

Date of Hearing: June 30, 2026

ASSEMBLY COMMITTEE ON JUDICIARY  
Ash Kalra, Chair  
SB 1032 (Reyes) – As Amended May 14, 2026

**SENATE VOTE:** 29-9

**SUBJECT:** STAFFING AGENCIES: REGISTRATION

**SYNOPSIS**

*According to the American Staffing Association, a national trade association, staffing agencies – sometimes called a “temporary services employer” or simply a “temp agency” – are companies that, for a fee, recruit, hire, and supply temporary workers to “client” employers who have a need for temporary workers. Under certain circumstances the staffing agency and the client employer may be considered “joint employers,” but typically the staffing agency is the employer of record who pays the salary and, most notably for this bill, obtains legally required workers’ compensation insurance. According to industry, staffing agencies employ about two million workers in California annually and pay out about \$50 billion in wages. They also generate for themselves about \$40 billion in annual revenues.*

*This bill would require staffing agencies to register with the Labor Commissioner (LC) before they can begin to operate in California. As part of the registration process, the agencies would be required to provide the LC with certain business and financial information, including proof that the staffing agency maintains a workers’ compensation policy for all of its workers. Existing law has provided similar registration requirements for businesses that provide temporary labor services, including janitorial workers, farm labor contractors, foreign labor contractors, car wash employees, and talent agencies. However, this bill is different from those other providers in that it would permit a registered agency to bring a civil action against a non-registered agency for injunctive relief and statutory damages. It would also make it unlawful for a client employer to contract with and receive workers from an unregistered agency.*

*The bill is sponsored by the United Food and Commercial Workers Union and supported by several labor organizations, as well by several professional staffing agencies. The bill is opposed by other staffing agencies and the associations that represent them, claiming that the registration requirements are onerous and unnecessary given that all employers are already required to obtain workers’ compensation insurance. Opponents especially object to the private right action, arguing that it will simply allow larger staffing agencies to harass smaller staffing agencies. The bill was previously approved by the Committee on Labor & Employment by a vote of 5-2.*

**SUMMARY:** Requires a staffing agency to register with the Labor Commissioner (LC) before conducting business in the state, prohibits the LC from registering or renewing the registration of an agency unless certain conditions are met, and authorizes a registered staffing agency to bring an action against an unregistered agency. Specifically, **this bill:**

- 1) Requires a staffing agency to register with the LC before conducting any business in this state and annually thereafter.

- 2) 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 applied to the LC for registration or renewal, and the application contains specified information, including the names and addresses of persons with an interest in the agency, the financial status and business affiliations of the agency, any open litigation, liens and taxes due and a disclosure of any violations of the Labor Code. Specifies that the agency owner must sign the application under penalty of perjury that the information provided 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.
- 3) 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 deny, suspend, or revoke the registration, as specified, and notify the Department of Industrial Relations (DIR) Director. The DIR Director shall issue and serve upon the staffing agency a stop order.
- 4) Requires the LC to post on the DIR website a list of registered staffing agencies that includes the name, address, and registration number of the agency and the name of the agency's workers compensation insurance company.
- 5) Prohibits a business from using the services of a staffing agency without a registration pursuant to this bill.
- 6) 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.
- 7) Authorizes a registered staffing agency to seek injunctive relief without demonstrating actual harm, authorizes a court to enjoin the defendant from engaging in business as a staffing agency, and entitles a registered staffing agency that prevails to recover actual damages or statutory damages not to exceed \$75,000. 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 "staffing agency" to mean a "temporary services employer" or a "labor contractor," as defined in existing law, 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.

**EXISTING LAW:**

- 1) Establishes the Department of Labor Standards Enforcement (DLSE), under the direction of the LC, who is authorized to investigate employee complaints and enforce labor laws. (Labor Code Section 79 *et seq.* Subsequent citations refer to this code unless otherwise indicated.)
- 2) Regulates the frequency and timing of wage payments for temporary workers employed by staffing agencies or "temporary services employers." (Section 201.3.)
- 3) Defines "temporary services employer" to mean a business that contracts with clients or customers to supply them workers to perform services 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, pays workers through their own accounts, and retains the right to hire and terminate workers. (Section 201.3 (a)(1) and Unemployment Insurance Code Section 606.5.)
  - f) Provides that "temporary services employer" does not include any of the following: a bona fide nonprofit organization that provides temporary service employees to clients; a farm labor contractor, as defined; and a garment manufacturing employer, as defined. (Section 201.3 (a)(2).)
- 4) 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 Section 606.5 (c).)
- 5) 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. Specifies that "labor contractor" does not include the following: a bona fide nonprofit, community-based organization that provides services to

workers; a bona fide labor organization or apprenticeship program or hiring hall operated pursuant to a collective bargaining agreement; a motion picture payroll services company, and a third party to an employee leasing agreement. (Section 2810.3 (a)(3).)

