” That phrase has been replaced with “another sex,” broadening the law’s reach beyond a binary framework. As a result, employees with different gender identities or gender expressions, whether or not stereotypically associated with the person’s assigned sex at birth, must be compensated equally when performing substantially similar work.

Expanded Definition of “Wages”

The amendments clarify “wages” and “wage rates” to include “all forms of pay,” including salary, overtime, bonuses, stock, stock options, profit-sharing and bonus plans, life insurance, vacation and holiday pay, allowances, travel reimbursements, and benefits.

Extended Statute of Limitations

Employees now have three years to pursue Equal Pay Act claims, regardless of whether the violation was willful. The law also makes clear that an employee may recover for the full period during which a violation existed, up to six years. This adopts a continuing violation framework: if at least one unlawful pay event falls within the three-year limitations period, the employee may be able to recover for earlier related disparities as well.

Clarified Accrual of Claims

A cause of action arises when an allegedly unlawful compensation decision or practice is adopted, when an individual becomes subject to that decision or practice, and each time an individual is affected by it, including each time wages, benefits, or other compensation are paid under that decision or practice.

Enhanced Pay Transparency Requirements

Effective January 1, 2026, employers must disclose the compensation range they in good faith expect to offer for the position at the time of hire, rather than a broader range that may reflect what the position could pay over the course of an employee’s tenure.

Takeaways

California employers should review their compensation practices and pay disclosure procedures to ensure compliance with the expanded requirements of the Equal Pay Act and Pay Transparency Act. Employers should confirm that pay disparities are supported by legitimate, job-related reasons and that posted pay ranges accurately reflect what the employer expects to offer upon hire.

