

CALIFORNIA EMPLOYMENT LAW UPDATE FOR 2027

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US Labor, Employment, and Workplace Safety Alert

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This edition of *The Essentials in US Employment Law* coincides with the close of California's 2026 legislative session and summarizes the most significant employment-related bills enacted this year. We have highlighted key provisions of the new laws taking effect in 2027, including significant developments involving:

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ARTIFICIAL INTELLIGENCE AND WORKPLACE TECHNOLOGY

SB 947: Automated Decision Systems in Employment

Effective date: 1 July 2027

SB 947, known as the “No Robo Bosses Act,” establishes new requirements governing employers' use of automated decision systems (ADS) in employment decisions. Beginning 1 July 2027, employers may not use an ADS to violate applicable labor, employment, workplace safety, or civil rights laws; infer an employee's protected status under the California Fair Employment and Housing Act; or predict and take adverse action against an employee for exercising legal rights. Employers also may not rely solely on an ADS to make disciplinary or termination decisions.

When an employer primarily relies on an ADS to discipline or terminate an employee, a human must review and corroborate the decision using the data underlying the ADS output or other relevant information. The employer must also provide the employee with a written notice disclosing the use of the ADS and the human review. In addition, affected employees may request a meaningful, objective description of their own data used by the ADS in making the decision.

Employers using artificial intelligence (AI) or other automated tools in performance management, discipline, or termination should identify the systems they use, ensure that covered decisions receive meaningful human

review, and develop procedures for providing the required notices and responding to employee data requests before 1 July 2027.

SB 951: Cal-WARN Notices for Technology-Related Workforce Reductions

Effective date: 1 January 2027

Existing California law generally requires covered employers to provide 60 days' advance notice of a qualifying mass layoff, relocation, or termination under the California Worker Adjustment and Retraining Notification (Cal-WARN) Act. SB 951 adds new disclosure requirements when an otherwise covered employment action is caused in whole or in substantial part by AI or other automated technology replacing employment positions.

For such technology-related workforce reductions, the Cal-WARN notice must identify the following:

- The number, classification or occupation, and work location of affected workers.
- The job functions that will be automated.
- The category or type of AI or other automated technology that substantially resulted in the displacement.

The notice must also state at the top that it is for a “technology displacement.” The Employment Development Department will publish summaries of these notices and quarterly statewide summaries of reported technological displacement.

Employers contemplating layoffs, relocations, or terminations involving AI or automated technology should evaluate whether the technology was a substantial cause of the employment action and, if Cal-WARN applies, ensure that the required technology-displacement information is included in the notice.

AB 1883: Restrictions on AI-Powered Workplace Surveillance

Effective date: 1 January 2027

AB 1883 adds new restrictions on employers' use of workplace surveillance tools that incorporate AI. The law broadly defines a “workplace surveillance tool” to include systems, applications, devices, and other technologies that collect employee data, activities, communications, biometrics, or behavior by means other than direct human observation.

Beginning 1 January 2027, employers may not use an AI-powered workplace surveillance tool to recognize, infer, or predict an employee's emotional state or to collect neural data. The law does not otherwise prohibit workplace surveillance tools used for safety or other purposes, provided they do not engage in those prohibited functions. Limited exceptions apply where use of the tool is reasonably necessary to comply with specified federal laws, regulations, or contracts involving aviation, national security, military, space, or defense work.

Employers using AI-enabled monitoring, biometric, productivity-tracking, or behavioral-analysis tools should review those systems before 1 January 2027 to determine whether they infer employees' emotional states or collect neural data and disable or discontinue any prohibited functionality.

AB 1331: Workplace Surveillance in Bathrooms

Effective date: 1 January 2027

AB 1331 imposes new limits on employers' use of workplace surveillance tools in bathrooms. The law broadly defines a "workplace surveillance tool" to include systems, applications, devices, and other technologies that collect employee data, activities, communications, biometrics, or behavior through means other than direct human observation, including video or audio surveillance, electronic tracking, geolocation, and similar technologies.

