

Date of Hearing: June 24, 2026

ASSEMBLY COMMITTEE ON LABOR AND EMPLOYMENT

Liz Ortega, Chair

SB 1032 (Reyes) – As Amended May 14, 2026

**SENATE VOTE:** 29-9

**SUBJECT:** Staffing agencies: registration

**SUMMARY:** Establishes a registration and oversight process for staffing agencies. Specifically, **this bill:**

- 1) Requires the Labor Commissioner (LC) to promulgate all regulations and rules necessary to carry out the provisions of this bill.
- 2) Requires a staffing agency to register with the LC before conducting any business in this state and annually thereafter.
- 3) Prohibits the LC from permitting any staffing agency to register or to renew a registration, until all of the following conditions are satisfied:
  - a. The staffing agency has submitted an application to the LC for registration or renewal of a registration that contains all of the following:
    - i. The names and addresses of all persons, except bona fide employees on stated salaries, financially interested, either as partners, associates, or profit sharers, in the staffing agency together with the amount of their respective interests.
    - ii. Any open litigation, liens, fines, or taxes past due and disclosure of any current or past violations of the Labor Code.
    - iii. The financial status of the staffing agency.
    - iv. The business affiliations of the staffing agency.
    - v. The staffing agency owner shall sign the application and certify, under penalty of perjury, that the information they have provided on the application and in any supplementary documents or information submitted by the agency in support of the application is true and correct.
  - b. The LC, after investigation, is satisfied as to the character, competency, and responsibility of the staffing agency.
  - c. The staffing agency has paid an initial or renewal registration fee to the LC in an amount determined by the LC sufficient to defray the costs of administering this bill.
  - d. The staffing agency has provided the LC proof that a current workers' compensation insurance policy is in effect for the employees of the staffing agency that identifies and names as a certificate holder the Division of Labor Standards Enforcement (DLSE).

- e. The staffing agency has provided the LC a surety bond payable to the State of California in an amount determined by the LC.
- 4) Requires the LC, if it at any time finds that a staffing agency does not have a current workers' compensation insurance policy in effect for the employees of the staffing agency, to do both of the following:
    - a. After a hearing, deny, suspend, or revoke registration.
    - b. Notify the Department of Industrial Relations (DIR) Director. The DIR Director shall issue and serve on the staffing agency a stop order.
  - 5) Requires the LC to post on the DIR website a list of registered staffing agencies that includes both of the following for each registered staffing agency:
    - a. The name, address, registration number, and effective dates of registration.
    - b. The carrier for the current workers' compensation insurance policy that is in effect for the staffing agency's employees.
  - 6) Prohibits a business from using the services of a staffing agency without a registration pursuant to this bill.
  - 7) Authorizes, in addition to other remedies permitted by law, a registered staffing agency under this bill to bring an action in superior court against an unregistered staffing agency or a business that uses the services of a staffing agency without a registration.
    - a. Authorizes a registered staffing agency to seek injunctive relief without demonstrating actual harm.
    - b. Authorizes the court to enter an order to enjoin the defendant from engaging in any business as a staffing agency without a registration, or using the services of a staffing agency without a registration.
    - c. Entitles a registered staffing agency that prevails in an action to either of the following damages, at the election of the prevailing registered staffing agency:
      - i. Actual damages caused by the unregistered staffing agency or a business that used the services of a staffing agency without a registration.
      - ii. Statutory damages not to exceed \$75,000.
    - d. Requires, from January 1, 2027, through December 31, 2027, plaintiffs to demonstrate that the defendant had actual notice of the above requirements, as specified. As of January 1, 2028, notice of the registration requirement shall be presumed.
  - 8) Defines certain terms, including:
    - a. "Staffing agency" to mean a "temporary services employer" or a "labor contractor," as defined in existing law (see (3)-(6) below), as well as any individual, partnership,

corporation, limited liability company, association, or other business entity that, for a fee or other consideration, directly or indirectly recruits, hires, employs, assigns, refers, places, furnishes, or supplies one or more workers to perform labor or services for the benefit of, or under the direction of, a third-party business or worksite employer, whether on a temporary, seasonal, leased, project-based, or ongoing basis, and which is not already defined and regulated under other sections of the Labor Code.

- i. "Staffing agency" does not include any entity excluded from the definition of "labor contractor" (see (6) below).

**EXISTING LAW:**

- 1) Establishes the DLSE, under the direction of the LC, within the DIR, and authorizes the LC to investigate employee complaints and enforce labor laws, as specified. Labor Code § 79 et seq.
- 2) Regulates the frequency and timing of wage payments for temporary workers employed by staffing agencies or "temporary services employers." Labor Code § 201.3.
- 3) Defines "temporary services employer" to mean an employing unit that contracts with clients or customers to supply workers to perform services for the clients or customers and that performs all of the following functions:
  - a. Negotiates with clients and customers for matters such as the time and place where the services are to be provided, the type of work, the working conditions, and the quality and price of the services.
  - b. Determines assignments or reassignments of workers, even if workers retain the right to refuse specific assignments.
  - c. Retains the authority to assign or reassign a worker to another client or customer when the worker is determined unacceptable by a specific client or customer.
  - d. Assigns or reassigns workers to perform services for clients or customers.
  - e. Sets the rate of pay of workers, whether or not through negotiation.
  - f. Pays workers from its own account or accounts.
  - g. Retains the right to hire and terminate workers. Labor Code § 201.3(a)(1) and Unemployment Insurance Code § 606.5.
- 4) Provides that "temporary services employer" does not include any of the following:
  - a. A bona fide nonprofit organization that provides temporary service employees to clients.
  - b. A farm labor contractor, as defined.
  - c. A garment manufacturing employer, as defined. Labor Code § 201.3(a)(2).

