

Insights, News & Events

CALIFORNIA'S NEW PAY TRANSPARENCY REQUIREMENTS: WHAT'S CHANGING FOR GOLDEN STATE EMPLOYERS?

Insights
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California Governor Newsom recently signed off on significant changes to California's Pay Transparency requirements. Under California Senate Bill 642 – which was approved on October 8 and takes effect January 1 – Golden State employers will have to be more specific about the pay ranges they provide in job postings. The update also extends the time workers can bring claims for violations of California's Equal Pay Act. What do employers need to know?

Revised Definition of "Pay Scale"

Current law requires that employers provide the pay scale for a position:

- To an applicant applying for employment;
- To an employee for their current position; and
- For employers with 15 or more employees, in a job posting for any position.

"Pay Scale" is now defined as a *"good faith estimate* of the salary or hourly wage range that the employer reasonably expects to pay for the *position upon hire.*" The prior definition left open the question of whether the pay range provided in job postings should include

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the full potential range. This change appears to clarify that the pay range to be provided to applicants and in job postings should reflect what employers expect to pay the candidate selected for the particular position, rather than a broader overall potential range.

Definitions of Wages, Wage Rates, and Sex

SB 642 defines the “wages” and “wage rates” for purposes of California Equal Pay Act claims to cover all forms of pay. That includes, but is not limited to: 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 law also aligns the definition of “sex” with the definition in the Fair Employment and Housing Act (FEHA).

Extension of Statute of Limitations

Workers can bring a civil action to recover wages when they are paid less than the rates paid to employees of another sex or race/ethnicity for substantially similar work. SB 642 extends the statute of limitations to bring such a claim to **three years** from the last date the cause of action occurs. A “cause of action” occurs when:

- An alleged unlawful compensation decision or other practice is adopted.
- An individual becomes subject to an alleged unlawful compensation decision or other practice.
- An individual is affected by application of an alleged unlawful compensation decision or other practice, including each time wages, benefits, or other compensation is paid, resulting in whole or in part from the decision or other practice.

A worker is entitled to obtain relief for the entire period in which the violation exists, up to six years.

Conclusion

We will continue to monitor developments related to this new law and its effect on California employers. Make sure you are subscribed to [Fisher Phillips' Insight System](#) to get the most up-to-date information. For further assistance with how to prepare for compliance with these new requirements, contact your Fisher Phillips attorney, the authors of this Insight, any attorney in one of [our California offices](#), or any attorney in our [Pay Equity Practice Group](#).