- 6) 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. (Section 2810.3.)
- 7) Requires the Department of Industrial Relations (DIR) 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 complies with the workers' compensation requirements. An employer may protest the stop order by making and filing with the director a written request for a hearing, as specified. (Sections 3700-3710.1.)
- 8) 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. (Sections 1420-1434.)
- 9) 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. (Sections 1682-1699.)
- 10) 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. (Sections 1700-1700.54.)
- 11) Prohibits a person from representing or providing specified services to any artist who is a minor, under 18 years of age, without first applying 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. (Sections 1706-1706.5.)
- 12) 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. (Sections 2054-2065.)
- 13) 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. (Sections 2675-2684.)
- 14) Requires 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 Sections 9998-9998.12.)

**FISCAL EFFECT:** As currently in print this bill is keyed fiscal.

**COMMENTS:** According to the author:

California's staffing agency system leaves workers and families exposed. Senate Bill (SB) 1032, or the Staffing Agency Fair Employment ACT (SAFE Act), would require mandatory registration, proof of workers' compensation insurance and financial capacity, and transparency for workers and businesses. This bill establishes clear oversight, real accountability, and upfront verification so staffing agencies are complying with the law before harm can occur.

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.

***Staffing agencies in the California economy.*** According to the American Staffing Association, a national trade association, staffing agencies – sometimes called a “temporary services employer” or simply a “temp agency” – are companies that, for a fee, recruit, hire, and supply temporary workers to “client” employers who have a need for temporary workers. Under certain circumstances the staffing agency and the client employer may be considered “joint employers,” but typically the staffing agency is the employer of record who pays the salary and, most notably for this bill, obtains legally required workers compensation insurance. According to industry spokespersons, staffing agencies employ about two million workers in California annually and pay out about \$50 billion in wages. Staffing agencies also generate for themselves about \$40 billion in annual revenues. However, while these numbers alone may seem large, according to the U.S. Bureau of Labor Statistics (BLS) staffing agencies account for less than 2% of the workforce, though these numbers run much higher in certain sectors of the economy. According to BLS, employers seek temporary workers – from unskilled to highly skilled – for a variety of reasons. Some startup industries use temporary workers before making an investment in a permanent workforce, some rely on temporary workers because of seasonal variations in their need for labor, and some use temporary workers to avoid the legal and administrative requirements of hiring a permanent labor force.

Whatever the reasons for hiring temporary workers, the arrangement between staffing agencies and client employers can create ambiguity – in practice if not in law – about the respective responsibilities of the parties. According to the author, this bill is particularly concerned about the responsibility of staffing agencies to obtain workers compensation insurance, so that workers who are injured on the job may obtain the compensation needed to cover for lost time or to pay medical bills. Existing law – Labor Code Section 3700 – clearly requires temporary staffing agencies and labor contractors to carry workers' compensation insurance for their employees. However, since 2014 California Labor Code Section 2810.3 has made companies with 25

temporary employees “share with a labor contractor all civil legal responsibility and civil liability” for the provision of workers’ compensation insurance. However, an employee may not always know which “employer” is responsible for obtaining the insurance and paying out any benefits. Moreover, under existing law, a client employer may not know if the staffing agency that they use has adequate workers’ compensation insurance.

Although there does not seem to be any evidence that staffing agencies are less likely to meet their legal duty to obtain insurance than any other kind of employer, the author and sponsor are correct that existing law creates a gap when a worker is injured at the client employer’s worksite but where the staffing agency had not obtained insurance, because unless the client employer hired 25 or more temporary workers, then the client employer would not be liable to obtain or pay benefits to the injured worker.

***This bill*** seeks to address the gap by requiring staffing agencies to register with the Labor Commissioner and, as part of that registration process, provide the LC with various kinds of business and financial evidence information, including evidence that it has obtained an insurance policy that covers all of its workers. The bill prohibits the LC from registering or renewing the registration of a staffing agency unless it provides the LC with the requested business and financial information. The application must be signed under penalty perjury. Additionally, the LC, after investigation, must be satisfied as to the “character, competency, and responsibility” of the staffing agency. The opponents of this legislation claim that “character, competency, and responsibility” is vague language, and they are correct; however, the same language also appears in the other provisions of the law that require applicants, including farm labor contractors among others, to register with the Labor Commissioner. (For example, see Labor Code Sections 243, 1308.2, 1684, and 1308.2.) Most important, the staffing agency must provide the LC, as part of the application process, with proof that it has obtained workers’ compensation insurance that covers all of its employees.