Beginning 1 January 2027, employers generally may not use workplace surveillance tools to monitor or surveil employees in workplace bathrooms, absent a court order. Employees also have the right to leave behind workplace surveillance tools that are on their person or in their possession when entering a bathroom, subject to limited exceptions. Employers may, however, monitor a one-time entry and exit from a bathroom and may require employees to carry certain identification, safety, or bathroom-access devices that do not record audio or video and do not contain embedded or attached AI functionality.

Employers should review cameras, tracking devices, badges, wearables, geolocation systems, and other monitoring technologies used in or around workplace bathrooms and revise any policies or practices that are inconsistent with the new restrictions. Violations may result in civil penalties of up to US\$500 per violation.

EMPLOYMENT AGREEMENTS, ARBITRATION, AND MEDIATION**AB 1697: Amendments to Employment Contract Repayment Prohibition*****Effective date: 1 January 2027***

As discussed in the "California Employment Law Update for 2026,"¹ in 2025, AB 692 enacted Business and Professions Code section 16608 and Labor Code section 926, which generally prohibit employers from requiring workers to enter into contracts that impose certain repayment obligations, penalties, fees, or costs when the worker's employment or work relationship ends, subject to specified exceptions. As originally enacted, these restrictions applied to contracts entered into on or after 1 January 2026.

AB 1697 delays application of these restrictions, by one year, to contracts entered into on or after 1 January 2027. The law also makes the prior provisions inoperative during calendar year 2026, prevents liability from accruing under those provisions for conduct occurring during that period, and renders pending claims based on alleged violations during that period moot. AB 1697 took effect immediately as urgency legislation.

AB 1697 also expands the exceptions to the "stay-or-pay" prohibition. Among other changes, it removes the requirement that a qualifying discretionary bonus be provided at the outset of employment, allowing qualifying retention and similar bonuses provided later in the employment relationship to fall within the exception. It also creates or expands exceptions for certain government-funded recruitment and retention programs; repayment of up to 40 hours of advanced paid time off following a worker's voluntary separation, subject to specified conditions; and certain compensation arrangements involving registered or licensed securities, insurance, and investment-adviser professionals.

Employers should ensure that covered repayment arrangements entered into, on, or after 1 January 2027 comply with the amended law. Employers should review offer letters, bonus and retention arrangements, training and tuition repayment provisions, paid-time-off advance agreements, and other agreements imposing financial

consequences upon separation, including agreements revised in response to AB 692 during 2026, to determine whether they comply with the amended law or qualify for one of its exceptions.

AB 2155: Limits Enforcement of Arbitration Agreements Under California Law

Effective date: 1 January 2027

Existing California law generally provides that written arbitration agreements are valid, enforceable, and irrevocable, subject to generally applicable contract defenses. Federal law similarly favors enforcement of arbitration agreements under the Federal Arbitration Act (FAA), but the law contains certain exclusions and limitations, including for contracts of employment involving certain transportation workers and, under the federal Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act, certain pre-dispute agreements covering sexual assault or sexual harassment disputes.

Effective 1 January 2027, AB 2155 amends California Code of Civil Procedure section 1281 to provide that an arbitration agreement is not enforceable under California law to the extent the agreement is not enforceable under the FAA. The legislature expressly stated that the law is intended to incorporate federal arbitration exclusions into the California Arbitration Act, including the FAA's exclusion for certain transportation workers and the federal limitations applicable to sexual assault and sexual harassment disputes.

For California employers, AB 2155 limits the ability to rely on the California Arbitration Act as an alternative basis to compel arbitration where federal law renders an arbitration agreement unenforceable. Employers that use arbitration agreements should review their agreements and enforcement strategies, particularly for employees who may fall within the FAA's transportation-worker exclusion and for claims involving sexual assault or sexual harassment.

