

Publications

Don't Play with How You Pay: New California Laws Require Employers to Get Serious with Pay Transparency, Equality, and Reporting

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Two new California laws took effect on January 1, 2026, substantially impacting employer pay data reporting and pay transparency compliance. S.B. 464 and S.B. 642 will likely require changes to existing pay-related practices for many employers, so employers should begin preparation now to mitigate heightened penalty and litigation risk.

Expanded Pay Data Reporting Requirements (S.B. 464)

S.B. 464 amends Government Code section 12999 requiring private employers or labor contractors with 100 or more employees to submit an annual pay data report to the Civil Rights Department on or before the second Wednesday of May of each year. Key changes include:

- **Separate storage of demographic data (effective Jan. 1, 2026):** Employers must maintain, collect, and store any demographic information obtained for the purpose of submitting the pay data report separate from employees' personnel records.
- **New job classification framework (starting with the 2027 reporting cycle):** Beginning the 2027 reporting cycle, employers must classify workers using 23 federal Standard Occupational Classification (SOC) categories, replacing the current 10-category structure. This will require more granular analysis of job duties, descriptions, and classifications to align with the new categories.
- **Mandatory civil penalties for noncompliance:** S.B. 464 changes the civil penalties for noncompliance with pay data reporting requirements from discretionary to mandatory, raising the stakes for a defective or missing report.

Equal Pay Act and Pay Transparency Updates (S.B. 642)

S.B. 642 expands California's Equal Pay Act (Labor Code section 1197.5) and pay transparency statute (Labor Code section 432.3) requiring employers to share position pay scales and prohibiting employers from paying employees at wage rates less than those of employees of the

opposite sex, or of a different race or ethnicity, for substantially similar work. Key changes include:

- **Refined pay scale disclosures:** A new definition of “pay scale” in Labor Code section 432.3 requires employers with 15+ employees to include in job postings a good-faith estimate of the compensation the employer reasonably expects to pay *upon hire*, rather than estimates based on what the position may pay in the future. For all employers, such pay scale information must also be provided to an applicant or current employee upon request.
- **Expanded definition of “wages” and “opposite sex”:** Employers must evaluate “wages” or “wage rates” for purposes of California’s Equal Pay Act based on total compensation, as opposed to just base pay. Total compensation includes 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. The prohibition on differing wages for substantially similar work now applies to employees of *another* sex, as opposed to just the *opposite* sex.
- **Heightened litigation exposure:** S.B. 642 extends the statute of limitations for claims to recover wages under California’s Equal Pay Act (3 years for all claims), codifies a broader continuing violation doctrine (allowing employees to seek relief for the entire period of the violation not to exceed 6 years), and broadly defines “cause of action” for purposes of bringing a claim.

Effective January 1, 2026, California employers must comply with the new requirements outlined in S.B. 464 and S.B. 642.