In addition to prohibiting a staffing agency from operating without registering and obtaining LC approval, the bill also prohibits client employers from using an unregistered staffing agency. While opponents of this bill point out that client employers may not know if the staffing agency that they use is registered, this bill will require them to find out. The bill helps the client employer obtain this information by requiring the LC to post a list of registered agencies.

***Existing registration requirements for similar businesses.*** As the author and sponsor point out, the registration requirement in this bill is not unlike those required of similar businesses, with one important exception discussed below. Existing law imposes very similar requirements, and even borrows some of the same language, found in statutes that require registration of other businesses and agencies that provide labor to client employers. These include businesses that provide workers for janitorial services, farm labor contractors, talent agencies, child performers, car wash employees, garment manufacturers, and foreign labor contractors. (Labor Codes Sections 1420 *et seq.*, 1682 *et seq.*, 1700 *et seq.*, 1706 *et seq.*, 2054 *et seq.*, 2675 *et seq.*, and Business & Professions Code Section 998 *et seq.*)

***The Private Right of Action.*** Where this bill substantially differs from requirements concerns its means of enforcement, and especially the private right action that it authorizes. For all of the other industries mentioned above, the registration requirement is enforced by the LC through existing administrative enforcement procedures. This bill also provides for enforcement by the LC and the DIR. However, in addition to this administrative enforcement, the bill creates a

private right action, and that private right of action is limited to the right of a *registered* staffing agency to bring suit against an *unregistered* staffing agency. This perhaps explains why this bill is both supported and opposed by staffing agencies and staffing agency associations. On the one hand, the rationale for this seems straightforward: given the limited funding and many other responsibilities, the LC often lacks the capacity to enforce the law. Indeed, the Private Attorneys General Act (PAGA) – which allows employees to bring actions not for purposes of compensation but to enforce the law – is premised on this principle. Indeed, where a single government agency cannot constantly monitor compliance, we rely upon private rights of action to encourage compliance. On the other hand, this bill is somewhat unusual in granting the private right of action to registered entities to be used against unregistered entities. Interestingly, the bill does not give a private right of action to the worker who is not covered by workers’ compensation insurance. To be sure, if the worker is injured on the job and discovers that the employer does not have insurance, there are other means by which the worker could seek redress. However, the worker would not have the right to seek relief to compel compliance, with or without an injury, which is a right afforded to the registered agency.

***The Cannabis analogy.*** Although the registration requirements for other temporary labor service providers do not include a private right of action for registered agencies, the author and sponsor correctly point out that a similar right of action exist in the cannabis industry, where a cannabis business who is registered with the Employment Development Department (EDD) can bring an action against an unlicensed cannabis operator. However, there are two important distinctions between registration in the cannabis industry and this bill. First, the cannabis industry until fairly recently was an unlawful business, and even after legalization many operators continued to operate outside the reach of the law. As such cannabis operators register not with the LC, but with EDD pursuant to the Business & Professions Code. Second when the Cannabis registration process was created in 2021 by AB 1138 (Chap. 530, Stats. 2021), it did not include a private right of action but instead left enforcement to the Attorney General and public prosecutors. The private right of was added by AB 1171 (Chap. 467, Stats. 2023), and it permitted licensed cannabis operators to sue unlicensed operators. Significantly, however, the bill was amended in this Committee to require the licensed operator to show actual harm in order to prevail in the action. The bill now before the Committee expressly authorizes the licensed agency to seek injunctive relief without a showing of actual harm and to recover statutory damages not to exceed \$75,000. *In sum, the author may wish to consider whether to amend the bill in order to limit enforcement to administrative remedies, as is the case with the statutes governing parallel labor provider agencies. If, on the other hand, the author wishes to keep the private right of action, then it seems reasonable to require a showing of actual harm, as this Committee required of AB 1171.*

***The exception for PEOs and OERs.*** Opponents of this bill urge the author to amend the definition of “staffing agency” to include Professional Employer Organizations (PEOs) and Employers of Record (EOR), which are both distinct from, yet similar to, staffing agencies. PEOs perform certain tasks for other employers, most notably handling human resources, processing payrolls and benefits, and, significantly, obtaining workers’ compensation insurance. The PEO strictly speaking does not employ the workers, but rather performs functions traditionally performed by employers. The EOR – Employer of Record – becomes the *legal* employer of the workers, thus assuming full legal, tax, and compliance responsibilities. EORs sometimes operate much like a staffing agency in that they may help client employers hire talent, especially from other countries. Given that PEOs and OERs perform similar functions, including obtaining workers’ compensation insurance, opponents believe that they should be subject to the

requirements of this bill. The author and sponsor have informed the Committee that PEOs and OERs were excluded from this bill because pending legislation, AB 1515 (Rubio), will, if enacted, establish a registration system for PEOs and OERs. However, while AB 1515 does indeed require PEOs and OERs to register with the Labor Commissioner, it does not contain all of the same requirements as the bill before the Committee, and most notably it does not contain the same private right of action.

