

Law360, "Preparing For New Calif. Pay Data Reporting Requirements," by Dove A. E. Burns, Esq. and Alexandria Hobson, Esq., 4-3-2026

Kaufman Dolowich's Dove A. E. Burns, Regional Managing Partner of the firm's California offices and Managing Partner of KD's New Haven office, and Alexandria Hobson, Los Angeles Partner, wrote an insightful article for Law360 on what California employers must know to start preparing for new pay data reporting requirements. Notably, beginning with pay data reports covering the 2026 calendar year, covered employers must classify employees using 23 job categories that are aligned with the federal Standard Occupational Classification system, replacing the 10 EEO-1 job categories that were previously used.

Preparing For New Calif. Pay Data Reporting Requirements

A new California law reshapes how 2026 pay data must be categorized and reported, creating immediate compliance implications and the need for employers to reassess their employee classification models now, in advance of the May 2027 reporting deadline.

Following Gov. Gavin Newsom's signing of S.B. 464 on Oct. 13, California employers will face a significantly revised pay data reporting framework under Government Code Section 12999.[1] Among the most significant changes, beginning with pay data reports covering the 2026 calendar year, covered employers must classify employees using 23 job categories that are aligned with the federal Standard Occupational Classification system, replacing the 10 EEO-1 job categories that were previously used.[2]

For employers that are already navigating complex pay transparency and equity obligations, this structural shift demands coordinated updates to workforce management systems, payroll coding and job classifications well ahead of the first filing deadline — across human resources, legal, compensation and information technology teams — to avoid rushed mapping, higher error rates, and regulatory or litigation exposure.

S.B. 464 also clarifies that demographic information collected for pay data reporting must be stored separately from personnel records, adding a data governance component to compliance planning.

The compliance stakes are also significant. Employers that fail to file required pay data reports may face civil penalties, which a court shall impose upon request of the California Civil Rights Department, of up to \$100 per employee for an initial violation and up to \$200 per employee for subsequent violations.

This article outlines the SOC job classification change, why the shift from EEO-1 to SOC job categories matters, how misclassification risks may play out in enforcement and litigation, and what steps California employers should be taking now to prepare.

The S.B. 464 Shift: From EEO-1 Buckets to SOC-Based Job Categories

California's pay data system, as originally enacted, utilized the familiar 10 EEO-1 job categories that are used in federal reporting. Employers organized employees into 10 broad job categories, e.g., executive or senior level officials and managers, professionals, sales workers, and service workers, and then reported pay and hours worked by job category, pay band, race, ethnicity and sex. This design had the advantage of familiarity, because many multistate employers were already producing similar datasets for federal EEO-1 reporting.

S.B. 464 deliberately moves away from that model. Beginning with reports covering calendar year 2026, which are due May 12, 2027, private employers with 100 or more payroll employees and private client employers that are required to file separate labor contractor employee reports under Section 12999 must:

Replace the 10 EEO-1 job categories in favor of 23 job categories that are drawn from the federal SOC major occupational groups;

Match internal job titles and job families with the SOC-based categories for reporting purposes; and

Map roles to these categories using a consistent and defensible methodology.

It is important to note that employers must still file their 2025 pay data under the existing 10-category framework by May 13. The transition to 23 categories becomes effective Jan. 1, 2027, and first applies to the 2027 reporting cycle covering 2026 pay data.

The SOC system is significantly more granular than the EEO-1 structure. Where EEO-1 might aggregate a broad range of professionals into a single category, SOC breaks out numerous specialized occupational groups, creating finer distinctions among types of work.

The California model does not import every subcategory of the SOC structure, but it does track its essential segmentation in a way that forces employers to think more precisely about what work is being performed, not just where the role sits in the organizational chart.

From a compliance perspective, this means that prior mapping decisions made for EEO-1 purposes cannot simply be rolled over into the new California reports through a simple substitution. Employers will need to undertake a thorough remapping for each role, determining the appropriate SOC-based category and ensuring that classification remains consistent across different parts of the business.

Why the SOC Realignment Matters for Risk, Not Just Logistics

Many employers' first instinct will be to view S.B. 464's changes as an IT and data systems project. While it certainly includes those elements, it also poses significant pay equity risks for California employers.

First, greater granularity naturally invites closer scrutiny. A pay data report that is organized around 23 job categories can highlight disparities that previously would have been obscured by broader EEO-1 buckets.

For example, under the old system, a wide range of "Professionals" might be aggregated into a single category, masking disparities between software engineers and marketing analysts. Under the SOC-aligned categories, those groups may be separated, making pay differences more visible in the reported data.

Second, the SOC-based approach ties reporting more tightly to job content. California regulators and plaintiffs attorneys have long argued that pay equity analysis should focus on the work that employees actually perform, not just their titles or nominal level. The shift toward SOC-based categories arguably moves the reporting framework closer to that substantive lens.

If an employer classifies two roles into the same SOC-aligned category, but maintains meaningful pay differences between those roles, that may invite questions about whether the differences are legitimately explained by bona fide factors such as experience, education or location.

Third, the new structure can make inconsistencies more obvious. Multisite employers, or those that grew through acquisition, often have legacy title structures where similar work is described differently in different business units. Under an EEO-1 framework, those variations might be masked by rolling everything up into a broad "Professionals" or "Technicians" category. Under the S.B. 464 regime, if the same kind of job is classified into different SOC-based categories across locations, that divergence may be evident in the

data, and regulators may view that as a red flag.

In other words, the switch to SOC-aligned categories is more than a mere classification update. It increases the precision of the data and, with it, the potential for regulators and private litigants to test employers' internal narratives about how work is structured and how pay decisions are made.

