

California’s 2027 Employment Laws: More Rules, Higher Stakes

California Employment Law Update on **October 5, 2026**

Fall has arrived, and Sacramento once again has supplied California employers with something scarier than Halloween ghouls: another round of workplace legislation. This year’s harvest includes restrictions on artificial intelligence, expanded leave rights, and steeper penalties. There is even a temporary reprieve from last year’s “stay-or-pay” restrictions. (Apparently, some regulations need a little regulating themselves.)

Here is what employers should know. Unless otherwise noted, the laws take effect January 1, 2027.

Legislation	Summary & Impact on Employers
AB 1331 Elhawary	Bathroom Breaks Get Additional Privacy Protections. This legislation generally prohibits employers from using workplace surveillance tools to monitor employees in workplace bathrooms and permits employees to leave carried surveillance devices behind when entering. Employers should review wearable devices, badges, and tracking policies against the new requirements.
AB 1697 Kalra	A “Stay-or-Pay” Reprieve. Effective immediately upon enactment on September 30, 2026, this law postpones last year’s restrictions on employment-related repayment provisions to most contracts entered into on or after January 1, 2027. Employers should use the additional time to review bonus, tuition, and other repayment agreements.
AB 1803 Lowenthal	Anti-Hate-Speech Training Joins the Curriculum. Beginning January 1, 2028, this law requires covered employers to incorporate anti-hate-speech instruction into their existing harassment-prevention training. The instruction must provide practical guidance on recognizing, reporting, and confronting workplace speech that vilifies, humiliates, or incites hatred based on protected characteristics.

AB 2039 Zbur	Whistleblower Protections for Reporting Attorney Misconduct. This law prohibits employers, law firms, attorneys, and their representatives from retaliating against individuals who make qualifying good-faith disclosures of suspected attorney misconduct whom they believe have made or may make such disclosures. Protection extends beyond current employees to applicants, former employees, contractors, vendors, clients, and others with a professional relationship to an attorney or firm.
AB 2155 Aguiar-Curry	Another Limit on Employment Arbitration. As we've previously reported , this law makes arbitration agreements unenforceable under the California Arbitration Act to the extent they are unenforceable under the Federal Arbitration Act. The legislation expressly incorporates federal exclusions involving transportation workers and the Ending Forced Arbitration of Sexual Assault and Sexual Harassment Act. Employers therefore lose the ability to rely on California arbitration law as an alternative basis for enforcement where these federal exclusions apply.
AB 2321 Ortega	Greater Criminal Exposure for Workplace Safety Violations. This law makes willful interference with specified Cal/OSHA investigative duties a misdemeanor punishable by up to six months in jail, a \$5,000 fine, or both.
AB 2563 Pacheco	Sex Discrimination Protections Clarified Across State Law. This law establishes a broad, consistent interpretation of prohibitions against sex discrimination across California statutes, including under the Fair Employment and Housing Act and Labor Code. Covered characteristics and conduct include conformity to sex stereotypes, gender identity and expression, access to or use of gender-affirming care, sexual orientation, intersex traits, pregnancy-related conditions, and reproductive healthcare decisions. The legislation includes harassment within discrimination and expressly describes itself as declarative of existing law.
SB 947 McNerney	Artificial Intelligence Gets Human Supervision. This law prohibits employers from relying solely on an automated decision system ("ADS") to discipline or terminate employees. Employers relying on ADS output for disciplinary or termination decisions must have a human corroborate the decision. Affected employees must receive a separate written notice when informed of the decision and may request a description of their own data used by the system.
SB 951 Reyes	Additional WARN Notices for Technology-Driven Job Losses. This law requires additional disclosures when a mass layoff, relocation, or termination subject to California's WARN Act results wholly or substantially from artificial intelligence or other automation technology replacing or automating employee positions. The Employment Development Department will publish summaries of these notices.

SB 1149 Durazo	Bereavement Leave for a “Designated Person.” This law expands existing bereavement leave rights to cover the death of a “designated person” related to the employee by blood or whose association is equivalent to a family relationship. Employees may identify that person when requesting leave, and employers may limit employees to one designated person per 12-month period.
SB 1237 Blakespear	Higher Stakes for Missing Pay Data Reports. This law increases the maximum court-imposed penalty for a subsequent failure to submit a required demographic pay data report from \$200 to \$1,000 per employee.

We will continue tracking implementation and enforcement of these laws as employers prepare for another busy year of California workplace compliance.

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