- 5) Provides that if an individual or entity contracts to supply an employee to perform services for a customer or client, and is a temporary services employer or a leasing employer, the individual or entity is the employer of the employee who performs the services. Unemployment Insurance Code § 606.5(c).
- 6) Defines “labor contractor” to mean an individual or entity that supplies, either with or without a contract, a client employer with workers to perform labor within the client employer’s usual course of business. “Labor contractor” does not include any of the following:
  - a. A bona fide nonprofit, community-based organization that provides services to workers.
  - b. A bona fide labor organization or apprenticeship program or hiring hall operated pursuant to a collective bargaining agreement.
  - c. A motion picture payroll services company, as defined.
  - d. A third party who is a party to an employee leasing arrangement, as specified. Labor Code § 2810.3(a)(3).
- 7) Makes client employers legally liable for the wage, hour, and workers' compensation violations of labor contractors that supply them with workers. This joint liability applies to any business with 25 or more employees that obtains temporary or contracted workers to perform labor within its usual course of business. Labor Code § 2810.3.
- 8) Requires the DIR Director to issue and serve on an employer that has failed to provide workers’ compensation, as specified, a stop order prohibiting the use of employee labor by that employer until that employer is complying with the workers’ compensation requirements. Any employee so affected by a work stoppage must be paid by the employer for such time lost, not exceeding 10 days, pending compliance by the employer. An employer may protest the stop order by making and filing with the director a written request for a hearing, as specified. Labor Code § 3710.1.
- 9) Provides that no employer may conduct any janitorial business without valid registration and requires all employers to be registered with the LC, submit a written application, pay an annual registration fee, and establishes when the LC should not register or renew the registration of an employer, as specified. Labor Code §§ 1420-1434.
- 10) Requires the LC to issue a license to any person acting as a farm labor contractor, as specified, and establishes civil penalties for any person who violates these provisions. Prohibits the LC from issuing a license to a person to act as a farm labor contractor, or renewing that license, until specified conditions are met, including a written application, a surety bond, and a license fee, as specified. Labor Code §§ 1682-1699.
- 11) Requires a talent agency, as specified, to obtain a license from the LC, and requires a written application, an annual license fee, a surety bond, and establishes when the LC may revoke or suspend a license, as specified. Labor Code §§ 1700-1700.54.

- 12) Prohibits a person from representing or providing specified services to any artist who is a minor, under 18 years of age, without first submitting an application to the LC for a Child Performer Services Permit, as specified, including a filing fee, in an amount sufficient to reimburse the LC for the costs of the permit program. Labor Code §§ 1706-1706.5.
- 13) Requires car wash employers to annually register with the LC, as specified. Prohibits the LC from approving the registration of any employer until specified conditions have been met, including a written application, a registration fee and annual fee, as specified, surety bond, and establishes when the LC may not register or renew the registration of an employer. Labor Code §§ 2054-2065.
- 14) Prohibits the LC from permitting any person engaged in the business of garment manufacturing to register, or renew registration, unless specified conditions have been met, including a written application, registration and renewal fee, and surety bond, as specified. Labor Code §§ 2675-2684.
- 15) Requires, on and after July 1, 2016, a person acting as a foreign labor contractor to register with the LC, as specified. Prohibits the LC from registering a person to act as a foreign labor contractor, or renewing a registration, until specified conditions are met, including a written application, a surety bond, and a registration fee, as specified. Business and Professions Code §§ 9998-9998.12.

**FISCAL EFFECT:** According to the Senate Appropriations Committee:

- The Department of Industrial Relations (DIR) LCO is still reviewing the bill but expects that costs will exceed \$300,000 annually for staff (enforcement deputies, support, and supervisory staff) and IT (implementation of a new registration system for staffing agencies) to enforce the bill's requirements.
- This bill could result in an increased number of civil actions. Consequently, the bill could result in potentially significant cost pressures to the courts; the magnitude is unknown (Trial Court Trust Fund (TCTF)). The specific number of new actions that could be filed under the bill also is unknown; however, it generally costs about \$10,500 per day to operate a courtroom. Courts are not funded on the basis of workload, and increased pressure on TCTF may create a need for increased funding for courts from the General Fund. The proposed 2026-27 budget includes \$70 million in ongoing support from the General Fund to continue to backfill TCTF for revenue declines.