AB 1950: Expands Court-Ordered Mediation in Los Angeles County

Effective date: 1 January 2027

Existing law permits certain civil cases in Los Angeles County to be ordered to mediation in lieu of judicial arbitration. Beginning 1 January 2027, those provisions would generally limit court-ordered mediation to cases in which the amount in controversy does not exceed US\$75,000.

AB 1950 creates a Los Angeles County pilot program that allows the Los Angeles County Superior Court to order any otherwise qualifying civil case into mediation regardless of the amount in controversy. All other statutory conditions for court-ordered mediation continue to apply. Cases ordered to mediation under the new law are entitled to up to three hours of no-cost mediation through a court-sanctioned mediation program, and the parties may appear remotely. Court-ordered mediation may not delay the trial date or otherwise serve as grounds to continue expedited proceedings. The pilot program remains in effect until 1 January 2032.

For employers litigating employment disputes in Los Angeles County Superior Court, AB 1950 may result in more cases, including higher-value cases, being referred to mediation before trial. Employers and their counsel should therefore be prepared for the possibility of court-ordered mediation even where the amount in controversy substantially exceeds US\$75,000.

DISCRIMINATION AND RETALIATION

AB 2563: Uniform Definition of “Sex Discrimination”

Effective date: 1 January 2027

AB 2563 establishes a uniform definition of “sex discrimination” across California law. Under the new law, any legislative or regulatory provision prohibiting discrimination on the basis of sex or gender must be interpreted to also prohibit discrimination based on the following actual or perceived characteristics or actions:

- Assigned sex or gender category, including female, male, or nonbinary.
- Degree of conformity to sex or gender stereotypes.
- Gender, including gender identity, gender expression, and access to, and use of, gender-affirming care and other related health care.
- Pregnancy or related medical conditions.
- Decision-making, access to care, or potential or actual use of a drug, device, product, or service relating to pregnancy or related medical conditions.
- Sexual orientation.
- Variations in sex characteristics, including intersex traits or differences in sex development.

AB 2563 also amends the California Fair Employment and Housing Act definition of “sex” to incorporate these characteristics. The law requires California’s prohibitions against sex discrimination to be liberally construed to be consistent with specified constitutional protections, including equal protection, privacy, reproductive freedom, and the right to pursue employment.

Employers should review equal employment opportunity, anti-discrimination, and anti-harassment policies and training materials to ensure they are consistent with the expanded and standardized definition of sex discrimination.

AB 2495: Unlawful Immigration-Related Practices

Effective date: 1 January 2027

Existing Labor Code section 1019 bars employers from retaliating against workers, through immigration-related tactics, such as threatening to call immigration authorities, misusing E-Verify, or demanding excessive work documents, for exercising rights under state labor law or local ordinances.

AB 2495 broadens these protections in two key ways. First, the retaliation protection now covers any right under any local, state, or federal law applicable to employees, not just state labor/local ordinance rights. Second, it adds a new, stand-alone ban on conduct tied to a person’s perceived immigration status that would reasonably discourage someone from exercising a workplace right or induce them to give one up, even without a prior retaliatory act. The existing 90-day rebuttable presumption of retaliation and the rule that actual immigration status is irrelevant to liability remain in place.

Violations are subject to a civil penalty of up to US\$10,000 per person per violation, on top of existing remedies (damages, equitable relief, attorney's fees, and costs). Courts can also suspend business licenses for repeat violations (up to 14/30/90 days for first/second/third-plus violations). Given the broader scope and the new stand-alone dissuasion prohibition, employers should review and update anti-retaliation policies and training for managers regarding immigration status or involvement of immigration authorities.

AB 1803: Anti-Hate Speech Training

Effective date: 1 January 2028

California employers with five or more employees are generally required to provide supervisors with at least two hours, and nonsupervisory employees with at least one hour, of harassment prevention training every two years. Beginning 1 January 2028, AB 1803 requires that this training also include an anti-hate speech component.