***ARGUMENTS IN SUPPORT:*** The United Food and Commercial Workers (UFCW), the sponsor of this bill, writes in support:

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. Farm labor contractors, janitorial services and talent agencies are already subject to specific licensing or registration requirements in California. However, California lacks a dedicated regulatory framework for temporary staffing agencies, allowing gaps in oversight that can put workers, honest businesses, and taxpayers at risk.

The SAFE Act's 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.

One final note, SB 1032 contains a limited private right of action to allow licensed operators to seek injunctive relief against unlicensed operators. This provision is taken directly from AB 1171 (Rubio). The language was negotiated by UFCW with you and your committee staff in 2023 and became operative law on January 1, 2024. There have been no reports of abusive litigation resulting from this language.

SB 1032 is practical, common-sense legislation that benefits workers who are just trying to get a job to feed their families, responsible businesses, and taxpayers alike.

***ARGUMENTS IN OPPOSITION:*** The American Staffing Association writes in opposition:

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. History shows that responsible law-abiding agencies, which comprise the great majority of the industry, will register while a minority will not, either through ignorance or willful non-compliance.

SB 1032 could have some salutary effect provided the criteria for satisfying any registration requirement are focused on the core issue of workers' compensation coverage and do not impose needless administrative burdens on staffing agencies and the Labor Department. In its current form, however, the proposed bill would impose

multiple extraneous obligations that are tangential to the bill's core purpose, which would seriously undermine any beneficial impact.

A major concern is that SB 1032 would give registered staffing agencies the right to bring lawsuits against non-registered agencies and the businesses that use them. Private rights of action have a fraught history in California, with a well-known pattern of lawsuits based on frivolous allegations. Of particular concern is the broad-brush right to sue staffing agency clients. The basis set forth in the bill for suing clients—failing to verify that the staffing agency is registered—is so vague, fact-dependent, and subjective that it will inevitably lead to baseless lawsuits, which would have a chilling effect on the use of staffing services generally. Accordingly, we urge that the provision granting a private right of action be deleted.

To ensure that the full range of staffing services are covered by the bill, we propose that the definition of staffing agency include “professional employer organizations” and “employers of record.” PEOs and EORs are payroll providers that assume legal obligations of employers for payment of wages and benefits and for maintaining workers' compensation insurance on behalf of all or most of the full-time employees of their client companies, which include many staffing agencies. We understand that PEOs currently are seeking separate legislation that would require PEOs to register. Until such legislation is enacted, PEOs and similar entities should be subject to SB 1032.

The current version of the bill would require staffing agencies to report litigation, liens, fines, past due taxes, labor code violations, financial status, owners' background, business affiliations, and require the commissioner to make subjective judgments as to an agency's “character” and “competency.” Such matters are unrelated to and beyond the scope of the core purpose of the bill—to verify workers' compensation coverage—and would impose needless and costly administrative burdens on staffing agencies and the state.

We propose simplifying the registration process whereby staffing agencies submit a form approved by the commissioner requiring only that they: (1) identify the names and addresses of persons with an ownership interest in the agency; (2) pay a fee and post a bond, and (3) submit proof that the agency has workers' compensation coverage and that the carrier has named the Division of Labor Standards Enforcement—Licensing and Registration Unit as a certificate holder. . . In addition, we propose a safe harbor provision that would protect staffing agencies that are duly registered, and clients that duly verify such registration, from any other obligation or liability under SB 1032.

## **REGISTERED SUPPORT / OPPOSITION:**

### **Support**

United Food and Commercial Workers Union, Western States Council (sponsor)  
Arena Staffing  
Avipartner  
Baran Agency  
California Federation of Labor Unions  
Employinsure, LLC  
Group One Consulting, INC.

Insync Consulting Services  
Partners Personnel  
Partnership Organization for Workplace Ethics and Reform  
SEIU California  
SK Collective LLC  
Stellar Staffing Solutions LLC  
Tower Mobility LLC  
Union of American Physicians and Dentists

**Opposition**

American Staffing Association  
ATR International  
Bolt Staffing  
California Chamber of Commerce  
California Staffing Professionals  
Employers Depot  
ICR Staffing  
Inland Staffing  
Innovative Career Resources & Staffing  
People Connection  
Psinapse Technology  
Quest Staffing  
Royal Staffing  
Staffing Solutions  
STAR Staffing  
Talent Group LLC

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