**COMMENTS:** Note: This bill is double referred to the Assembly Judiciary Committee upon passage out of this Committee.

Staffing agencies are third-party firms that connect businesses with job candidates to fill temporary, contract, or permanent positions. Typically, in such arrangements, the worker is legally employed by the staffing agency, not the client company where they are assigned to work. The agency is responsible for administering employee payroll, benefits and taxes,

providing workers' compensation coverage, and other HR functions. Staffing agencies employ over 1.7 million employees in California with an annual payroll of over \$50 billion.<sup>1</sup>

California employers in certain industries, including janitorial services, farm labor contractors, foreign labor contractors, talent agencies, car wash, and garment manufacturing, are subject to licensing or registration requirements with the DLSE. The requirements vary by industry, but include some combination of a written application, fee, surety bond, and proof of workers' compensation insurance. For some industries, the DIR must post a list of registered or licensed employers on its website.

While there are registration requirements for some types of labor contractors, as well as other types of employers, there is no registration requirement for the broader staffing agency industry. The author argues that this leaves workers exposed to abuse and fraud, results in lost tax revenue, and exposes law-abiding employers to unfair competition.

According to the author, "California has the largest temporary staffing market in the nation, with staffing firms generating over \$41 billion in annual revenue and employing millions of workers over the course of a year. Despite this scale, California lacks a dedicated licensing and regulatory framework for temporary staffing agencies, allowing gaps in oversight that can put workers, honest businesses, and taxpayers at risk.

Other industries that place or manage third-party workers from staffing agencies, such as the garment industry, farm labor contractors, car washes, janitorial services, and talent agencies, are already subject to specific licensing or registration requirements in California. The SAFE Act would align temporary staffing agencies with this existing regulatory approach to protect workers and promote compliance. SB 1032 will strengthen protections for workers and level the playing field for responsible employers."

The author adds that the measure supports equity, per HR 39 (Gipson, 2021), in that "SB 1032 protects vulnerable workers across California. Low-income Californians who work in this industry that are exploited may not have the resources to defend themselves from workers compensation fraud. This population often includes underserved and under resourced communities, including workers of color."

### **Arguments in Support**

UFCW Western States Council, sponsor of this bill, writes that its "provisions for mandatory registration, verified workers' compensation coverage, and a public registry of compliant agencies would provide much-needed transparency and accountability, while ensuring that staffing agencies comply with the law before harm can occur. The lack of oversight in the temporary staffing industry has led to some bad actors taking advantage of a system that allows them to misclassify workers and harm them."

### **Arguments in Opposition**

---

<sup>1</sup> Staffing Statistics by State. (2024). American Staffing Association. <https://americanstaffing.net/research/fact-sheets-analysis-staffing-industry-trends/staffing-statistics-by-state/>

The American Staffing Association writes that “the staffing industry supports the goal of SB 1032 to address workers’ compensation abuses by non-compliant staffing agencies and clients. The current proposal, however, would barely touch the broad range of workers’ compensation abuses by the bad actors. Instead of imposing an additional, duplicative, regulatory framework, the Departments of Industrial Relations and Insurance should be given the resources needed to identify and prosecute the full scope of problematic activities through increased enforcement of existing laws.”

### **Prior and Related Legislation**

AB 1515 (Committee on Labor and Employment) of 2025 attempts to regulate the professional employer organization (PEO) industry by defining key terms and prohibiting a person from providing, advertising, or otherwise holding oneself out as providing professional employer services in the state unless the person registers with the DLSE. On the Senate inactive file.

AB 1171 (Rubio), Chapter 467, Statutes of 2023, authorizes a person licensed under the Medicinal and Adult-Use Cannabis Regulation and Safety Act to bring an action in superior court against a person engaging in commercial cannabis activity without a license, as specified.

AB 1978 (Gonzalez), Chapter 373, Statutes of 2016, created a registration process for janitorial employers and required sexual harassment and violence prevention training for janitorial workers.

SB 477 (Steinberg), Chapter 711, Statutes of 2014, established a registration and oversight process with the LC for foreign labor contractors.

AB 1660 (Campos), Chapter 634, Statutes of 2012, required people representing artists who are minors, under 18 years of age, to obtain a Child Performer Services Permit from the DIR.

AB 1675 (Bonilla), Chapter 857, Statutes of 2012, established civil penalties for farm labor contractors who are found to have violated license requirements.

AB 975 (Ma) of 2011 would have prohibited a person or entity from providing professional employer services, advertising for professional employer services, or otherwise holding itself out as providing professional employer services in the state unless that person or entity registers as a PEO with the Employment Development Department (EDD), as specified. The bill would have directed the EDD to prescribe rules establishing the method for PEOs to report quarterly wages and contributions for worksite employees. Held in the Senate Appropriations Committee.

AB 2570 (Ma) of 2010 would have regulated PEOs by recognizing, for the purposes of the remittance of payroll taxes, a ‘co-employment’ contractual relationship between a PEO and a business employer. Held in the Senate Appropriations Committee.

AB 1688 (Goldberg), Chapter 825, Statutes of 2003, among other things, required employers of car washers to register with the LC and pay a specified registration fee.

### **REGISTERED SUPPORT / OPPOSITION:**

#### **Support**

>

**Opposition**

>

**Analysis Prepared by:** Erin Hickey / L. & E. / (916) 319-2091