The anti-hate speech training must provide employees and supervisors with practical guidance on recognizing, reporting, and confronting workplace speech that vilifies, humiliates, or incites hatred against individuals based on any characteristic protected under the California Fair Employment and Housing Act. Training that already addresses the prohibition against unlawful harassment and prevention of abusive conduct based on protected characteristics satisfies the new requirement.

Importantly, the bill does not define “hate speech,” and this gap was flagged during the legislative process but was ultimately left unresolved before the bill was signed. Employers should expect agency guidance from the Civil Rights Department (CRD) and eventual court interpretation to fill the void if additional legislation is not enacted sooner.

Covered employers should audit and revise existing training materials and confirm that their reporting channels and investigation processes are likewise updated to respond to hate speech complaints. Given the ambiguity around the undefined standard for “hate speech,” covered employers should document their compliance efforts to avoid regulatory exposure and heightened litigation risk.

Our team will be monitoring anticipated agency guidance.

SB 1237: Increased Penalties for Pay Data Reporting Violations

Effective date: 1 January 2028

California Government Code section 12999 requires private employers with 100 or more employees to submit annual pay data reports to the CRD including various demographic and compensation information. Existing law authorizes a court, at CRD's request, to impose a civil penalty upon employers of up to US\$100 per employee for failure to file the required report and up to US\$200 per employee for a subsequent failure.

SB 1237 increases the maximum civil penalty for a subsequent failure to file a required pay data report from US\$200 to US\$1,000 per employee. The law also requires the CRD to annually publish the number of total pay data reports submitted. The number is to be shared in the aggregate, reasonably calculated to prevent the association of any data with any individual business or person.

Given the significantly increased penalties for repeat violations, covered employers should ensure timely and complete compliance with California's annual pay data reporting requirements.

LEAVES OF ABSENCE

SB 1149: Expansion of Bereavement Leave to Designated Persons

Effective date: 1 January 2027

Existing law requires California employers with five or more employees to provide eligible employees with up to five days of bereavement leave following the death of a qualifying family member. SB 1149 expands who qualifies as a “designated person.” The new “designated person” category is defined broadly as any individual related to the employee by blood or whose association with the employee is the equivalent of a family relationship.

This revised language is intentionally expansive and was contemplated to cover extended relatives (aunts, uncles, cousins, etc.) but also individuals who function as family without any legal or biological connection. This could include “chosen family,” such as a lifelong friend, a mentor, or a longtime neighbor. If the relationship is the equivalent of a family relationship to the employee, it qualifies.

An employee may identify the designated person at the time the employee requests bereavement leave. Employers may, however, limit each employee to one designated person per 12-month period, and they may request documentation of the death within 30 days of the first day of leave.

Covered employers should ensure their policy language and manager training on the expanded definition is updated accordingly prior to the 1 January 2027 effective date.

WAGE AND HOUR

SB 1316: Labor Commissioner Enforcement

Effective date: 1 January 2027

Existing law permits the California Labor Commissioner (Labor Commissioner) to record a lien against an employer's real property to collect unpaid final wage orders, but such a lien generally expires after 10 years if not satisfied or released. Existing law also restricts an employer from introducing certain payroll, time, and employment records into evidence in specified Labor Commissioner proceedings if the employer failed to timely produce those records in response to a written request.

SB 1316 allows the Labor Commissioner to renew a wage lien for additional 10-year periods by recording a renewal certificate or a renewed judgment before the lien expires, rather than letting it lapse. The law also expands the evidentiary consequences of failing to timely produce requested employment records. An employer may be precluded not only from introducing such records into evidence, but also from otherwise using or relying on them, including to impeach a witness. The rule applies to a broader range of required employment records and also extends to specified proceedings involving retaliation or discrimination, not just a wage citation.

Employers responding to a records request from the Labor Commissioner should therefore prioritize timely and complete production, since late or nonproduced records can no longer be used in any way during a hearing, not merely blocked from being affirmatively introduced. An employer that timely and in good faith advises the Labor Commissioner that additional time is needed to gather requested records is entitled to an automatic 15-day extension, and the Labor Commissioner must also consider reasonable requests for additional time.