Misclassification Under S.B. 464: Technical Error or Substantive Problem?

Misclassification in the S.B. 464 context can take several forms, each with its own risk profile.

One type of misclassification is essentially technical: An employer maps a job to the wrong SOC-aligned category, but the mapping is still defensible and made in good faith.

For example, a hybrid analyst role could reasonably fit into more than one SOC category. Errors of this type are likely to be viewed as correctable, particularly if the employer can show a documented mapping methodology and consistency across the organization.

A more problematic type of misclassification occurs when the same role is categorized in different ways in different business units or locations without a coherent rationale.

For instance, if software developers in one division are classified into an SOC category with higher status or pay than developers in another division, a regulator may infer that the employer is either not in control of its job architecture or is segmenting similar work in ways that obscure pay disparities. In enforcement or litigation, such inconsistencies can undermine the employer's credibility and provide fodder for cross-examination.

The most serious misclassification risk arises when job category decisions are used, intentionally or not, to influence how pay equity analyses are conducted.

For example, if higher-paid employees are placed in a separate SOC-aligned category from lower-paid employees who perform similar work, the resulting data may suggest that there is no disparity within each category even though a combined analysis would show otherwise. In that scenario, plaintiffs counsel may argue that the employer's classification choices artificially segment the workforce to minimize apparent disparities. Even if that was not the employer's intent, the optics can be damaging.

The statutory framework itself does not, at least on its face, convert every classification dispute into a per se violation. But in practice, misclassification issues can become powerful leverage in investigations or litigation. A regulator who questions the integrity of an employer's job category mapping may also question the reliability of its broader pay equity analyses and the validity of its asserted defenses.

Anticipating Enforcement and Litigation Trends

How aggressively will S.B. 464's revised framework be enforced? While the precise parameters will depend on regulatory guidance and future enforcement practice, several trends are foreseeable.

For one, regulators are likely to use the new SOC-aligned data to identify outliers across industries and within particular sectors. Employers that have large pay gaps within specific SOC-based categories, especially those involving historically underrepresented groups, can expect closer scrutiny.

Similarly, if an employer's data suggests odd or inconsistent classification patterns, such as unusually small headcounts within a category where they are known to employ many people, they may find themselves to be the subject of follow-up inquiries.

Private plaintiffs attorneys will also have new material to work with. California pay data reports are not public in the same way as some pay transparency postings, but they often become discoverable in litigation.

A structured dataset that is organized around more granular categories can be a rich source of theories, including differences across locations, unexplained pockets of higher pay for certain demographic groups, or evidence that a facially neutral job architecture does not match the reality of the work performed.

Finally, enforcement agencies and private litigants alike may seize on the interplay between SOC-aligned pay data and other compliance obligations, such as job posting pay ranges, internal promotion criteria or performance ratings. Inconsistencies among these systems can provide additional points of attack.

What Employers Should Be Doing Now

At a minimum, California employers should consider the following steps:

1. Inventory and rationalize job architecture.

Many employers lack a unified job structure. Titles may multiply for various reasons, including mergers and acquisitions or outdated processes. Before mapping to SOC-aligned categories, employers should confirm what jobs they actually have, which ones are truly distinct in content, and where consolidation or clarification is appropriate. This is also an opportunity to ensure that job descriptions reflect actual duties, not aspirational or outdated narratives.

2. Develop and document a defensible mapping methodology.

Employers should establish written principles for how roles will be assigned to the new SOC-aligned categories. Those principles might prioritize job content, essential duties and required qualifications; they might also address how hybrid roles are handled. The key is consistency and documentation. If a particular role could fit in more than one category, the rationale for the chosen classification should be recorded.

3. Align HR software and payroll systems.

Once a mapping methodology is defined, employers will need to update HR software platforms and payroll systems to capture the SOC-aligned categories reliably. That may require adding new fields, recoding existing ones or building interfaces to ensure that data flows cleanly into pay data reporting tools. Employers should test those configurations well before the end of 2026 to identify and resolve errors.

4. Conduct pay equity analyses using the new categories.

Employers should consider running preliminary pay equity analyses that are organized around the SOC-aligned categories that will appear in the 2027 report, reflecting 2026 data.

This exercise can surface apparent disparities before the state sees the data and allow employers to investigate whether legitimate, documented factors explain the differences. Where they do not, employers can consider remediation, prospective changes or refinements to their job architecture.

5. Assess related policies and practices.

Because S.B. 464's categories are tied to job content, employers should ensure that other systems such as promotion criteria, career paths, job posting ranges and performance management are reasonably aligned with the same understanding of the work. If a job is classified in a particular SOC-aligned

category for pay data purposes, but job postings or performance criteria suggest a very different scope of work, that inconsistency may raise questions.

6. Plan for training and governance.

Classification decisions should not be left solely to individual managers or local HR business partners without guardrails. Employers should develop training and governance protocols so that new roles are classified consistently, changes in responsibilities trigger review and exceptions are tracked. A centralized review process for disputed or ambiguous classifications can help maintain control over the system.

Conclusion

S.B. 464's overhaul of California's pay data reporting framework marks an important evolution in the state's pay equity enforcement tool kit. By requiring employers to align their reporting with SOC-based job categories, the law increases both the complexity of compliance and the potential visibility of pay disparities. Employers that delay preparation may find themselves addressing classification and pay equity questions under the pressure of regulatory review or litigation once the first SOC-based reports are filed.

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[1] https://leginfo.legislature.ca.gov/faces/billNavClient.xhtml?bill_id=202520260SB464.

[2] https://www.eeoc.gov/sites/default/files/migrated_files/employers/eeo1/jobclassguide.pdf.