

Seven Before '27: California Employment Law Changes Employers Should Prepare For

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As 2027 approaches, California employers face several employment law changes that could affect everything from employee compensation and workplace policies to the use of artificial intelligence in employment decisions. With new requirements taking effect in the coming months, employers should be reviewing their current practices and identifying areas that may need attention before the new year.

During Dorsey's recent *Seven Before '27: 7 Policy Changes Employers with California Operations Must Make by January 2027* panel, Dorsey attorneys Nisha Verma, Ketul Patel, and Erica Chen discussed seven key developments and offered practical guidance to help employers prepare.

1. PAGA: Preparing for Proposed Regulatory Changes

California's Private Attorneys General Act (PAGA) continues to evolve, with proposed regulations addressing how employers respond to notices, correct alleged violations, and resolve claims.

Ketul discussed how the proposed regulations could create additional opportunities for employers to address certain violations before litigation. However, those opportunities come with short deadlines, making preparation essential.

Employers should establish procedures for promptly identifying PAGA notices, preserving relevant records, and investigating potential violations. Regular audits of wage statements, meal and rest breaks, overtime, and expense reimbursements can also help identify issues before they escalate.

2. Minimum Wage Increases: Understanding State, Local, and Industry Requirements

California's statewide minimum wage will increase to \$17.40 per hour on January 1, 2027, with a corresponding increase in the salary threshold for certain exempt

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employees to \$72,384 annually.

Erica explained that employers must also consider local minimum wage ordinances and industry-specific requirements, which may exceed the statewide minimum. Certain agricultural workers will also be subject to new wage requirements beginning in 2027.

Employers should review employee compensation by location and industry, evaluate exempt employee classifications, and coordinate with HR and payroll teams to ensure the appropriate rates are applied.

3. Stay-or-Pay Agreements: Reviewing Employment Contracts

California's restrictions on stay-or-pay agreements, which can require employees to repay certain employment-related expenses or bonuses when they leave a job, are changing again.

Erica discussed how recent legislation revised the restrictions scheduled to take effect January 1, 2027, while creating additional exceptions for certain discretionary payments and other qualifying arrangements.

Employers should use the remaining time before the new requirements take effect to review existing employment agreements, identify potentially problematic repayment provisions, and determine whether separate agreements or revised procedures are necessary.

4. Pay Data Reporting: Preparing for New Categories and Increased Penalties

California employers subject to annual pay data reporting requirements will face additional changes in 2027.

Erica explained that the reporting framework will expand from 10 occupational categories to 23, requiring employers to take a closer look at how employees are classified. Penalties for subsequent reporting failures will also increase, making accurate reporting particularly important.

Employers should begin reviewing workforce classifications, evaluating data collection procedures, and coordinating with HR and payroll teams well ahead of the May 2027 reporting deadline.

5. Workplace AI: New Rules for Employment Decisions and Layoffs

Artificial intelligence is becoming an increasingly important part of workplace operations, and California is introducing new requirements governing its use in employment decisions.

Ketul discussed two laws addressing AI-assisted discipline and termination decisions, as

well as additional disclosure requirements for certain layoffs involving automation.

Beginning July 1, 2027, employers will face restrictions on relying solely on automated systems to discipline or terminate employees. When employers primarily rely on these systems, meaningful human review will be required.

Separate requirements taking effect January 1, 2027, will require additional information in certain layoff notices when AI or automation substantially contributes to workforce reductions.

Ketul emphasized that employers should identify where automated tools are already being used, establish clear human review procedures, and train managers on their responsibilities when AI influences employment decisions.

6. Menopause-Related Protections: Understanding Existing Accommodation Obligations

The panel also addressed the evolving legal landscape surrounding menopause-related workplace protections.

Nisha discussed California legislation that would have expressly added menopause-related conditions to certain statutory protections but was ultimately vetoed.

Although the legislation did not become law, employees experiencing menopause-related symptoms may still qualify for protections under existing disability and accommodation laws.

Employers should ensure that HR personnel and managers understand their existing accommodation obligations and evaluate requests based on an employee's individual circumstances rather than whether a particular medical condition is expressly identified in a workplace policy.

7. Bereavement Leave: Expanding the Definition of Family

Beginning January 1, 2027, California's bereavement leave law will expand to include a designated person whose relationship with an employee is equivalent to a family relationship.

Nisha explained that the change reflects a broader recognition that family relationships do not always fit traditional definitions.

While the law does not increase the existing five-day leave entitlement, employers will need to account for the expanded eligibility requirements.

Employers should review their bereavement leave policies, update employee handbooks and leave forms, and ensure managers understand how to respond appropriately to requests involving designated persons.

Preparing for 2027

Throughout the webinar, a consistent theme emerged: preparing for new employment laws requires more than updating written policies. Employers should review their existing practices, train the people responsible for implementing changes, and establish processes that support ongoing compliance.

With 2027 approaching, taking these steps now can help California employers navigate the changing legal landscape and reduce the risk of preventable compliance issues.

This post highlights key takeaways from “Seven Before ’27: 7 Policy Changes Employers with California Operations Must Make by January 2027,” presented by Dorsey attorneys Nisha Verma, Ketul Patel, and Erica Chen.