AB 2078: Meal Periods for Stationary Engineers

Effective date: 1 January 2027

Under California law, employees generally must receive an unpaid 30-minute meal period when working more than five hours in a day. AB 2078 adds stationary engineers performing building maintenance work to the list of occupations that may be exempt from this requirement when covered by a valid collective bargaining agreement (CBA) that satisfies specified statutory criteria.

For purposes of the statute, a “stationary engineer” means a skilled tradesperson located in a fixed facility who operates, maintains, monitors, and repairs stationary mechanical equipment and building systems, and whose occupation is covered by a qualifying state-registered apprenticeship program. Employers with unionized stationary engineers should review their applicable CBAs to determine whether they satisfy the statutory requirements for the meal-period exemption.

AB 2646: Minimum Wage for Certain Agricultural Workers***Effective date: 1 January 2027***

Existing California law establishes a statewide minimum wage applicable to most employees, including agricultural workers. AB 2646 establishes a higher minimum wage for certain agricultural employees beginning 1 January 2027.

Under AB 2646, “approved agricultural employees” must be paid at least US\$19.75 per hour. The law defines an “approved agricultural employee” as an agricultural worker who resides outside California and is permitted to work in the state on a temporary or seasonal basis through an application or job order approved in whole or in part by the Labor and Workforce Development Agency or Employment Development Department. The same minimum wage also applies to a “corresponding employee,” which is defined as a California-resident agricultural worker who performs the same or substantially similar work during the same period for the same employer in the same county.

Beginning 1 January 2027, and each January thereafter, the US\$19.75 minimum wage will be adjusted based on the annual Social Security Administration's cost-of-living adjustment.

Agricultural employers using covered temporary or seasonal out-of-state workers should review their payroll practices to identify California employees performing the same or substantially similar work and ensure that both groups receive at least the applicable statutory rate. Employers should also establish procedures for implementing the required annual wage adjustments.

WORKPLACE SAFETY**AB 1961, AB 2179, and AB 1753: New Workplace Violence Restraining Order Protections and Procedures**

Under California's existing workplace violence restraining order statute (Code of Civil Procedure § 527.8), an employer can ask a court for a restraining order to protect one named employee, or that employee plus others in a similar situation, who have suffered harassment, unlawful violence, or a credible threat of violence likely to occur in the workplace. Currently, an employer cannot obtain a workplace restraining order to protect an entire worksite or group of employees without naming a least one specific employee as a protected party.

Beginning 1 January 2027, AB 1961 will enable an employer to seek a workplace violence restraining order to protect an entire worksite or group of employees, as long as the threat or violence is aimed at the location or group rather than a single employee. This closes a gap in workplace safety law where a threat is directed at an entire workplace instead of one person. An employer seeking this broader workplace violence restraining order will not need to name the specific employee as a protected party.

Beginning 1 January 2028, AB 2179 will require courts to permit workplace violence restraining order petitions and related filings to be submitted electronically and will allow parties and witnesses to testify remotely and without a fee for the remote appearance.

AB 1753 also closes a drafting gap in California's restraining order laws. While current law requires individuals subject to workplace and other types of restraining orders to surrender all ammunition along with their firearms, the law regarding how relinquishment is verified, how violations are determined, what the order must state, and the consequences for noncompliance currently only reference "firearms," and AB 1753 extends that language to include "ammunition."

Together, these measures expand employers' ability to obtain workplace violence restraining orders when threats target an entire workplace or group of employees and streamline the procedures for seeking and participating in those proceedings.

FOOTNOTES

¹ See Penny Chen Fox, Ferry Eden Lopez & Vanuhi Zohrabians, *California Employment Law Update for 2026*, K&L GATES HUB (Nov. 17, 2025), <https://www.klgates.com/thought-leadership/California-Employment-Law-Update-for-2026>.

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